AN OVERVIEW OF THE NEW ZEALAND WINE INDUSTRY

Final 1.0

May 2006

CORIOLIS RESEARCH

Coriolis Research Ltd. is a strategic market research firm founded in 1997 and based in Auckland, New Zealand. Coriolis primarily works with clients in the food and fast moving consumer goods supply chain, from primary producers to retailers. In addition to working with clients, Coriolis regularly produces reports on current industry topics. Recent reports have included an analysis of "Retail Globalization: Who's Winning" and an "Overview of the Growth of Foodservice."

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The coriolis force, named for French physicist Gaspard Coriolis (1792-1843), may be seen on a large scale in the movement of winds and ocean currents on the rotating earth. It dominates weather patterns, producing the counterclockwise flow observed around low-pressure zones in the Northern Hemisphere and the clockwise flow around such zones in the Southern Hemisphere. It is the result of a centripetal force on a mass moving with a velocity radially outward in a rotating plane. *In market research it means understanding the big picture before you get into the details.*

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PROJECT SCOPE
This project provides an overview of the New Zealand wine industry targeted at potential international investor

- Investment New Zealand is New Zealand's national investment promotion agency. It is a specialist unit within New Zealand Trade and Enterprise (NZTE), New Zealand's national economic development agency. Investment New Zealand actively assists international corporate investors to:
  - relocate their businesses to New Zealand
  - establish greenfield operations
  - invest in and work with New Zealand companies in global ventures
- It also matches high-growth New Zealand businesses in strategic sectors to international investors. These investors provide capital, technical and management capability, overseas distribution channels, and help fill gaps in the New Zealand industry value chain.
- The New Zealand wine industry, with NZTE's support, has placed a priority on developing new export markets, including through international investment. The powerful distribution networks international investment can provide will allow the New Zealand industry to maintain shelf-space and brand awareness in new and existing export markets.
- As part of this effort, Coriolis Research has been asked to develop an overview of the New Zealand wine industry to promote further inward investment into New Zealand's wine sector.
  - Providing a sound framework of facts and figures to potential international investors allowing them to make informed decisions
  - Highlight the phenomenal growth of the industry to date and its strong position in key export markets
  - Document the strong international investment to date in the industry and the openness of New Zealand to further international investment
  - This report is structured to give a complete overview of the New Zealand wine industry suitable for preliminary market due diligence

PROJECT STRUCTURE AND LIMITATIONS
This project was structured as follows

- Analyse the industry across its supply chain
  - Inputs to wine production (grapes, packaging & other supplies)
  - Wineries
  - Export markets for New Zealand wine
  - The New Zealand domestic market for wine (including wine imports)
  - Support activities, including education, research and development and industry bodies

- Incorporating data from numerous sources, including:
  - Interviews with winery owners, managers and winemakers as well as key suppliers and industry experts
  - Statistical data from Wine New Zealand, Statistics New Zealand, international trade data and other primary sources
  - Information on specific wineries from industry publications, industry guides, the companies office and press articles

- This project has a number of limitations:
  - As an introductory overview it will not provide a deep analysis of all regions, varieties, wineries or issues
  - Much of the data used has limitations inherent in its methodology (e.g. WineNZ voluntary surveys of membership)
  - It incorporates subjective comments from interviews which often disagree with each other

KEY SECTIONS
This report is divided into two key sections, the first of which looks a the case for investment

1. The case for investment in New Zealand

2. Preliminary market due-diligence

INVESTMENT CASE - EXECUTIVE SUMMARY
We believe a strong case can be made for investment in the New Zealand wine industry

1. **New Zealand has a strong and growing wine industry that produces unique varietals that demand top prices**
    a. **New Zealand produces unique, world recognised wines**
    b. **New Zealand wine exports are showing very strong growth to key markets while continuing to receive top prices**
    c. **New Zealand wine production continues to grow. However key regions like Marlborough have natural growth limits preventing the destructive oversupply found in other countries**

2. **There are clear pathways for market entry**
    a. **Many of the world's largest wine companies have already invested in New Zealand**
    b. **New Zealand has also proven attractive to smaller international investors**
    c. **Potential investors have a number of pathways for market entry**
    d. **New Zealand has a number of suitably sized wineries without major international wine company investment**
    e. **The experience of three past investors suggests lessons (three case studies)**
        - **Foster's Group and Matua**
        - **Lion Nathan and Wither Hills**
        - **LVMH and Cloudy Bay**

1a. UNIQUE
New Zealand produces unique, world recognised wines

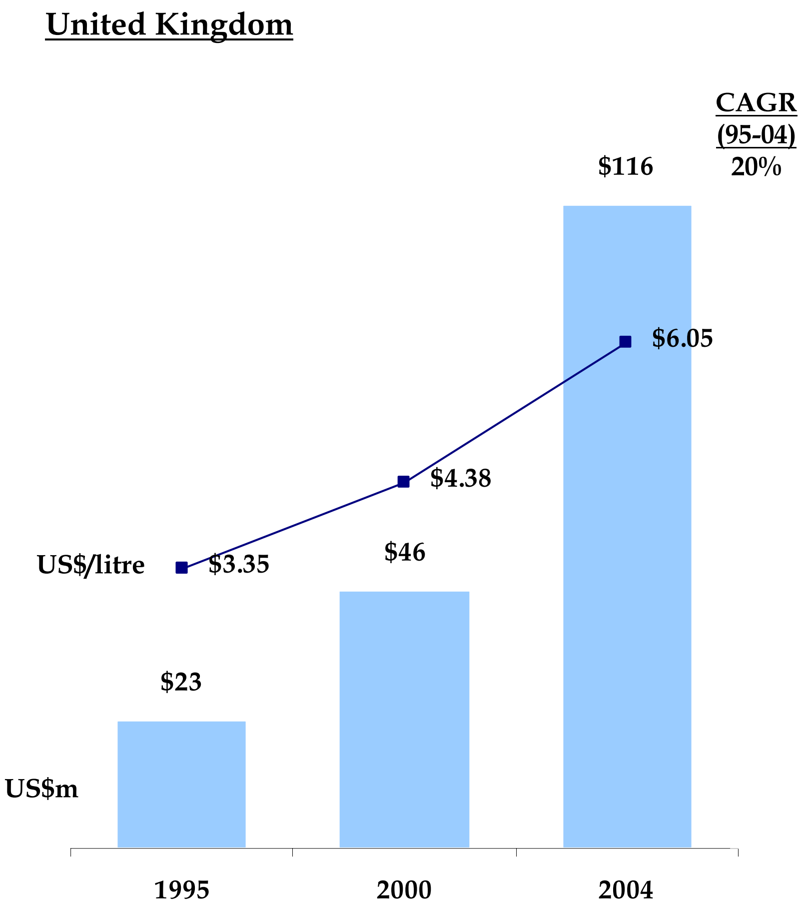
- **"Winemakers in New Zealand are an ambitious lot. Unwilling to rest on an international reputation for making live-wire Sauvignon Blanc, they are increasing their efforts with other varieties, especially Pinot Noir and Merlot, and ramping up their plantings of the grapes. Though the reds remain inconsistent, Pinot in particular justifies optimism."** *Wine Spectator, November 2005*

