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Interim Results to 31 December 2006

27 February 2007



Today's Agenda

Overview

David Clarke

Business Review

Dane Hudson

Outlook

David Clarke

Top Line Results

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Sales

- Sales* (\$149.5 million) in line with last year
 - Solid performance in branded products and export
- Cash Flow from operations on 12 month basis was \$28.9m, up \$24.2m on 2005 result of \$4.6m

Debt

- Net debt of \$154.6m (Dec 05: \$173.0m)
- Net debt to equity at 45% (Dec 05: 48%)

* before vineyard management income

Top Line Results

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Earnings

- Bitter competition in bulk and packaged products cut margins
- NPAT down 90% to \$0.6m
- No interim dividend

First Half Sales



Segment Revenue (\$'000)	31 Dec '05	31 Dec '06	Change %
Bottled wine division – branded / casks	78,822	80,341	+ 2%
Bottled wine division – private label	34,869	26,561	- 24%
Bulk wine and processing	32,927	42,575	+ 29%
Vineyards	14,182	7,140	- 50%
Total of all segments	160,800	156,617	- 3%

Geographic Wine Sales (\$'000)	31 Dec '05	31 Dec '06	Change %
Australia	56,808	63,749	+ 12%
Export	89,810*	85,728	- 4.5% (plus 4% Like for Like)

* Includes \$7.0m one off adjustment due to change in UK distribution arrangements

First Half 2006-2007 Highlights

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- Solid sales performance but low margins
 - Branded volume grew 16% over prior year
 - Achieved excess stock reduction (following inventory writedown)
 - Private label and bulk wine margins depressed in competitive environment
- Lower vintage 2007 will help bring industry back to balance
 - Likely around 40% down on prior year
 - Will reduce oversupply but will increase costs

First Half 2006-2007 Highlights

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- MSWL strategies unchanged and gaining traction
 - Export business continues to grow
 - Branded sales increasing
 - Costs remain a focus; but we are investing in growth

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Business Review

Dane Hudson

Where we are in the cycle

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- **Where the industry is now:**
 - The environment
 - Vintage '07
- **Where MSWL is now and where are we going:**
 - Six month scorecard
 - Strategic options

The Environment



- Australia is a global player in an increasingly global industry
 - Over 50% of sales exported
 - Imported wines growing quickly
 - Both trends will continue
- Global wine market has excess production
 - Last 10 years wine production in Australia has tripled
 - Most new world wine countries significantly increased production
 - Continuing downward price pressure, particularly in bulk wine
 - Successful wine companies will need large global brands
- Rising income and demographics driving demand
 - US, UK, Russia and Asia remain growth markets
 - Need own presence on the ground to fully capture opportunities
 - Consumer insights critical to success
- Environment, health and Responsible Service of Alcohol growing issues

In Australia



- Wine exports remain strong
 - Up 8% in volume to 757 million litres but down in value
 - December 2006 \$3.72 litre
 - December 2005 \$3.98 litre
 - Bulk grew 38% to 212 million litres while bottled wine slipped 1% to 528 million litres
- Australian wine consumption was 458 million litres but remains low growth (1.3%)
 - Australian sourced wines large percentage (94%) but low growth (0.2%)
 - Imported wines small percentage (6%) but high growth (22%)

