

McGUIGAN
SIMEON
WINES LIMITED



ABN: 78 052 179 932

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**Australian Wine Industry Showing Signs of Recovery:
McGuigan Simeon trading positively through difficult conditions**

Following a review of its business and market conditions in preparation for its Annual General Meeting next week, McGuigan Simeon Chairman David Clarke said today that the Australian wine industry is showing signs of recovery and McGuigan Simeon is well placed to manage the difficult market conditions.

"We have weathered a 'perfect storm', three large vintages causing record oversupply and then 2007 saw the lowest vintage for seven years, caused by drought, reduced water allocations, frosts and bushfires," Mr Clarke said.

"We have said in the past that we expect 2008 to be a very challenging year with the ongoing drought impacting grape availability and wine production. This is still the case, but, we are pleased with our progress and trading for the first quarter gives us confidence in our long term prospects."

"The industry is returning to balance. As a result the overhang of wine stocks is clearing and we are seeing improvement in margins at McGuigan Simeon.

"In the first quarter, our export sales of branded wine is up over 20 per cent and at the highest margin we have achieved in some time. Additionally, we are capturing higher margins in Australia although there is still very aggressive pricing from some winemakers, particularly at lower price points," Mr. Clarke said.

"While the strong Australian dollar will slow our growth rate in the USA, the rate of appreciation has been smaller against other currencies like the Euro and pound. We remain confident about our export growth, particularly with new distributors in place in the UK and Europe.

“We estimate the 2008 vintage to come in between 800,000 and 1.3 million tonnes although our view is it will be closer to 1.1 million.”

McGuigan Simeon chief executive Dane Hudson said the company’s strategy was gaining traction.

“While we are in the great position of offering a portfolio of bulk, private label and branded wines to our export customers, we have been focusing on building our brands.

“In the UK, and a number of other European countries our branded sales have got strong momentum. We now have four of the top 50 largest brands in England. While Asia is a small market for us, we are now recording double digit branded growth.

“The launch of the new McGuigan Discover wine range at a price point of \$15.99 point has met with a very positive response after we have backed it with an innovative launch with our “City Vineyard” last week. The Nepenthe acquisition has been integrated and is performing to expectations.

The small 2008 vintage creates some utilization challenges which we are working to minimise through cost reduction and other measures. We continue to focus on being the lowest cost producer of quality wines.

“We will not see the full benefits from our strategies and from the industry returning to balance until 2009. We still need to work through the 2008 vintage but McGuigan Simeon is trading profitably and we expect to generate a small profit in the current financial year.”

Further information

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