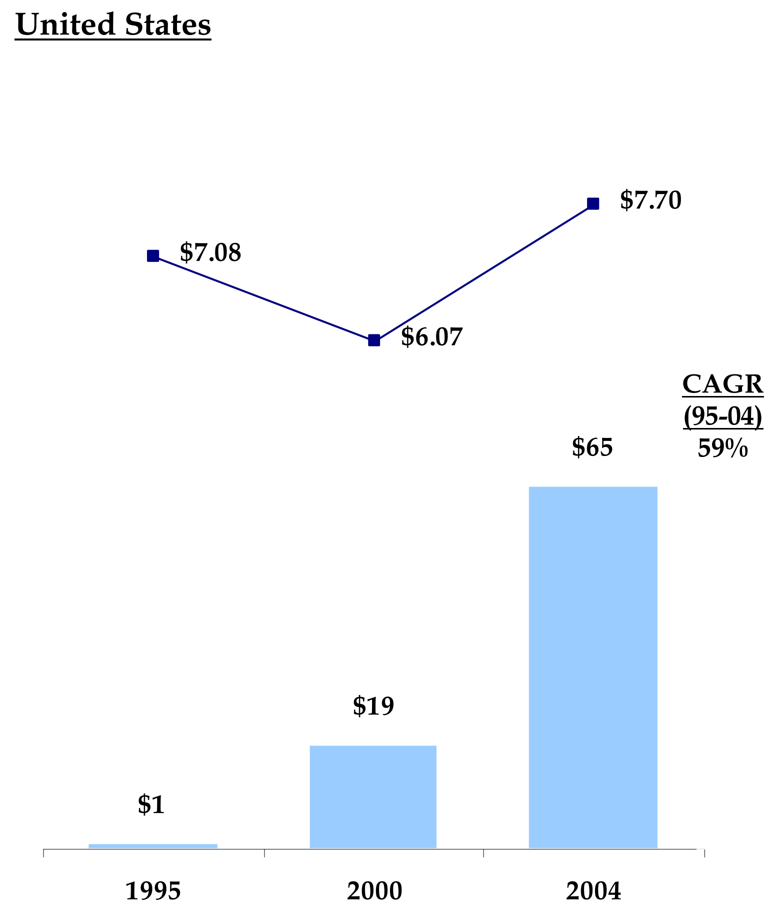
- **"With 89% of the [New Zealand] wines tasted scoring 85 or higher on the Wine Spectator 100-point scale, if you see a New Zealand wine on the shelf, you can't go wrong… New Zealand's reputation rests on sauvignon blanc. Its wines stack up well against sancerre or pouilly fume, in which the French excel with sauvignon blanc, and make most US versions seem comparatively bland."** *Wine Spectator, June 1999*

- **"The industry has been on a steady growth curve from a slight hiccup in the '80s, if you leave that aside there had been steady growth almost continuous for 50 years. There is a message there... The fundamental point is that New Zealand accounts for 0.2% of global wine production. Ninety percent of the world's wine drinkers have never even tasted New Zealand wine; because of that there is still definite potential for growth. All the huge conglomerates feel they need a stake in the New Zealand industry to complete their portfolio, the likes of Constellation Brands, the Pernod Ricard's of the world. If they want to be part of distributing key wines of the world then they need to have a New Zealand wine in their portfolio. That tells you something, it tells you that New Zealand wine has arrived internationally. I think it is early days, since Marlborough Sauvignon Blanc has been really popular in the last 5 years. So there is amble scope for New Zealand wine trade to increase given the move toward more fine wine drinking and new world wines increasing share of the world trade, given our wines and our positive image."** *Michael Cooper, Wine Writer and Commentator, April 2006*

1b. GROWTH AT TOP PRICES
New Zealand wine exports are showing very strong growth to key markets while continuing to receive top prices

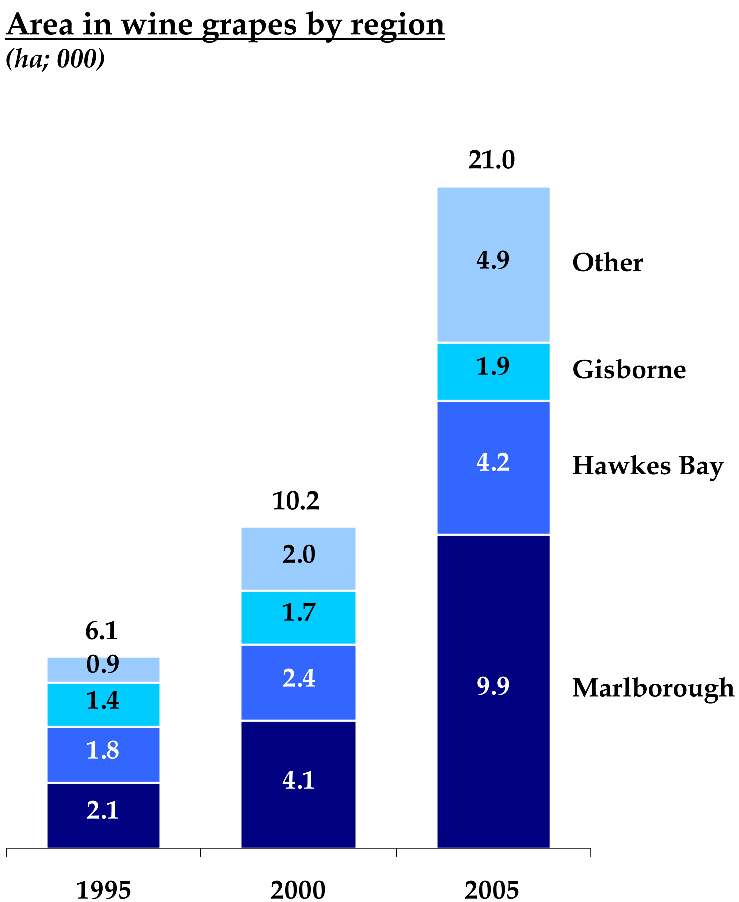
Import dollars and value/litre for New Zealand wine by destination
(US$; 1995-2004)