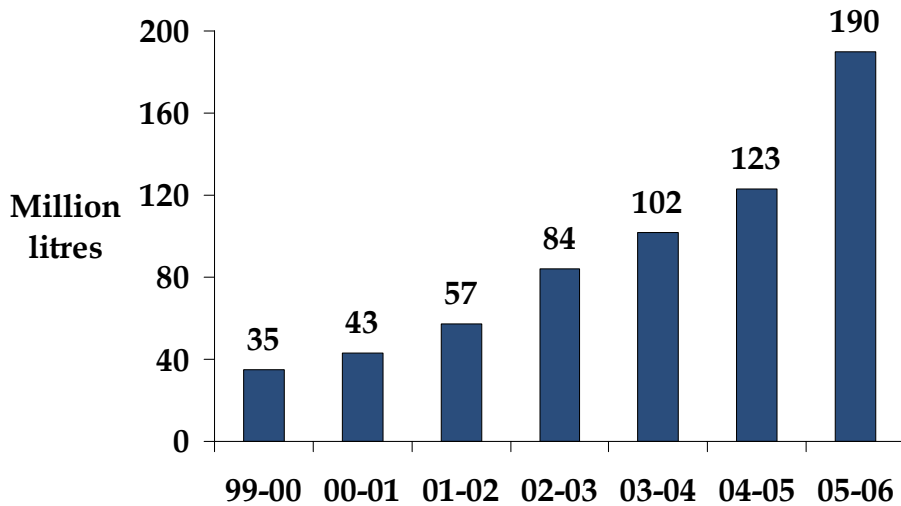
Source: AWBC

In Australia



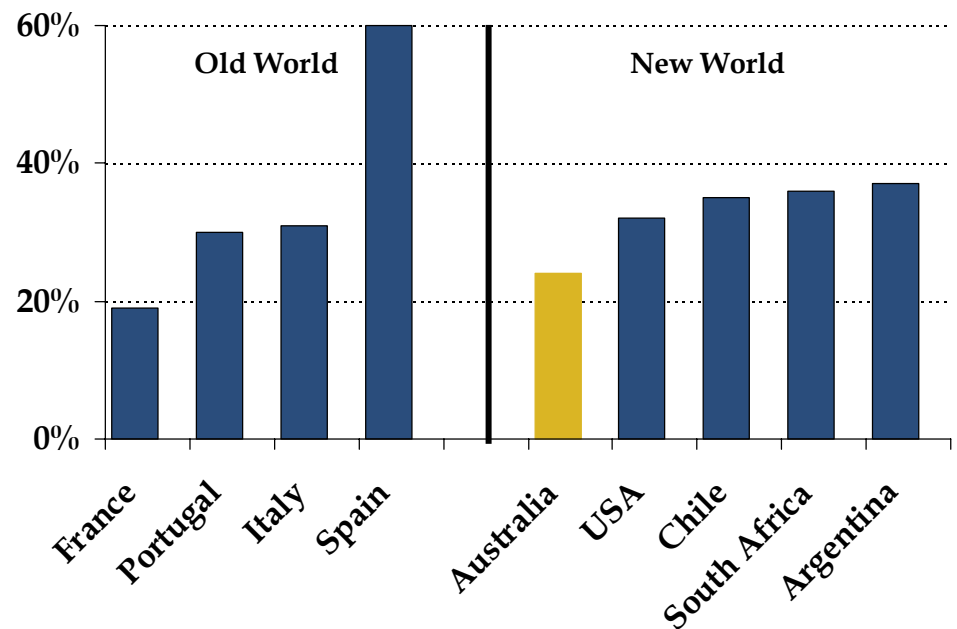
- Bulk wine is competitive and unlikely to change
 - Many new entrants with varying return expectations
 - Low margins, low marketability

Bulk Wine Export Volume



Source: AWBC

Bulk Shipments as a % of Total Export



Source: Global Wine Statistical Compendium 1961-2005

In Australia



- Branded wine margins reduced but remain attractive growth area
 - Competitive environment remains with retailer pressure and over 2000 wine companies jostling for shelf space
 - A lower vintage will lead to fewer “clean skins”
 - Strong brands will survive and grow
- Australian wines are respected globally, but
 - The higher Australian dollar and higher costs in V07 will reduce promotions, particularly in the UK
 - Volumes unlikely to continue strong historic growth

Vintage '07 - Industry returning to balance



- Vintage 2007 likely well down
 - Drought and water restrictions
 - Frosts in Victoria and South Australia
 - Smoke damage from Victorian bushfires
 - Three large vintages in previous years
- Industry estimates range from 1 million to 1.3 million tonnes (vs 1.9 million tonnes in 2004, '05 & '06)
- MSWL owned vineyards likely to be down at least 30% on last year
- MSWL costs will increase significantly due to higher grape costs and lower winery utilisation
 - Will update market post vintage

