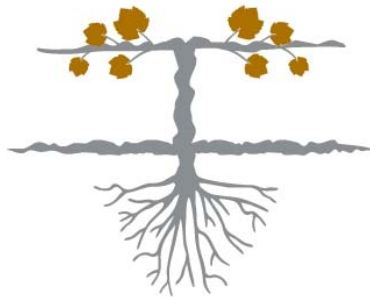


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**Annual General Meeting**  
**28 November 2007**



## FY 07: Australian wine industry's Perfect Storm

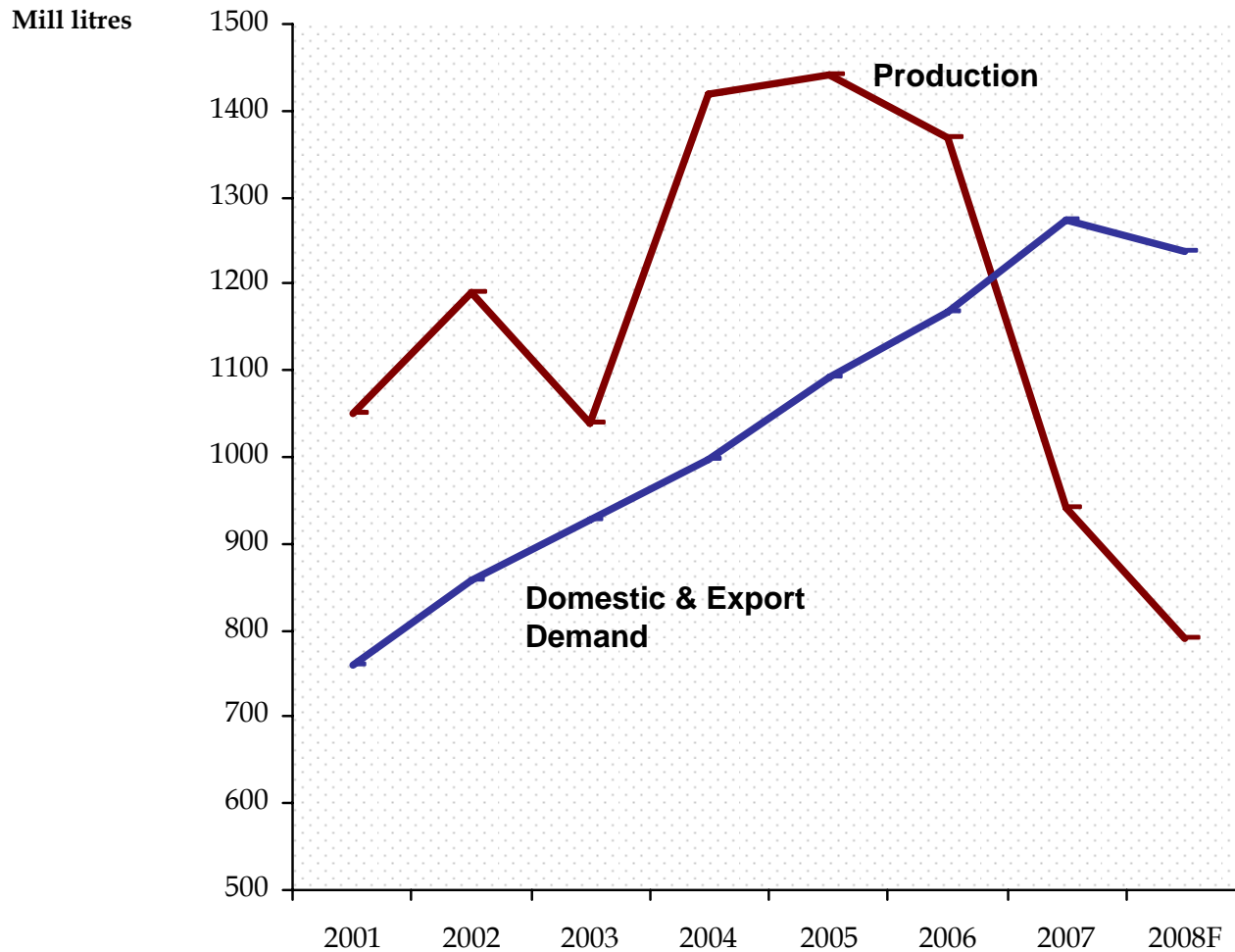
- Record oversupply after three Australian vintages (2004, 2005, 2006)
  - Surplus impacted global market pricing
- AUD at historic highs
- 2007 vintage smallest since 2000; 2008 vintage likely significantly lower
- Retail consolidation combined with oversupply impacted pricing power