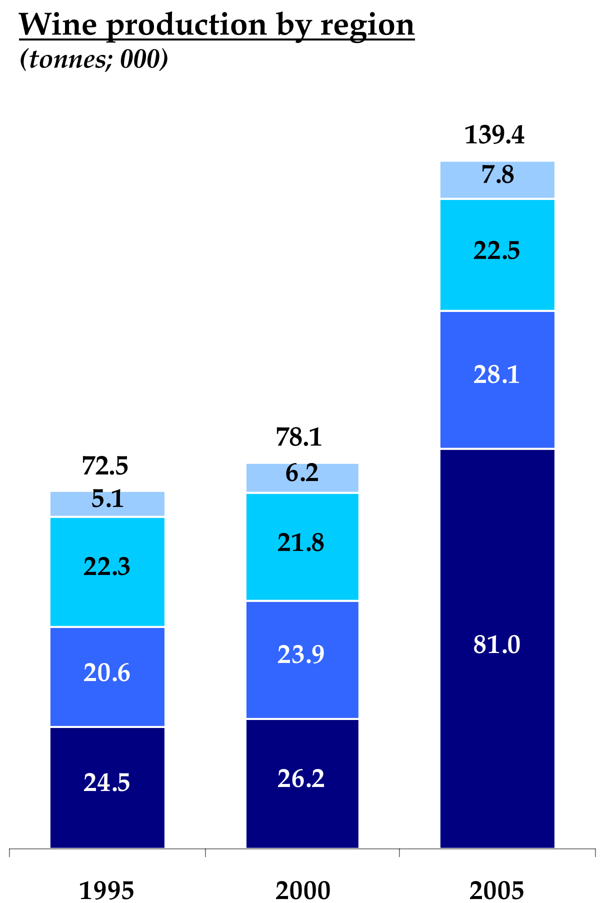




1c. CONTINUED PRODUCTION GROWTH
New Zealand wine production continues to grow, primarily in Marlborough and Hawkes Bay

New Zealand wine area and production growth
(1995-2004)





1c. CONTINUED PRODUCTION GROWTH
However key regions like Marlborough have natural growth limits preventing the destructive oversupply found in other countries

- **"We are not going to be overtaken because no one can make the same Sauvignon Blanc. It's not a commodity."** *Managing Director and Winemaker, Medium-sized Company, Marlborough 7*
- **"Growth will level off because there is a limitation on plantable area for Marlborough Sauvignon and that's what driving the growth. There will be a lack of quality land."** *General Manager, Winemaker and Viticulturalist, Medium-sized company, Marlborough, Hawkes Bay and Central Otago*
- **"Availability of land is an issue. We are right at the boundaries now of good growing areas and water. Water is a real problem. The aquifer is just not recharging."** *Owner and Managing Director, Medium-sized company, Marlborough 2*

2a. ATTRACTIVE TO GLOBAL LEADERS
Many of the world's largest wine companies have already invested in New Zealand

New Zealand acquisitions/activities by major global wine groups
(various; 1990-2005)

Company	Acquisition	Year	Sales (NZ$;2005)	Production	Notes
Pernod-Ricard (France)	Montana Wines	July 2005	$461m	4.2m cases	Acquired via acquisition of Allied-Domecq which had acquired Montana in 2001 for NZ$1 billion
	Framingham Wines	April 2004	$5.2m	n/a	Acquired by Orlando-Wyndham subsidiary
Constellation Brands (United States)	Nobilo	April 2003	$22.9m	315,000 Cases (01)	Acquired via acquisition of BRL Hardy of Australia which itself has acquired Nobilo in 2000
Vincor (Canada)	Kim Crawford	2003	$28.0m	n/a	Acquired Kim Crawford name and intellectual property; business used contract growers and packing; business has since acquired land
Foster's Group (Australia)	Ponder Estate	2002	$23.0m	28,000 cases (02)	41 ha; $11.1m
	Hawkesbridge	2002		10,000 cases (02)	16ha in Marlborough, producing 10,000 cases primarily Sauvignon Blanc
	Matua Valley	2001		170,000 cases (02)	Winery and 153ha
E&J Gallo (United States)	Whitehaven Wine	2005	n/a	200,000 cases (05)	Acquired 25.2% of company
LVMH (France)	Cloudy Bay	1990	$16.9m	125,000 cases	Acquired via acquisition of Cape Mentelle Australia; acquired final 20% in in 2001
Lion Nathan (Australia/Japan)	Wither Hills	2002	$19.4m	47,000 cases (01)	Producing 47,000 cases (01) and 80,000 cases (02); for NZ$52m
Yalumba (Australia)	Nautilus	1985	n/a	80,000 cases (05)	Winery started from scratch in 1985 by Yalumba/Negociants
Campo di Sasso (Antinori)(Italy)	13ha vinyard	Mar 2004	n/a	n/a	Acquired 12.7ha vineyard near Cloudy Bay with 10ha Sauvignon Blanc for NZ$2.5m; sold under Mt. Nelson brand

Currently merging

Source: various press articles; various company annual reports; Coriolis analysis

2b. SMALLER WINERIES ALSO ATTRACTIVE TO INTERNATIONAL INVESTORS
New Zealand has also proven attractive to smaller international investors

International investments in New Zealand wineries
(various; 2005)

Company	International Investor(s)	Shareholding (2005)	Country of origin	Notes
Ager Sectus (Crossroads)	Numerous	n/a	Guernsey Hong Kong Singapore Others	
Craggy Range Vineyards	Peabody family Stara Corp.	85% 10%	Canada/Australia British Virgin Islands	
Fromm Winery (Fromm & Partners)	Georg Fromm Paul Lenzinger	47.3% 40.9%	Switzerland Switzerland	
Gibbston Valley	Stone family	35.3%	United States	Ex-US investment banker
Highfield Estate	Yokoi Manufacturing Tom Tenuwera Shin Yokoi	69.2% 25% 5.8%	Japan Sri Lanka/UK Japan	Fire equipment manufacturer
Kemblefield Estate	John Kemble Kaar Field	n/a	United States United States	John Kemble immigrated; Kaar Field remains in the US
Palliser Estate Wines	Gardner Group Capital Elizabeth Stringer	8.0% 3.4%	Canada Hong Kong	
Sacred Hill Wines	Jebsen & Co (China) Ltd.	46.7%	British Virgin Islands	
Te Awa Winery	Julian Robertson Oliver family	75% 25%	United States United States	
Trinity Hill	Robyn M. Wilson	33%	United Kingdom	
Woollaston Estate	Glenn Schaeffer	80%	United States	

Source: various press articles; various company annual reports; Coriolis analysis

2c. POTENTIAL PATHWAYS FOR MARKET ENTRY
Potential investors have a number of pathways for market entry

Screen of potential pathways for market entry
(model)

Pathway for market entry	Strengths	Weaknesses	Examples
1. Organic growth	– Pay bare earth cost (no premium) – Build vineyard and production facilities to own standards	– Time required to reach meaningful scale, scope and profitability – Limited land availability in key regions – Build local management from scratch	– Yalumba (Nautilus) – Antinori (Mt. Nelson)
2. Take cornerstone shareholding in existing winery	– Participate in existing successful venture – Leverage existing assets (e.g. distribution) at low risk – Maintain existing management – Larger pool of winery owners interested in this approach than complete buyout	– Full acquisition at a some future point will require a premium – Potential for disagreement on strategic direction	– E&J Gallo (Whitehaven)
3. Acquire one or more medium sized wineries and recapitalise	– Build scale quickly – Realise synergies of multiple acquisitions	– Multiple-step process	– Foster's Group (various) – Vincor (Kim Crawford) – Lion Nathan (Wither Hills)
4. Acquire existing large winery	– Build large scale quickly	– All large wineries already internationally owned	– Constellation (BRL Hardy/Nobilo) – Constellation (Vincor/Kim Crawford) – Pernod Ricard (Allied Domecq/Montana)