The industry is not going back to where it was

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- Industry truly global
 - Worldwide production imbalance and new Australian entrants will continue pressuring bulk wine margins
 - Local wine companies must have significant scale or boutique brands
- Old world consumption declining but US/UK/Asia ongoing growth markets
- New Challenges
 - Environment/health/RSA
 - Vintage '07 and '08
 - Retailers will not easily accept price increases to offset winemakers' higher wine costs

International Distribution, and Brands and FMCG Marketing competency critical

Six Month Scorecard - Results and Operations

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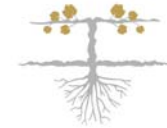
		2005	2006	Change (%)
Sales (ML)		65.1	78.5	+21
		\$M	\$M	%
Sales	- Branded	78.8	80.3	+2
	- Non Branded	67.8	69.2	+2
	- Vineyard Income	14.2	7.1	-50
	Total	160.8	156.6	-3
EBIT	(before Grand Junction)	13.0	7.1	-45
EBIT	(after Grand Junction)	13.0	4.9	-62
NPAT	(before Grand Junction)	6.2	2.1	-66
NPAT	(after Grand Junction)	6.2	0.6	-90

Six Month Scorecard – Tactical Priorities



Tactical Priorities		Recent Progress
<ul style="list-style-type: none"> • Embed discipline around core processes 	✓	<ul style="list-style-type: none"> • Process and discipline continues to improve
<ul style="list-style-type: none"> • Reduce excess stocks 	✓	<ul style="list-style-type: none"> • 78.5 million litres sold over last 6 months, stocks close to balance (2005: 65.1ml)
<ul style="list-style-type: none"> • Maintain fixed cost leverage 	✗	<ul style="list-style-type: none"> • A major challenge given small V07 and likely low V08
<ul style="list-style-type: none"> • Maximise cash flow 	✓	<ul style="list-style-type: none"> • Comfortable with cash position, will improve in second half

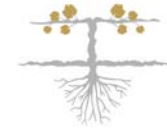
Six Month Scorecard – Strategic Priorities



First half financial result masked progress on strategic priorities

Strategic Priorities		Recent Progress
<ul style="list-style-type: none"> • Grow export 	<p>✓</p>	<ul style="list-style-type: none"> • Strategic alliance created with WaverlyTBS • GM North America appointed • Asia business growing rapidly (+163% in sales over Prior Year)
<ul style="list-style-type: none"> • Build (and buy) defensible brands 	<p>✓</p>	<ul style="list-style-type: none"> • Branded sales + 16% in volume on Prior Year • Brand research complete with relaunch strategies being defined • Sales and Purchase agreement signed with Nepenthe Wines
<ul style="list-style-type: none"> • Maintain low cost position 	<p>✓</p>	<ul style="list-style-type: none"> • Merbein Bottling & Packaging facility fully operational

Grow Export



First Half Export Sales Performance

	2005	2006	Change (%)
UK/Europe (\$)	72,830*	67,402	-7% (+2% Like for Like growth)
North America (\$)	11,377	12,228	+8%
Asia (\$)	1,236	3,247	+163%
New Zealand (\$)	4,367	2,851	-35%
	89,810	85,728	-5%

* Includes \$7.0m one off adjustment due to change in UK distribution arrangements.

