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**McGUGAN SIMEON WINES LIMITED**  
**ASX ANNOUNCEMENT AND PRESS RELEASE**

**McGuigan Simeon Wines:  
Sales, profit, dividend up**

**Interim result for six months to 31 December 2004**

• <b>Revenue</b>	<b>\$173 million</b>	<b>up 37%</b>
• <b>EBIT</b>	<b>\$ 23.1 million</b>	<b>up 2%<sup>+</sup></b>
• <b>NPAT</b> (pre significant items)	<b>\$12.4 million</b>	<b>up 15%</b>
• <b>Interim dividend</b>	<b>10.25 cents</b>	<b>up 5%</b>
• <b>Earnings per share</b> (pre significant items)	<b>11.2 cents</b>	<b>up 7%</b>

McGuigan Simeon Wines Limited today released its financial results for the six months ended 31 December 2004.

**Highlights**

- Good result in difficult period for the industry
- Sales up 37% reflects substantial increase in export sales and bulk domestic sales and six months ownership of Miranda
- NPAT up 15% reflects increased sales and ongoing focus on costs
- Cash flow up \$4.7 million on last year due to improved cost control and increased sales
- EBIT<sup>+</sup> increased by only 2% to \$23.1 million due to treatment of rental costs associated with certain vineyards. On a like-for-like basis EBIT increased by 10%.\*

**\*Proceeds from last year's vineyard sales have reduced bank debt (and thus interest) whilst rental costs on these vineyards have increased accordingly**

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## Operational review

### EBIT

- EBIT increased by 2% to \$23.1 million. EBIT was affected by the treatment of rental costs associated with certain vineyards which we sold recently. On a like-for-like basis EBIT increased by 10%

	2004	2003
	\$m	\$m
EBIT	23.1	22.6
Adjustment for vineyard rental	1.7	-
Total	24.8	22.6

### Domestic Sales

- Branded sales increased \$16.6 million or 46%, whilst gross margin dollars derived remained relatively flat. This reflects the increased proportion of our domestic business represented by the Miranda cask and sparkling products.
- Bulk wines sales rose 145% to \$14.2 million demonstrating aggressive stock management and higher sales across all sectors.

### Export Sales

- Total export sales, bottled and bulk, grew 38% to \$80.6 million due to increased efforts to market and sell branded products despite an environment of stronger international competition and higher Australian dollar.
- Total sales into the UK increased by \$22.9 million or 79%. This reflects the success of Vinoceros (MSWL Europe) acquisition and taking full control of our sales into the UK.
- Sales into the US fell by \$4.8 million. Sales of Black Swan continue to do well but we believe there is more potential for our branded products and we are pursuing improved distribution arrangements.

### Vineyard development and management

- Contribution from this division declined by \$3.6 million because there were no new viticultural developments undertaken in the period and vineyard rental costs of \$1.7 million were incurred in 2004.

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## Comments

“This is a good result in a tough time for the industry,” McGuigan Simeon chairman David Clarke said today. “We set out to create a wine company that could produce solid results no matter where we were in the cycle.

“Our cost base and the strength of our bulk business have allowed us to manage stocks effectively in an oversupplied and competitive world wine market.

Managing Director Brian McGuigan said “we have faced difficult issues to get to this result. We are tackling the cost base and at the same time continuing to drive sales growth”.

“McGuigan is already recognised as an efficient producer by world standards. We will continue to drive costs out of the business. An administration and production review currently in progress is targeting an additional \$7 million a year in cost savings.

“We are continuing to focus on costs. However the major issue for the Australian wine industry remains the strength of the Australian dollar.

“We believe that our large scale vineyards are the way of the future for grape production to achieve the lowest possible cost base.

“At the same time we continue to drive sales in all markets. The UK is particularly strong and we have strengthened our management to reflect our increased sales in the region. The US remains our greatest challenge. We are actively pursuing new distribution arrangements to improve our sales in this market. “

## Outlook 2005

“It is still early in the season, but on current indications, we expect vintage to be marginally up on last year although we intend to provide our usual vintage update in May,” Mr Clarke said.

“We believe that competitive trading conditions for the industry driven by grape and wine oversupply will continue and the strong dollar will pressure export margins.

“We confirm our projections for 10% to 20% profit growth for the full year.”

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