2d. WINERIES WITHOUT MAJOR INTERNATIONAL WINE COMPANY INVESTMENT
New Zealand has a number of suitably sized wineries without major international wine company investment

International investments in New Zealand wineries
(various; 2005)

Size Category	Companies	
Large (2m litres+)	Delegat's/Oyster Bay Villa Maria	
Medium and Larger Small (up to 2m litres)	Allan Scott Amisfield Wines Babich Wines CJ Pask Cellier Le Brun Chard Farm Coopers Creek The Crossings Forrest Estate Framingham Wine Gibbston Valley Giesen Wine Grove Mill Hunter's Wine Isabel Estate Jackson Estate Lake Chalice Lawson's Dry Hills Martinborough Vineyard Matariki Wines Mills Reef Morton Estate Mount Difficulty Mount Riley	Mud House Ngatarawa Wines Omaka Springs Palliser Estate Pegasus Bay Peregrine Wines Rockburn Wines Saint Clair Seifield Estate Sherwood Estate Sileni Estates Spencer Hill Spy Valley St. Helena Te Awa Winery Te Kairanga Wines Te Mata Estate Tohu Wines Trinity Hill Vavasour Wines Waimea Estate Waipara Hills Wairau River Wines Wollaston Estate

50 opportunities

Source: various press articles; various company annual reports; Coriolis analysis

2e. CASE STUDIES
The experience of three past investors suggests lessons (complete case-studies in Appendix 1)

- **Key conclusions for potential investors from review of past investments**
  - **A position in the New Zealand wine industry is a "must-have" for wine companies with global operations or aspirations; however, any move into New Zealand must be part of a total global strategy**
  - **Initially take a limited cornerstone shareholding in a successful, respected and well-run medium-sized winery**
  - **Keep existing management in place; limit imposition of global corporate culture**
  - **Invest to grow production through additional production capacity and land**
  - **Focus on expanding distribution through existing networks of acquirer**

- **Please review the detailed Case studies (see Appendix 1)**
  - **Fosters Group and Matua**
  - **Lion Nathan and Wither Hills**
  - **LVMH and Cloudy Bay**

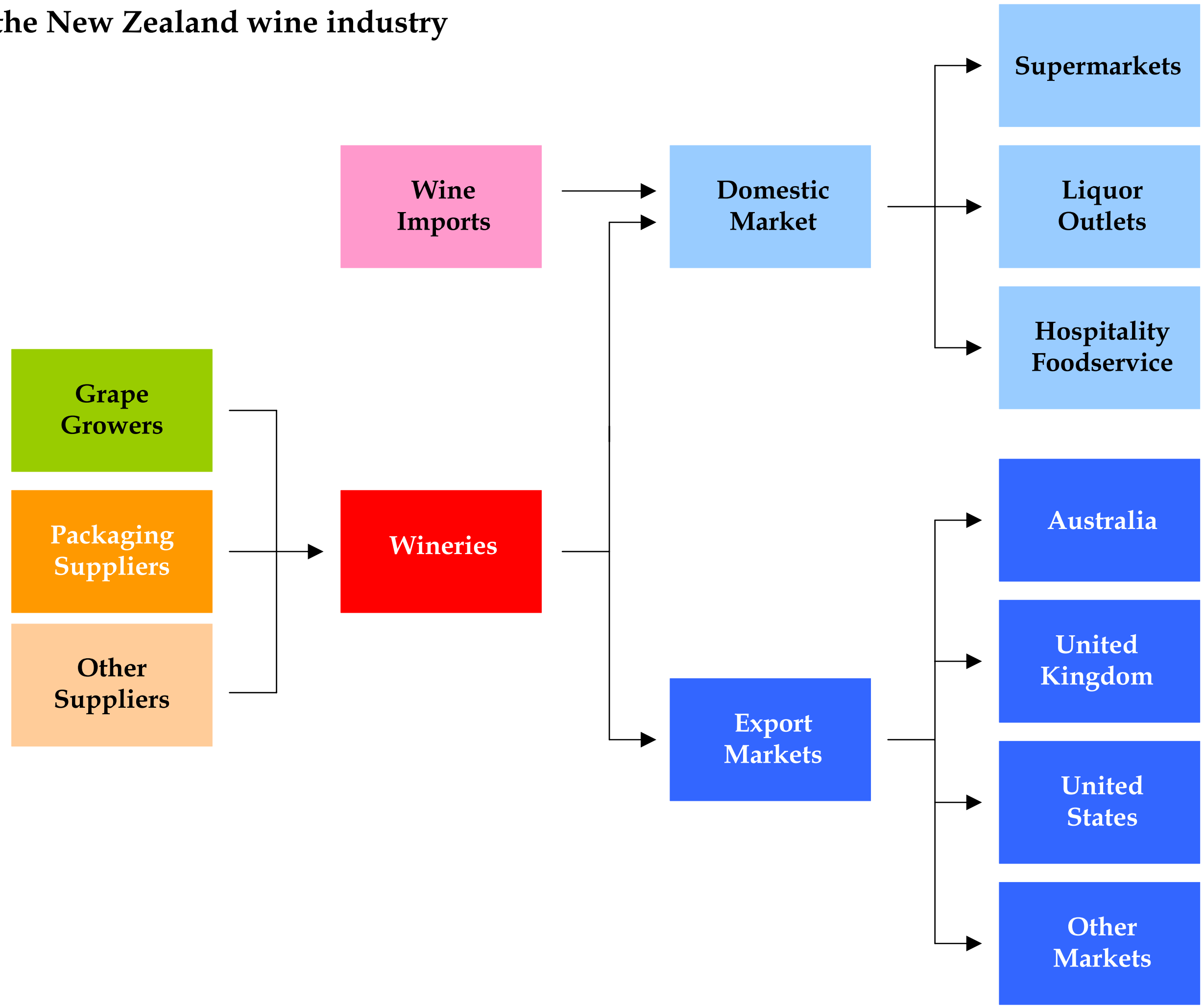
KEY SECTIONS
This section of the report provides preliminary market due-diligence for potential investors