However,

- Signs of Australian industry returning to balance
- Global market still growing



# Australian wine production and total demand





## Disappointing result reflects market

- After tax loss \$4.0m prior to one off items; \$5.9m after one off items
- No final dividend
- Company is in sound financial shape
  - Improving markets and margins
  - Net sales \$287 million, \$24m below prior year
  - Cash flow from operating activities \$7.7m
  - Debt to equity 44% (June 06: 46%)

# Today's Agenda



**Performance Summary**

**David Clarke**

**Business Update**

**Dane Hudson**

**Formal Proceedings**

**David Clarke**



## FY 07: MSWL in a new era in the wine industry....

- 2007 most challenging in MSWL's 15 year history
- Harvest down 30% - wineries not used to capacity, higher costs
- The positive is a return to supply demand balance more quickly and more realistic pricing

BUT

- The industry will not return to 'business as usual'
- New World wine production remains high
- Global competition is fierce



# MSWL has clear strategy for future

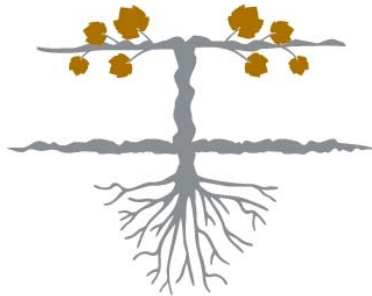
- Grow exports
  - Branded exports 4% in 2007
- Build defensible brands and reducing reliance on bulk wine sales
  - Nepenthe acquisition
- Maximise return on assets - fully utilise or exit
  - Griffith sale completed
  - Loxton sale under review

# Outlook



- Vintage 08 likely to be around 1.1 million tonnes due to drought and lack of water for irrigation
- Market in state of flux moving from oversupply to better balance
- Little change in contract wine making margins expected
- High Australian dollar will restrict improvement in MSWL's North America performance
- Targeting a small positive FY08 NOPAT

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**Business Update**  
**Dane Hudson**



## Key Topics for Today

- Industry and Vintage Update
- Building Sustainable Modern Wine Company
- Progress against Strategic Priorities



## World wine consumption increasing...

Country	Volume (ml)	Annual Growth
North America	2,987	3%
UK	1,214	2%
Asia	1,160	7%
Australia	450	4%

Source: International Organisation of Vine and Wine - March 2007 Report; WFA Sales Report June 07

## Australian wines remain attractive...

2006/2007 Export Performance	Volume (ml)	YOY Growth
UK	285	+ 6%
North America	272	+ 4%
Europe	140	+ 16%
Asia	52	+ 30%
<b>Total Export</b>	<b>805</b>	<b>+10%</b>

