MCGUIGAN SIMEON WINES LTD AGM
MASONIC CENTRE, SYDNEY
23 NOVEMBER 2005
MANAGING DIRECTOR'S ADDRESS

(slide 10 – LOGO)

Thank you David, Good afternoon ladies and gentlemen. I would like to join David in welcoming you all here today – it is great to see so many familiar faces and I hope there is time to catch up with you all.

Today I want to give you an understanding of our results, where our operations are focused and our strategy to grow *and continue to reward shareholders* despite the difficult environment the industry faces in the next 2 years.

Firstly let me say, I am disappointed with our '05 results. This is the first occasion in the 13 year history of the company, when we have not delivered, profit growth.

(slide 11 – ONE OF THE TOUGHEST)

The year was one of most difficult I have experienced in my 40 years in the wine industry.

While all of us at McGuigan Simeon Wines Limited - the staff, the management and directors - worked diligently to achieve growth we did not exceed our '04 profit result. This is because external pressures during the year had a significant adverse impact on our markets, margins and production. Those pressures were numerous and I will discuss them with you in a few minutes.

The result was disappointing but the efforts and experience of our people combined with the structure of our company meant that we were able to deliver a very creditable profit in tough market conditions.

Compared to many other wine companies we performed well. But as you can tell from my remarks we are certainly not satisfied and this year we are redoubling our efforts.

The pressures we faced included:

- Firstly, the continuing strength of the Australian dollar. This impacted our competitiveness in overseas markets. Put simply the Australian dollar was 10 per cent higher than it was in the same period of 2004.

- Secondly, the oversupply of grapes in Australia and overseas. The record vintages in Australia started in 2002. 2002 was surpassed in 2004 and topped in 2005 with the biggest vintage of all.
- Thirdly; structural change in the industry. As you know many wine companies facing difficulties have not only impacted industry confidence but the balance and relationships between the growers, the producers, retailers and consumers.
- Fourthly; the globalisation of liquor retail, liquor distribution and also production and the emergence of mega corporations in these various areas has put pressure on all suppliers and we are no exception.

The issues are industry wide in Australia, if not world wide. But they have all been felt in the 2005 year which made it very tough for us to meet our profit targets despite the underlying strength and growth of McGuigan Simeon Wines' business.

But the comforting fact is that experience tells us they are cyclical and we will weather this environment. I have been part of the Australian wine industry for more than 40 years and this is the third time I have seen a period of correction. I am confident that McGuigan Simeon Wines will come through this period not only stronger but positioned for growth. I believe the 2005 results demonstrate our underlying strength and potential.

To the result

(slide 12 – CREDITABLE RESULT)

The core result of the company in 2005 was very good. Sales increased from $323- to $377 million – a 16 per cent increase which is very significant and pleasing in today's environment.

EBITDA before vineyard contribution also known as SGARA showed we increased from $60 million to $62.5 million, an increase of 5 per cent. SGARA is the value of our vines and grapes we are required to report each year based on market value of fruit.

So, sales were good but falling grape prices and its impact on vineyard contribution impacted our bottom line.

We expect vineyard contribution to reduce again during 2006 vintage as a result of continuing falling grape prices.

So, our profit result was driven by greater volumes and a strong sales effort. Domestic sales were up, export sales were up and we continued to reduce our costs of operations.

All very important performance criteria in the company maintaining its position as one of, if not the, most efficient winemaker.

(slide 13 – OPERATING STRATEGY)

Our focus in this current environment is four fold:

- Firstly, control costs, costs and costs
- Secondly continuing innovation and market development and improving relationships with key buyers
- Thirdly maintaining and improving our position as Australia's most efficient wine producer

And finally being part of the restructuring of the industry – particularly with growers – so that we can be part of shaping the future – we are working hard with growers to develop an innovative model so that we become partners with growers in wine production.

Today we are the buyers of growers' produce, taking all the risks. The change, we are proposing….if we can implement it…..will have a revolutionary effect on relationships, costs, market risks, working capital and of course profits.

Many of you have asked me over the past couple of months where are we in the cycle. I must tell you that I am not sure whether we have hit the bottom or not.

If you can tell me when the Australian dollar will be at 70 cents I will tell you that balance will start to return to the stock/sales ratio in the wineries of Australia. In this context it was pleasing to see the recent decline in the Australian dollar to around 73 cents.