1. The case for investment in New Zealand

2. Preliminary market due-diligence

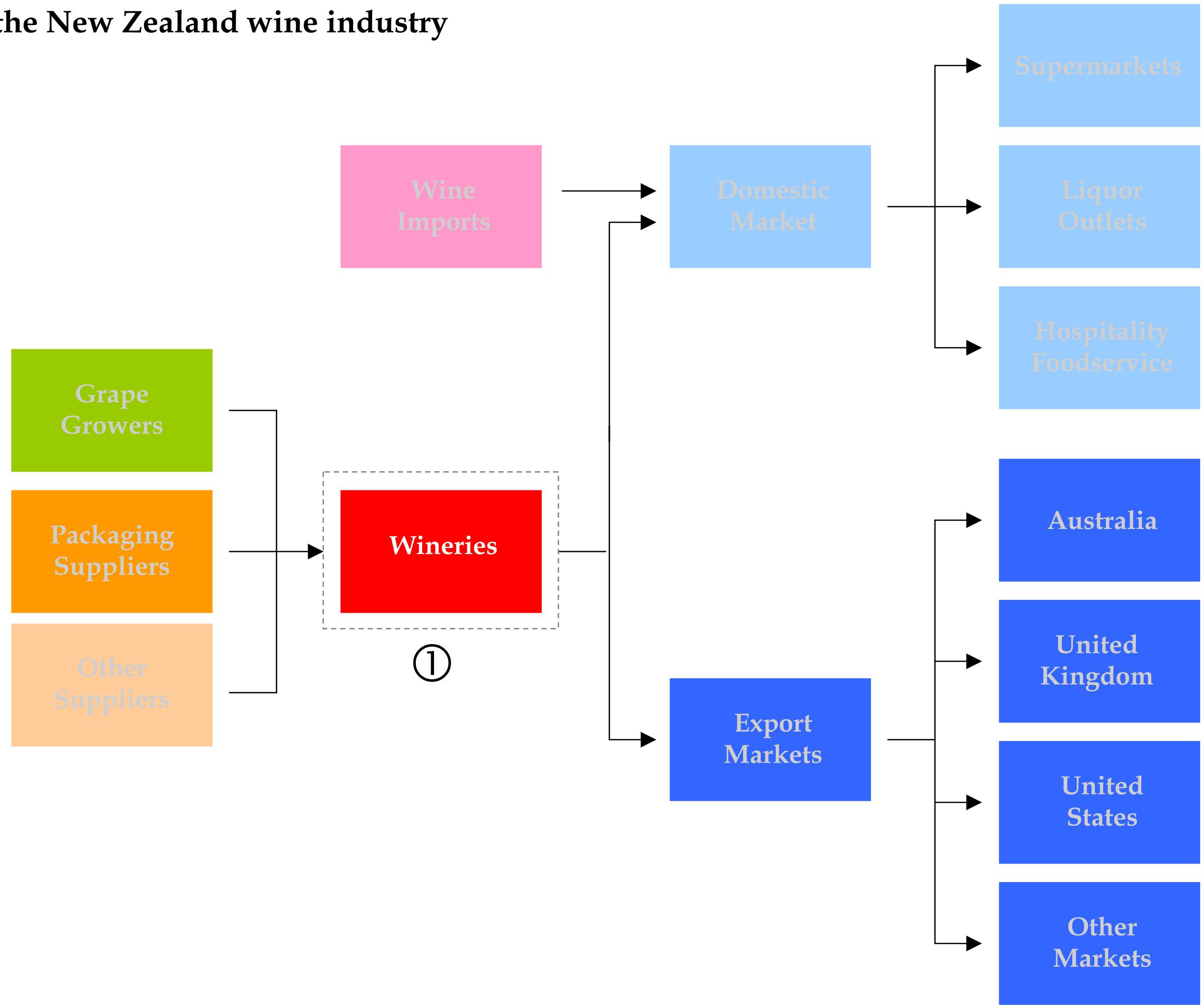
REPORT STRUCTURE
The market due-diligence report is structured to give a complete overview of the New Zealand wine industry suitable for preliminary use

Simplified model of the New Zealand wine industry
(2006)



1. WINERIES
The first section of this report looks at wineries and wine production

Simplified model of the New Zealand wine industry
(2006)



1. WINERIES - SECTION SUMMARY
International investors interested in the New Zealand wine industry should look at medium sized wineries in Marlborough and the Hawkes Bay

1. **There has been strong growth in winery numbers, however a process of industry rationalisation is ongoing**

2. **While New Zealand has eleven major wine regions, we would advise potential international investors to look at Marlborough, Hawkes Bay and Otago**

3. **While New Zealand makes a wide variety of wines, Marlborough Sauvignon Blanc is the star**

1. WINERY NUMBERS – KEY TAKEAWAYS
There has been strong growth in winery numbers, however a process of industry rationalisation is ongoing

- The number of wineries in New Zealand has shown strong growth over the past fifteen years, growing from 131 wineries in 1990 to 516 wineries in 2005. This equates to a compound annual growth rate (CAGR) of 9.6% annually over the past fifteen year period. However, most of this growth of winery numbers has come from smaller wineries.

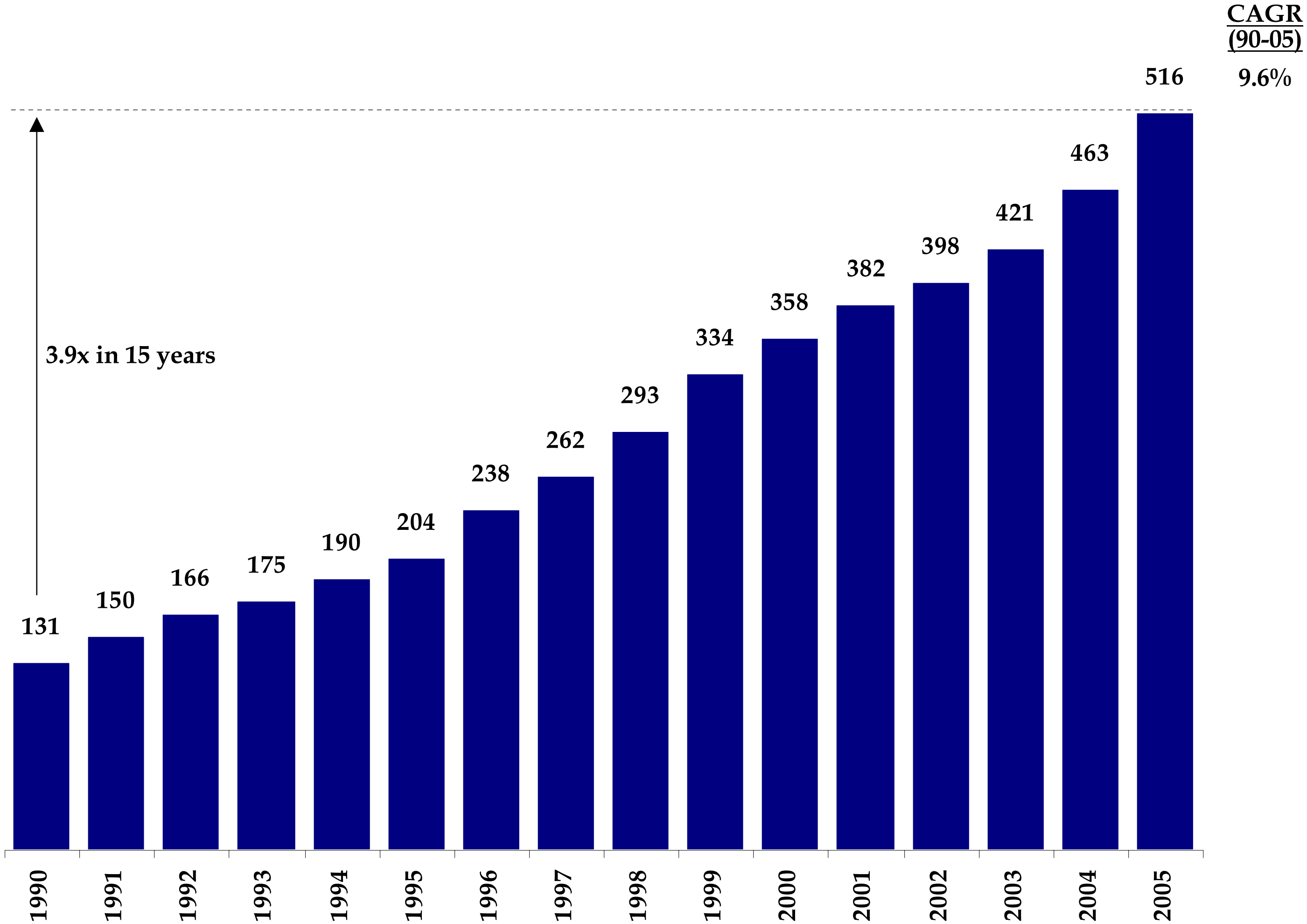
- There are now effectively four large wineries (producing more than two million litres of wine per year) in New Zealand. Of the wineries in this size group, two are internationally owned – Pernod Ricard (Montana) and Constellation Brands/Vincor (Nobilo/Kim Crawford) – and two are New Zealand owned - Villa Maria and Delegat's/Oyster Bay. The current acquisition of Vincor by Constellation Brands combines both companies wine interests. Both Villa Maria and Delegat's have been approached numerous times by interested parties and have publicly stated on a number of occasions that they are not for sale.