Source: Australian Wine & Brandy Corporation



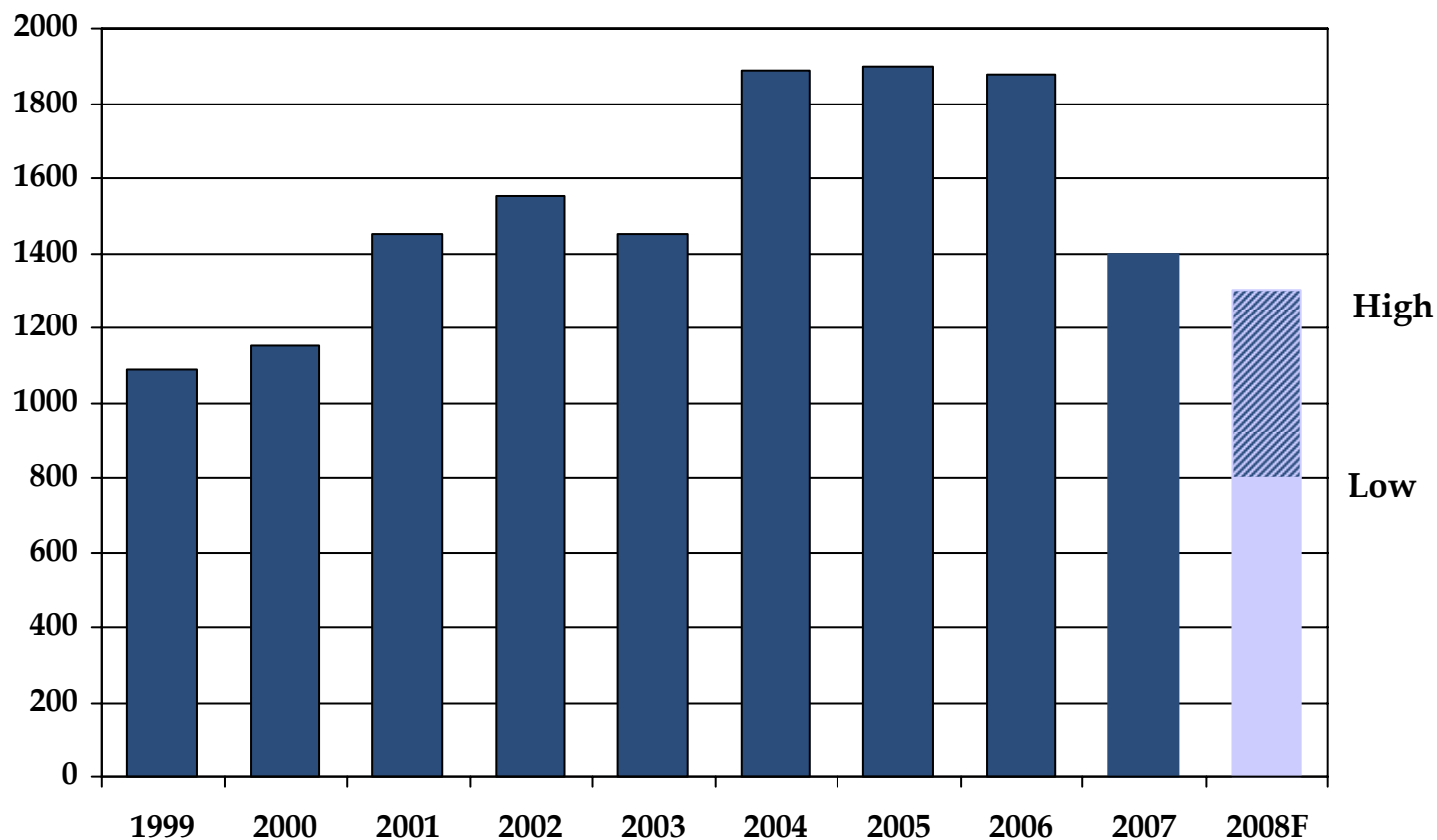
## World wine consumption is increasing and moving to higher price points

- Australian export wine volumes are up with price per litre now also increasing
- In most countries, value price points sell most wine, but higher price points growing fastest
- Historically, MSWL has had the quality wines but not achieved its fair share of the growing \$10 to \$20 Australian segment; this is changing



## Vintage 2007 lowest in 7 years, V08 certainly lower

### Australian Wine Harvest (Tonnes '000s)



Source: Australian Wine and Brandy Corporation, October 2007



# Tactical focus in 07: Building a Sustainable Modern Wine Company

## 1. Right Structure, Right People

- ⇒ Invested in export sales and global marketing capability
- ⇒ Aligned roles and responsibilities
- ⇒ Centralised administration