What I do know is that we are doing everything we can to ensure that we minimise the effect on our bottom line and ensure that we will be the fastest out of the blocks when balance of fruit supply returns.

In the meantime, though, we can't wait for currency adjustment to achieve better profitability. We must reduce our wine costs so that we are world competitive even at 75 or 80 cents Aussie to the US dollar.

What I want to talk to you about is how we are addressing this issue at McGuigan – and the competitive advantage we have.

(slide 14 – RECORD VINTAGE)

At the close of the first half 2005 we were confident that we would reach our profit target. That was based on industry statistics that the '05 vintage would reach 1.8 million tonnes only. Clearly this was wrong. Australia had in 2005 a bumper crop, a record crop which subsequently pressured the supply / sales ratio and squeezed our margins and profits.

We are now 13 per cent of the total intake of Australia's wine production. But what is important for McGuigan operations is that we have our stocks in balance. That means that we have been able to manage and sell all of our wine without the need to stockpile wine or have any significant writedowns.

I would like to emphasise these points: to say again –

a. We have our stocks in balance. Therefore it has not been necessary to have any writedown. We can sell what we have left in our storages. Our stock is in balance because we have cleared our stock. Mind you, not at our budgeted gross profit, because of the competition in he market. We have taken our medicine. We have sold stock at slender margins so that we don't have an overhang. We are going to keep our stocks in balance by processing volumes of fruit that we know we will sell.
b. Our stocks are in the accounts at cost price. We do not capitalise financing costs. Therefore our stock is not overvalued.
c. As a result, we will have space for the '06 vintage. We have not purchased additional storage for '06. We will have intake balanced with sales for the 06 vintage.

Because of these, and for a number of reasons, I am very positive about the future.

(slide 15 – EXPORTS OF AUSTRALIAN WINE)

Firstly, more than ever the world wants Aussie wines. Look at the statistics. We continue, even in the last year when the effect of the dollar was negative, to expand exports year upon year. Australia is still achieving a percentage increase of eight per cent in dollar terms in the wine it sends overseas.

We see conditions improving and sales increasing extremely well in the UK and also in Europe. As well, we see good improvement in the United States, New Zealand and Canada.

(slide 16 – DOMESTIC SALES AUSTRALIAN WINE)

In Australia we have also seen a small increase of three per cent in sales in dollar terms.

So consumption of wine in Australia and world wide is rising. And pleasingly McGuigan Simeon's sales growth is higher than the industry's growth.

To growth…

(slide 17 – SOLID GROWTH)

I would like to take you through our sales in some detail. As you see on the top line, the value of export bottled sales, branded, went up eight per cent. We are fairly happy with that. Export buyers own brand and Export bulk have increased sales of 49 per cent in both categories. If you average all that out you will see that we have 34 per cent increase when the nation is increasing its export wine sales by a less than ten per cent. So, on that basis, we are faring well.

Domestic, you see we have increased sales by 15 per cent in an environment where the industry rose by three per cent. Domestic bulk is flat because all wine companies have adequate supply. Vineyards, and of course this is the area that includes SGARA, went down – and we are looking at ways to reduce the fluctuations on returns from our vineyard operations.

But our total sales increase was, as you see, from $323 million to $377 million, an increase of 16 per cent. We are very pleased with that. That represents a volume increase from 113 million litres to 139 million litres, an increase of 23 per cent.

(slide 18 – DOMESTIC)

I was very pleased with our domestic growth in 2005. The pressure is on and has been on, as we all know, for some time. Icon, the company that Lisa now manages, is faring well in a market where there is such selling price pressure.

But Icon works very diligently at undertaking innovative marketing, launching new products, maintaining relationships with retailers and ensuring efficiency of operations.

(slide 19 – NEW PRODUCTS)

During the year we introduced a number of new products including Vin Rosé to take advantage of the rebirth in popularity of the Rose' style. Lisa is also relaunching the Tempus Two range with a magnificent new label and we are also extending our promotional activities like Uncork the cash etc which our research says continues to be an important link to consumers.

You may be interested to know that Black Label Red is now the top selling red in this country.