Grow Export



- Strategic distribution arrangement with WaverlyTBS will drive UK branded growth
 - 34,000 On-Trade Accounts
 - Access to European retailers/distributors a likely next step
- GM of North America in place
 - Driving existing importers
 - Identifying new distribution opportunities
 - Building direct retail relationships for branded and private label
- Leveraging Tesco UK relationship
 - Working on US offering
 - Selling into Tesco Japan
- Dedicated Account Manager gaining traction in Asia
 - Sales volume up 30% (excluding bulk wine)
 - Branded sales volume up 25%

Build and Buy Defendable Brands



First Half Branded Sales Performance

	Case Sales ('000)			Dollar Sales (\$000)		
	2005/06	2006/07	% Change	2005/06	2006/07	% Change
Total Export Branded	628	715	+13.9	34,758	38,381	+10
Australian Branded	1,058	1,246	+17.8	44,064	41,960	-5
Total	1,686	1,961	+16.3	78,822	80,341	+2

- Export driven by increasing points of distribution in UK, Europe and Asia
- Australian branded sales impacted by mix shift to lower value items.

Increase FMCG Marketing Focus

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- Search underway for Marketing Director
- US appointment
- Consumer insights captured
 - Australian research project now complete
 - Clear picture of market and consumer segmentation
 - Understand how MSWL brands are viewed and opportunity areas
- Brand relaunch plans in development
 - McGuigan Black Label packaging and positioning more contemporary. Range being restructured
 - Passion Pop re-packaging and communication strategy in test
 - Tempus Two Copper Range (\$18 - \$22 price point) gaining traction

Black Label

Old



New



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Passion Pop

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Old



New



“FMCG like” Sales Force improvement initiative being implemented



Key Initiatives

- Restructured sales force better balancing resources and opportunities
- New KPI's and Incentive System – driving and aligning the right behaviour
- Pricing and promotional programs being revised
- New sales force automation technology being implemented
- New training and development linked to improving execution capability

Build and Buy Defendable Brands



Nepenthe

- Acquisition of premium brand complete
 - Premium winery, four premium Adelaide Hills vineyards and viticulture business acquired
 - Financial close expected to be completed by the end of March
- Total cost to MSWL of \$25million, to be fully funded by equity
 - Valuation of vineyards, brands and winery supported by independent consultants
- In line with our brand strategy: targeting the + \$10/bottle price segment
 - Tryst Range: \$14 - \$15 retail
 - Altitude Range: \$16 - \$19 retail
 - Pinnacle Range: \$25 - \$38 retail
- Other benefits and synergies
 - Pursue higher margin sales
 - Savings on administration and packaging costs
 - Leverage McGuigan's superior distribution networks

Build and Buy Defendable Brands



Nepenthe

- Historical financials
 - Sales of \$10 million pa (including viticulture business) with current year branded sales growing at 30%
- Annual production of between 1,200 and 1,400 tonnes
- Acquisition is earnings per share positive immediately (based on conservative assumptions regarding cost synergies only)
- MSWL net debt to equity ratio will fall from 45% to 42% as the acquisition is expected to be equity funded

Build and Buy Defendable Brands

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Altitude Range



Remain Low Cost Producer

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- Merbein Bottling and Packaging facility fully operational; although not yet fully utilised
- Continue to review the utilisation and return from each of our assets
- Working with our vineyard partners to maximise yield and quality while reducing cost
- Created cost reduction task force to identify opportunities to offset higher grape costs from V07

Summary



- Next 12 months remain challenging but for different reasons than previous 12 months
 - Industry returning to balance
 - Wine costs will increase significantly due to very low V07, and likely low V08
 - Obtaining price increases to fully cover cost increases unlikely
- MSWL's Strategic initiatives remain correct and gaining traction
 - Grow Export
 - Build and Buy Defendable Brands - embed FMCG best practices
 - Maintain Low Cost Position

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Outlook for Second Half 2006/07

Outlook



- Prices are strengthening but market remains competitive
- V07 will lead to higher cost of grapes which will pressure margins in first half of 2007/08
- International and branded growth anticipated to continue on growth curve
- V08 a major risk if drought continues

Additional Information – EBIT to 31 December 2006

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	2005 \$'000	2006 \$'000
Profit for the Period	6,194	594
Adjust for:		
Tax (benefit) / Cost	1,539	(571)
Finance Cost	5,814	5,486
Interest Received	(560)	(644)
EBIT	12,987	4,865

Disclaimer

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