- Medium wineries (producing between 200,000 and two million litres of wine per year) have grown from 11 wineries in 1990 to 44 wineries in 2005, representing an average CAGR of 9.7% annually over this fifteen year period. Medium-size wineries are an area of strong growth for New Zealand and represent the main investment opportunity for interested parties. Small wineries (producing under 200,000 litres annually), while interesting and innovative, are considered too small to interest international investors.

- Industry consolidation and rationalisation is underway. There has been an ongoing wave of acquisitions in the New Zealand wine industry. Since January 2000 there have been more than 22 major wine industry acquisitions, and in the first four months of 2006 alone there have been three major acquisitions: Waipara Hills acquiring Canterbury House, Constellation Brands acquiring Kim Crawford (through its acquisition of Vincor) and The New Zealand Wine Fund/Vavasour acquiring Goldwater Estate.

STRONG GROWTH IN WINERY NUMBERS
The number of wineries in New Zealand is growing rapidly

Number of wineries in New Zealand
(actual; 1990-2005)



Source: various NZW Statistical Annuals; Coriolis analysis

WINERIES KEY CHARACTERISTICS BY SIZE
Wineries can be split into four size related classifications

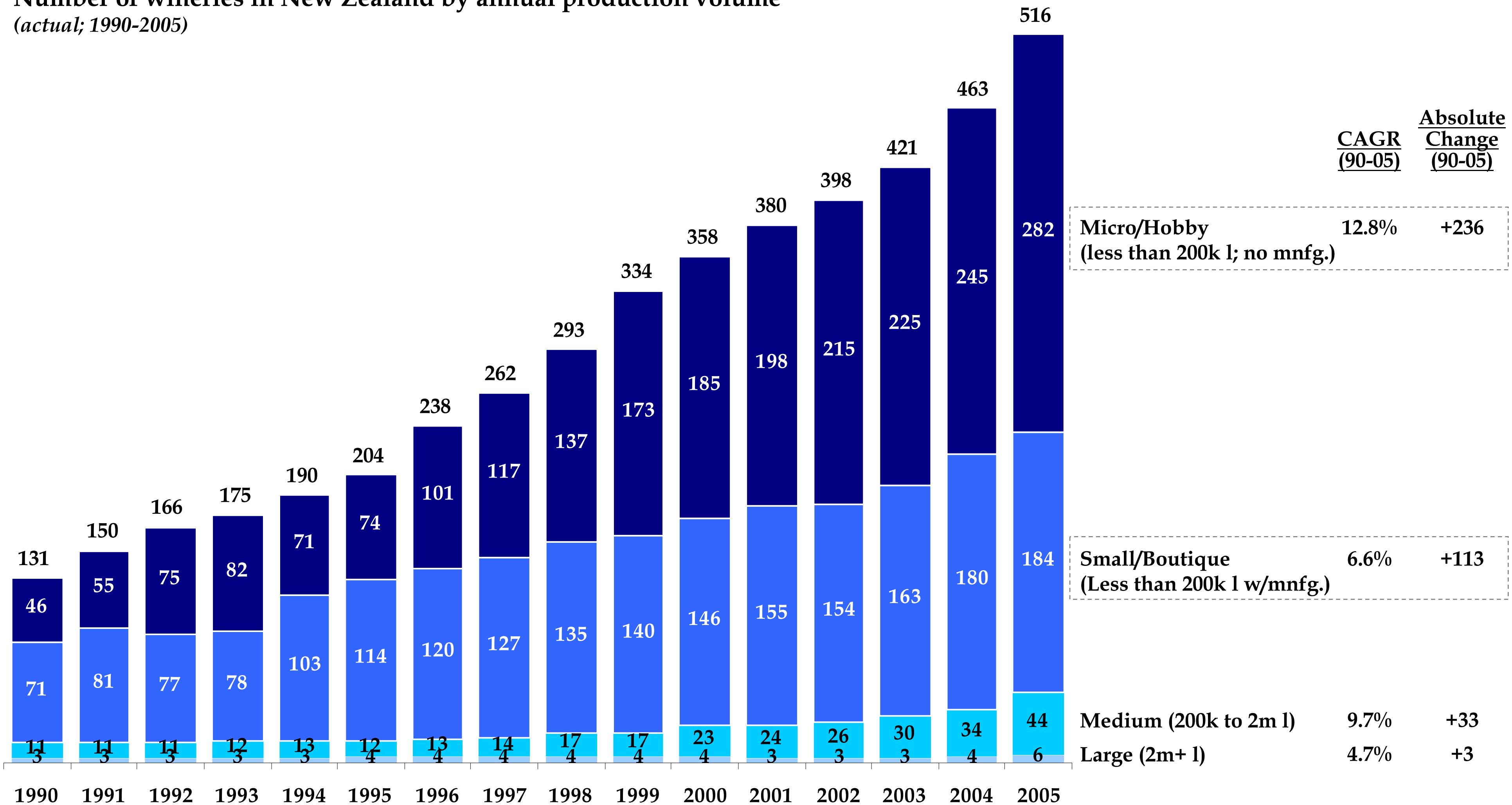
Characteristics of different size wineries
(model)

Size	Volumes	Ownership	Characteristics	Issues
Large	2m+ litres	Significant foreign ownership	– Own capital and assets – Use contract grape growers – Acquisitions to increase volume – Export focus – Volume focus	–Sourcing grapes –Strong competition
Medium	200k to 2m litres	Private companies with some foreign ownership	– Quality focus	–Struggle with distribution –Strong competition
Small/Boutique	Less than 200k litres	Family run private companies or individuals	– Export focus	–Struggle finding markets –Sourcing grapes –Strong competition
Micro/Hobby	Less than 200k litres	Individuals or private companies	– Wine growing as lifestyle or ego driven – Bottling under contract	– High cost of production – Not profitable