## 2. World Class Partners

- ⇒ 18 new direct distributor relationships

## 3. More Disciplined Procedures and Supporting Systems

- ⇒ Established performance management systems
- ⇒ Implementing centralised JDE accounting system
- ⇒ Implemented executive decision support software



## We remain focused on three strategic priorities

- ⇒ Grow Export; Particularly in branded segments
- ⇒ Build and Buy Defendable Brands
- ⇒ Remain Low Cost Quality Producer



## Wine 'ocean' drove 2007 export sales lower

	Sales Volume		Sales Value	
	2005/06 ml	2006/07 ml	2005/06 \$m	2006/07 \$m
UK/Europe	52.6	45.7	124.1	114.0
North America	14.7	14.8	26.3	22.0
Asia/New Zealand/Other	5.1	9.5	12.1	15.1
<b>Total</b>	<b>72.4</b>	<b>70.0</b>	<b>162.5</b>	<b>151.1</b>



## UK/Europe strategy driven by distribution relationships

- New distribution partners, momentum established, will show in FY 2008 sales :
  - WaverleyTBS (GB)
  - Groupe LFE (Netherlands)
  - Rotor House (Russia)
- Relationship with Tesco remains strong
- McGuigan brands growing in Great Britain (Off Licence Liquor News July 2007 survey)

- Callaway Crossing	+33%	24 <sup>th</sup> largest brand in off trade and up 1 position
- Rawnsley Estate	+117%	39 <sup>th</sup> largest brand, new entry on top 50
- McGuigan Brands	-25%	45 <sup>th</sup> largest brand, new entry on top 50
- Yaldara Brands	+255%	46 <sup>th</sup> largest brand, new entry on top 50



## North America is growth market but challenging

- US wine consumption growing: more wine at higher prices
- North America becoming largest market for Australian wines
  - MSWL share less than 6% versus target of at least 10%
- Appointed first employees; infrastructure in place; ability to direct import
- Driving current importers and establishing new direct relationships
  - Gallo relationship remains strong; although Black Swan sales disappointing
  - Supporting Tesco US launch
- New Canadian distributor in August 2007
- Will remain a challenge if AUD at +85¢



## Asia growth market

- 12 new distribution relationships established
- Branded sales growing rapidly
  - McGuigan Black Label +40%
  - Tempus Two +64%
- Leveraging Tesco UK relationship with sales into Japan, China, Korea, Thailand



## Branded Sales performance

	Case Sales ('000)			Dollar Sales (\$000)		
	2005/06	2006/07	Change	2005/06	2006/07	Change
<b>Export</b>	1,595	1,665	4%	67.7	69.1	2%
<b>Australia</b>	2,122	2,160	2%	67.0	63.1	(6%)
<b>Total</b>	<b>3,717</b>	<b>3,825</b>	<b>3%</b>	<b>134.7</b>	<b>132.2</b>	<b>(2%)</b>

- Australian branded sales impacted by mix shift to lower value cask product.



## Significant branded opportunities exist

- MSWL branded market share approximately 4%, below target of at least 10%
  - Share of +\$10 price point category less than 1%
- Many initiatives improving profitability
  - Increased prices in May 07
  - Restructured sales force with clear KPI's and targeted incentive system to shift mix to higher margin products
  - Strong new product pipeline
  - Rebranded Passion Pop and McGuigan



## Remain Low Cost Quality Producer

- Continue to review the utilisation and return from each of our assets
  - Major decision made to investigate sale of Loxton Winery
  - Griffith Winery sale completed
- Transferring Griffith packaging equipment to Merbein to improve utilisation
- Working with our vineyard partners to maximise yield and quality while reducing cost



## Summary

- Next 12 months remain challenging
  - Industry returning to balance with bulk wine prices increasing
  - Wine costs will increase significantly due to very low V07, and 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