

McG U I G A N
S I M E O N
W I N E S L I M I T E D



ABN 78 052 179 932

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ASX RELEASE

Results of Operational Review

- Inventory will be written down by between \$15 and \$20 million after tax
- Full year net profit of \$17.5 to \$22.5 million, prior to the writedown
- To the end of April 2006 sales are marginally up on last year
- No final dividend will be paid

McGuigan Simeon Managing Director, Dane Hudson, said today that after a detailed review of stock levels, following the 2006 vintage, the company would write down the value of its inventory by between \$15 and \$20 million after tax.

"While we were comfortable with stock levels at December half year, another substantial Australian vintage has significantly increased excess stocks and will put further pressure on bulk wine prices.

"Export and bulk wine prices have continued to decline. Industry wide spot market sales are growing but on the back of very low prices. The US vintage has also come in at 20% above forecast.

"The bottom line is that the market has become much more competitive, with bulk wine prices dropping by between 30 and 40c/ltr in the last 6 months. Given the importance of the bulk wine market, the value of our stocks need to reflect this reality.

"The McGuigan business model means we are able to remain competitive even in these very difficult times. At an operating level our results in the second half have been positive with stronger trends than the first half. Our increased focus on brand building while continuing to drive down costs will underwrite a strong competitive position in an increasingly competitive market. Some highlights include:

- Total sales are tracking above last year with export volume up 8% over last year
- Excluding contract processing this year's intake of 197,000 tonnes is 11% below last year's intake.
- Cost base of our 2006 wine is very competitive

- Domestic sales are down marginally due to reduction in average case price but our contract wine making business is growing and we have won a number of new private label contracts
- Bulk domestic volume sales are down by 11% compared to last year reflecting our focus on profitable or at least break-even sales in bulk

“Our core business is sound and we are confident McGuigan Simeon Wines will achieve a net profit result (before the stock write down) of between \$17.5 million and \$22.5 million for this financial year. This stock write down is a one off event.

“Our full year result will be released in late August and at that time we will provide guidance on the 06/07 forecast.”

For more information, please contact Dane Hudson on 02 8345 6323.