Source: Coriolis analysis

GROWTH IN SMALLER WINERIES
Most of the growth in winery numbers has come from smaller wineries

Number of wineries in New Zealand by annual production volume
(actual; 1990-2005)



Source: various NZW Statistical Annuals; SNZ Business Demographics survey; Coriolis analysis

MIXED FEELINGS ABOUT WINERY GROWTH
Interviewees had mixed feelings about the strong growth of winery numbers

- **"The numbers reflect an interest in the industry. There is a significant number of new entrants into the market some of whom will contribute volume to the industry, some will be there for lifestyle. Those people think there is more money to be made in it than there really is. That is the same in the Napa too. It's the modern version on the country estate. Some will be very successful and for others it is simply a hobby and an opportunity to spend money."** *Managing Director and Winemaker, Medium-sized Company, Marlborough 7*

- **"We are seeing the development of the industry in two distinct areas. The commercial push by large operators who are becoming increasingly owned by multinationals they will push volume and create brand New Zealand in a commercial sense then you have the premium small producers who realise they can't compete in volume. We ensure that we maintain standards and in fact increase standards in a niche market. The aim is to increase production and price. We have a great image in the market place."** *Managing Director and Winemaker, Small-sized Company, Marlborough 7*

- **"What is going to happen. Grapes are expensive, development costs of wineries are expensive. You are investing in the long term and banking on the fact New Zealand will have ultra premium wines in 10 years time."** *General Manager, Marketing, Medium-sized company, Marlborough 6*

- **"The growth is scary. The wine industry is a glamour industry it appeals to a lot of people. People are going into it without knowing or appreciating that it's an agricultural industry. We have season of low crop if you are doing a business model you should allow for that."** *Winemaker and winery manager, Medium-sized company, Marlborough 1*

INDUSTRY RATIONALISATION
Many interviewees also believed industry rationalisation is inevitable

- **"There has to be some rationalisation. There already has been to a certain amount and that will continue."** *Winemaker and winery manager, Medium-sized company, Marlborough 1*
- **"I think there will be a consolidation of wineries."** *Managing Director and winemaker, Medium-sized company, Marlborough 3*
- **"How long can people in Central Otago 'live the nightmare,' as I call it. How much money do you want to keep pouring into a vineyard before you realise that you would rather spend that money on a yacht or skiing or a holiday overseas. There has got to be some sort of rationalisation in the industry, it is true of every region."** *General Manager, Winemaker and Viticulturalist, Medium-sized company, Marlborough, Hawkes Bay and Central Otago*
- **"There will be some rationalisation in the industry. Some players will continue to get bigger and stronger. We are seeing amalgamations, there was one last week, Goldwater and Vavasour, that's a fantastic combination. Smaller operations will start to question why they are doing it. Ma and Pa operators are going to struggle to get their money out. Larger companies are going to want to buy the land off the smaller companies."** *Managing Director, Medium-sized company, Marlborough 5*
- **"Let's have a look in five years time and see how many of these small wineries are still there. They are too small for supermarkets they can't afford to buy their way in, so they have to sell cellar door or online, and online is very competitive. These small guys have no control over their prices because they are just labels not wineries."** *Owner and Managing Director, Medium-sized company, Marlborough 2*
- **"I can't believe the amount of acquisitions occurring at the moment. There was always the assertion that the middle-sized wineries are vulnerable. Historically there were only 10 mid-sized wineries now there are around 40. If you are a little producer then you can sell mail order or cellar door, restaurant or export a bit, have good quality and top dollar. The wineries in the middle don't have the economies of scale, you have the cost of all the staff and you have to export. This is the danger group."** *Wine Commentator*

NUMEROUS RECENT ACQUISITIONS
As part of this rationalisation, there has been an ongoing wave of acquisitions in the New Zealand wine industry…

Recent acquisitions in the New Zealand wine sector
(various)

Date	Acquiror	Acquiree	Production & Turnover	Deal Value	Details
May 2006	Waipara Hills	Canterbury House	48,000+ cases	n/a	One Canterbury winery acquires another
April 2006	Constellation Brands	Kim Crawford (via Vincor acquisition)	250,000 cases (05)	n/a	Constellation Brands acquires Vincor, including Kim Crawford
Mar 2006	Vavasour	Goldwater Estate	150,000 cases	NZ$10m	Production in Waiheke and Marlborough
Nov 2005	Ager Sectus	The Crossings	n/a	NZ$21.4m	Winery and vineyard including 225.2ha
July 2005	Delegat's	25.98% of Oyster Bay	400,000 cases (05)	n/a	Already controlled 32.58% of company taking to 50.1%
July 2005	Villa Maria Estate	Thornbury Wine	560t 46,000 cases	n/a	3 vineyards in Marlborough; 11 contract growers
July 2005	Pernod Ricard	Montana (via Allied Domecq acquisition)	3.5m cases (00)	n/a	$7.5b deal; Pernod seeking to split business between Fortune Brands and Diageo
Nov 2004	E&J Gallo	25.2% of Whitehaven Wine	200,000 cases	n/a	Signed exclusive US distribution deal with Whitehaven in 2003
Apr 2004	Pernod Ricard	Framingham Wines	270,000l 30,000 cases	NZ$6.67m	Established 1991; 10.7ha freehold land; 5.94ha leasehold land; includes Tylers Stream brand
2003	Vincor	Kim Crawford	86,000 cases (02)	NZ$18m	Vincor was exclusive US distributor prior to purchase; aiming to process 4,000 T grapes by 2005
April 2003	Constellation Brands	Nobilo (via BRL Hardy acquisition)	n/a	n/a	Constellation (now global wine #1) acquired BRL Hardy of Australia, including Nobilo
April 2002	Aster Family	De Redcliffe Winery	40,000 cases	n/a	Aster family of Oregon purchases De Redcliffe and Firstland brand as well as Hotel du Vin luxury hotel
2002	Rangitira	Te Kairanga	n/a	n/a	Rangitira (JR Mckenzie Trust) acquires 25% share of Te Kairanga Wines

Source: various published articles

NUMEROUS RECENT ACQUISITIONS

As part of this rationalisation, there has been an ongoing wave of acquisitions in the New Zealand wine industry… (continued)

Recent acquisitions in the New Zealand wine sector
(various)

