

## TAKEOVER BOOST FOR MONTANA IN EUROPE

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INTERNATIONAL bids by drinks giants for British liquor multinational Allied Domecq may give Allied's New Zealand business, Montana Wines, a bit of a boost in Europe, analysts say.

France's Pernod Ricard, the world's third-largest liquor maker, is leading a NZ\$19.7 billion battle for Allied Domecq, which in 2001 bought Montana Wines for NZ\$1 billion.

Early this week, Britain's Diageo -- the world's biggest distiller -- said it would buy most of Allied's Montana Wines if the Pernod bid was successful.

Diageo, which has said it was keen to expand its wine business, has agreed an option to buy the New Zealand Montana business for about NZ\$824 million. The option excludes three Montana labels, Stoneleigh, Montana's third biggest export brand, as well as Corbans and Church Road.

Diageo's stable of leading brands includes Smirnoff vodka, Guinness beer and Johnnie Walker whisky.

"I'm not sure anyone would notice the change of ownership. It'll probably be much of a muchness, with perhaps just a change of name on the letterhead. But it might help New Zealand into Europe," said Tim Morris, retail consultant at **Coriolis Research**.

"New Zealand, for example, currently exports more wine to Fiji than to France."

New Zealand's main export market for wine is Britain followed by the United States and Australia.

The 2004 vintage totalled 166,000 tonnes of grapes, a 117 per cent increase on the frost-reduced 2003 vintage, according to New Zealand Winegrowers.

New Zealand wine exports rose 15 per cent by volume and 7 per cent by value in 2004 to 31.1 million litres, worth NZ\$302.6 million.

New Zealand Winegrowers reported earlier this year big increases in sales of red wine, especially pinot noir, and said Canada and Germany had now become important markets.

Montana is New Zealand's biggest wine producer. The winemaker became the subject of a bitter ownership tussle in 2001 between Lion Nathan and Allied Domecq.

In April, Allied agreed to be bought by Pernod and US partner Fortune brands. This sparked interest in Allied from a consortium headed by Constellation Brands, the world's biggest wine group.

Constellation has made a bid proposal, but has not yet made a formal offer for Allied.

## WINE AND WHISKY

Diageo, which owns Johnnie Walker whisky, wants to buy most of Montana Wines from Allied Domecq for around \$824 million. Who is Diageo Formed in 1997 from the merger of GrandMet and Guinness. Mostly a beer and spirits business with brands such as Smirnoff, Baileys, Captain Morgan and J&B. What it's buying Brands include Montana Estates, Montana Reserve, Brancott Vineyards, Lindauer, Chardon, Bensen Block. What it's not buying Stoneleigh, Corbans and Church Road. Why it's buying Adds premium New Zealand wine brands to a wine portfolio dominated by French and Californian wines such as Piat D'or.