

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

**McGuigan Simeon Wines Limited
Annual General Meeting of Shareholders
Chairman's address
Sydney
Wednesday 28 November, 2007**

Welcome to the 2007 Annual General Meeting of McGuigan Simeon Wines Limited.

This year has been another challenging year for both the wine industry and for McGuigan Simeon. We have seen what could be described as a "perfect storm".

After three large vintages causing record oversupply, this year we had the lowest vintage for seven years – caused by drought, reduced water allocations, frosts and bushfires.

Compounding the supply issues were the high Australian dollar, continuing retail consolidation and ongoing high levels of production of other new world wines.

However I am pleased to be able to say that the Australian wine industry is showing signs of recovery and we have weathered the storm.

In the past we have said 2008 would be a very challenging year but I can report we are making good progress.

We are trading profitably and expect to make a small profit for the full financial year.

I would like to spend some time taking you through the issues we have faced so that you better understand our 2007 results and our confidence going forward into 2008.

Australian wine production and total demand

In the ten years between 1990 and 2000 Australian wine production increased by 93 per cent. In the four years between 2000 and 2004 wine production increased by another 71%. In 2001 Australian wine production reached 1 million litres for the first time.

Three years later Australia was making 50 per cent more wine. That enormous leap in wine production came about for two reasons. High prices saw huge increases in the number of grapes being produced. In fact, in the decade between 1990 and 2000, the area under grapes in Australia increased by 138 per cent.

At the same time growers were able to gain higher yields from the use of modern agricultural techniques. As in any product, as the amount of grapes being produced increased, the prices of both grapes and wine fell.

In addition as prices were falling the Australian dollar was going up. After six years of trading below 70 cents, down as low as 48 cents to the US dollar for a while, our

currency hit 70 cents again for the first time in October 2003. Since then the Australian dollar has moved up steadily against the US dollar. The strength of the Australian dollar is important to a country where 60 per cent of our wines are exported. The stronger Australian dollar made our wine exports more expensive and together with growing competition from other new world winemakers, producers like ourselves were forced to cut margins to keep sales. You can see the result in the statistics for Australian exports. Australia is the fourth largest wine exporter in the world. In the four years since 2002 Australian winemakers have exported 60 per cent more wine but at an average price 22 per cent drop below 2002 levels.

As a result of all these issues, as you would have seen from the media in recent months, many winemakers have been making losses, or at best a very small and inadequate return on their shareholders funds.

Grape growers, particularly smaller growers, are in the same position. They have been making losses or are in a position where their properties are simply unviable. Our efforts to assist growers continue as outlined by our Chief Executive Dane Hudson. Australian wine has to compete on the world market with wine from other new world countries with a lower cost of production and more freely available water. McGuigan Simeon was not immune to these global trends.

Disappointing result reflects market

We recorded a loss of \$4 million and your directors decided it was not prudent to pay a dividend. However, your company remains in a sound financial position. We are seeing improvements in our markets and margins.

And most importantly we are trading profitably.

All of us at McGuigan Simeon are disappointed with the financial results and I am sorry to have to stand before you today and report a financial loss. I want to also say, that like you, we are disappointed in the significant fall in the share price over the past twelve months.

While we can't control the share price, the weather or the financial market's reaction to the wine industry's predicament – all of us at McGuigan are working hard to manage the business through this period – and recreate value for shareholders.

MSWL in a new era in the wine industry

In my address last year I said that the 2006 financial year was the most difficult we have faced – I was wrong. In the 2007 year we faced what might be called a “perfect storm” – and certainly the most challenging year in our 15 year history. The harvest for vintage 2007 was 30% lower below the previous year.

As a consequence, our wineries were not used to capacity and that significantly increased our unit costs. We earned virtually no margin on our contract winemaking and the vineyard division made a loss. On a positive note the lower 2007 vintage should help the Australian wine industry reduce the amount of excess stock and move the industry to a better balance between supply and demand. This should also lead to more realistic pricing for wine in Australia. It is important to make the point that as much as many would like to see a return to business as usual in the wine industry, this is not going to happen.

While the weather is a big factor in the problems facing everyone involved in wine, the reality is that there has been a once in a lifetime change in the industry throughout the world.

New world wine production...production from countries like Australia, Argentina, Chile, and South Africa has increased dramatically. In general these countries compete with Australia on the world market with the same type of wines. Over the last year, as prices have dropped, the growth in production has tapered off in some countries but the net amount of wine going onto the market remains high. Clearly this generational change in the world market requires Australian winemakers like McGuigan Simeon to have a clear strategy to ensure that we continue to remain competitive.

This is the only way in which we can restore value for shareholders.

MSWL has clear strategy for future

There are three keys to our future:

1. Export sales
2. The growth of our own branded wines as well as private label wines and ;
3. A relentless drive for productivity

I am pleased to report that we are making good progress on these three priorities. For example:

- Exports of branded wine grew by 4%.
- We acquired Nepenthe Wines. Nepenthe strengthens our premium wines offering and together with Tempus Two provides McGuigan Simeon with a strong platform to grow its presence in the high quality, higher margin segments of the market.
- We are continuing to review the utilisation and return from each of our assets. For example, this year we completed the sale of our Griffith winery.

Summary and outlook

To sum up the 2007 financial year:

- The Australian wine industry has been through a perfect storm.
- We were disappointed with the financial result and the decision that we had to make not to pay a dividend.
- However your company is in sound financial shape with positive cash flow, manageable debt and solid and growing markets.
- All from the board down are focused and committed on improving returns to shareholders and we have very clear strategies in place to achieve this.
- Our strategy of reducing risk by focusing on low cost production, innovating with new products, partnering with our customers into new markets and having the flexibility to meet the challenges, means that your company is better positioned than most of our competitors.

Let me now comment on the year ahead.

“At the present time, success in the Australian wine industry depends more than anything else on water. In this context and based on current water

allocations McGuigan Simeon has adequate water in place. We believe we have an appropriate balance between permanent and leased licences.”

The official estimate for the 2008 vintage is to come in between 800,000 and 1.3 million tonnes although our view is it will be closer to 1.1 million. This is well below the record vintages of 1.9 million tonnes and is significantly lower than demand. 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. McGuigan Simeon is trading profitably and we are forecasting a return to profitability for the 2008 financial year.

I would like to acknowledge the efforts of all of the McGuigan staff and management and thank them for their ongoing commitment to achieving outcomes that will deliver the kind of results which shareholders expect.

I will conclude by saying that your company is in sound financial shape. We are disappointed that we were unable to declare a final dividend. We see challenges in the near term with the 2008 vintage, but we are trading profitably and we are confident that our strategies are correct and McGuigan Simeon can deliver long term shareholder growth. We thank you for your ongoing support.

David Clarke
28 November 2007