(slide 20 - EXPORT)

Now, to export. You can see in the UK and Europe we have increased our sales by 37 per cent. We have expanded our facilities in the United Kingdom and our relationship with large chain outlets has also strengthened and we are pleased with progress.

In America, we faced problems with our own McGuigan distributor but our sales of other brands grew by a pleasing 28 per cent. In New Zealand we recorded a 72 per cent increase in sales which was very pleasing because the market was as competitive as it was in Australia.

Overall we achieved four times the industry average for sales growth on a percentage basis. We lifted performance 34 per cent compared to the industry's eight per cent increase in dollar terms.

I am pleased with the volume results but not the Gross Profit rates that we achieved to reach these volumes. This is a reflection on margins and the impact of maintaining shelf prices in the face of a strong currency.

Let me now touch on the priorities for the current year.

(slide 21 - PRIORITIES)

Firstly and obviously we must continue to increase sales – but sales at the right gross profit.

Secondly, we are facing a very difficult domestic market with changes in consumer spending priorities and increased competition from our peers. In fact we've seen quite a severe deterioration in retail conditions in the past two months.

Thirdly, we must reduce costs and there are three key areas of focus – we must work hard at reducing grape costs, maintaining margins by driving operating efficiencies at production sites and thirdly consolidating our bottling and packaging. Merbein gives us the opportunity to do that.

In terms of grape costs we have been looking at a new paradigm for our grower relationships. In the year we cut back contracts or reduced quantities where we could. But, as I explained earlier, we would prefer to no longer be a purchaser but partner with growers and share the benefits and risks over the long term. We have made some progress in discussions with growers about this kind of relationship in the future.

Additionally, we will be suspending some grower contracts as a result of a significant industry oversupply of Australian wine.

The recently acquired Merbein facility is well equipped for bottling, packaging, and, of course, warehousing and we will be consolidating our production planning, warehousing and dispatch of both domestic and export product at the Merbein site. It is a perfect location for us because it is within a stone's throw of our Buronga winery and Loxton is just down the road, so our two major plants are within a very short distance and this will introduce lots of efficiencies for us. From Mildura there is an overnight train to the Port of Melbourne. We will begin exporting from this facility in April May 06 and will move our domestic despatch there after that.

On the sales front we have seen buying power concentrating in fewer and fewer hands, not only in Australia but right around the world and we need to continue to develop strong relationships with our customers and develop new products that consumers want to purchase.

In the past 2 months we've seen another significant turn in the domestic and to a lesser extent export markets which has included

- a decline in bulk wine sales, and
- discounting by some suppliers into retail outlets.

This is impacting our competitiveness.

(slide 22 - LOGO)

Let me just finish up by repeating that I was disappointed we didn't improve our profit position in the 2005 year – However, I believe our result was a creditable one in very tough operating and market conditions. I think these conditions will continue for the next 18 months to 2 years as the industry responds to the glut of grapes and wine. Sales volumes are likely to be reasonably strong, but margins are continuing to be affected as I mentioned. Grape oversupply will impact on our costs, so also our margins.

We are nevertheless confident that our strategy and our direction are appropriate. Can I assure you all that all our staff are committed through loyalty and hard work to have our company emerge, from the industry's low point in the cycle, to be one of Australia's if not the world's leading wine companies.

Ladies and gentlemen before I finish I wanted to advise you of a decision I and my family have made. I mentioned to you that I have been in the wine industry for 45 years, the past 13 of them as many of you know, building this great company. I have advised the Board that I would like to step back from the day to day pressure of running the company, to give me more time to focus on specific wine industry initiatives and spend some time doing things together with my wife.

So, we have engaged an executive search firm to seek a new chief executive for the company. There is not an immediate need. I am not going anywhere fast and we want to make sure that the right candidate is chosen, has the right cultural fit and can take the company to a new level of growth.

I intend to stay involved with the company. I love the industry and the company. It bears my name and I believe in what we can do in the future.

I am, and intend to remain, a significant shareholder in the company. However, I have also advised the Board that I intend to sell a parcel of shares in the near future to fund some personal interests and diversify my financial portfolio. The Board and I thought it was important to disclose this to you.

Thank you ladies and gentlemen. Thank you for your loyalty and support to the company over the last 13 years. I will now hand you back to our chairman.