Date	Acquiror	Acquiree	Production & Turnover	Deal Value	Details
Sept 2002	Lion Nathan	Wither Hills	80,000 cases (02)	NZ$52m	From founder John and Brent Maris; expected to produce 300,000 cases by 2008
2002	Fosters Group	Ponder Estate	28,000 cases (02)	NZ$11.1m	32ha land (23ha under vine); house; cellar door sales (10,000 visitors annually) and label
2002	Fosters Group	Hawkesbridge	10,000 cases (02)	NZ$3.5m	16ha in Marlborough, producing 10,000 cases primarily Sauvignon Blanc; projected 126t by 2005; house/cellar door; brand; plant & equipment
2001	Allied Domecq	Montana Wines	40,000t	NZ$1b	~50% market share (01); including 2,048ha freehold land (Gisborne/Hawkes Bay 943ha and Marlborough 1,074ha)
Aug 2001	Sacred Hill Wines	Cairnbrae Winery	7,000 cases	NZ$4.05m	Hawkes Bay winery buys 18ha in Marlborough following Hong Kong investment in company
Aug 2001	Jebsen family	30% of Sacred Hill Wines	65,000 cases (02)	NZ$3m	Jebsen family of Hong Kong acquires 30%; later raised to 40% in 2003
April 2001	Fosters Group	Matua Valley	170,000 cases (02)	NZ$11.2m	Including 153ha (138 N. Island; 15ha Marlborough)
Sept 2000	Montana Wines	Corbans Wines	1.44m cases (13m l)	NZ$151m	Montana buys Corbans, then a subsidiary of DB Breweries; including 623ha in Gisborne/Hawkes Bay, 130ha Marlborough and 87ha leasehold in Marlborough
May 2000	Lion Nathan	28% of Montana	n/a	A$115m	
May 2000	BRL Hardy	Nobilo Wines	4,500t	n/a	Acquires remaining 75.32% shareholding; 167ha including 142ha in Marlborough
Sept 1998	Nobilo Wines	Selaks Wines	100,000 cases	n/a	-
1998	BRL Hardy	Nobilo Wines	n/a	n/a	BRL Hardy acquires 33% of newly listed Nobilo

CORIOLIS RESEARCH *Source: various published articles*

2. WINE REGIONS – KEY TAKEAWAYS
While New Zealand has eleven major wine regions, we would advise potential international investors to look at Marlborough and Hawkes Bay

- The amount of land under grapes has grown from 5,800 hectare in 1992 to 21,002 hectare in 2005, adding 15,202 hectare and thereby growing at a CAGR of 11.9% over the period. The growth of wine area took off in the late 1990's, when area CAGR went from 4.6% (between 1992 and 1998) to 15.7% (between 1998 and 2005). This rapid growth following continued positive market signals to wineries about the demand for New Zealand wines in major export markets.

- New Zealand has eleven major wine regions. These regions are spread across the country, from Northland on the temperate Northern tip of the North Island to Central Otago in the cooler southern part of the South Island. Of these eleven regions, three dominate wine production in New Zealand – Marlborough, Hawkes Bay and Gisborne – which together accounted for 94.4% of total wine production in 2005 and four stand out in terms rate of growth – Otago, Nelson, Marlborough and Wairarapa; only Marlborough stands out for both absolute size and rate of growth.

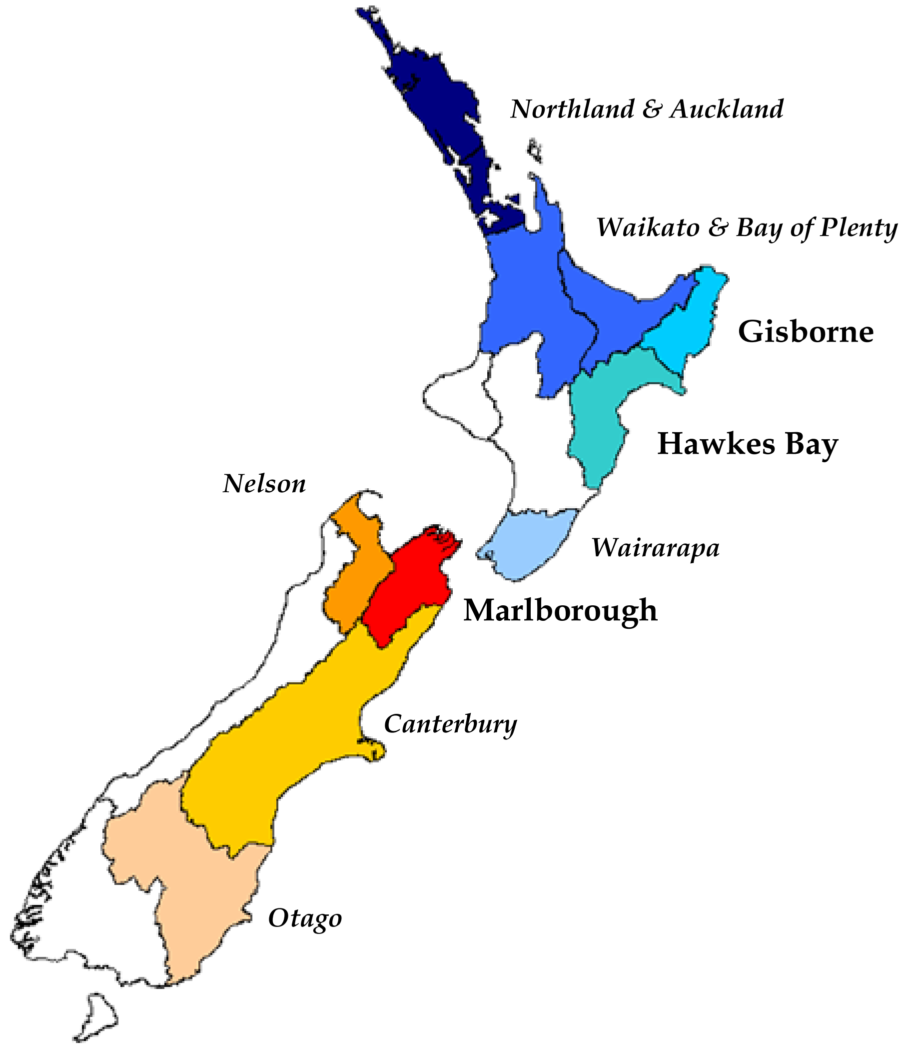
- Marlborough is New Zealand's wine capital and home to the revered Sauvignon Blanc. Marlborough is now New Zealand's largest wine producing region, with 47.3% of total wine area and 58.1% of total production. Marlborough is also a fast growing region, with area having grown at a compound annual rate (CAGR) of 15.2% over the past thirteen years and production having grown at a compound annual rate (CAGR) of 12.4% over the same period.

- Hawkes Bay is New Zealand's second largest wine growing region, with 20.2% of wine area and 20.2% of wine production. It has been coined the aristocratic wine region with its prestigious Chardonnay, Cabernet Sauvignon and Merlot varieties. Impressive high quality Bordeaux style red wines are produced in the Gimblett Gravels winegrowing district spread over a 800 hectare area.

- New Zealand's nine other wine regions, while interesting and growing, should not be the focus of initial international investment.

ELEVEN MAJOR WINE REGIONS
New Zealand has eleven major wine regions

Major New Zealand wine regions
(2005)



Source: Wine New Zealand

REGIONAL PROFILES

Of these, three stand out in terms of absolute size and four stand out in terms of rate of growth; only Marlborough stands out for both

Profiles of New Zealand wine regions

(various)

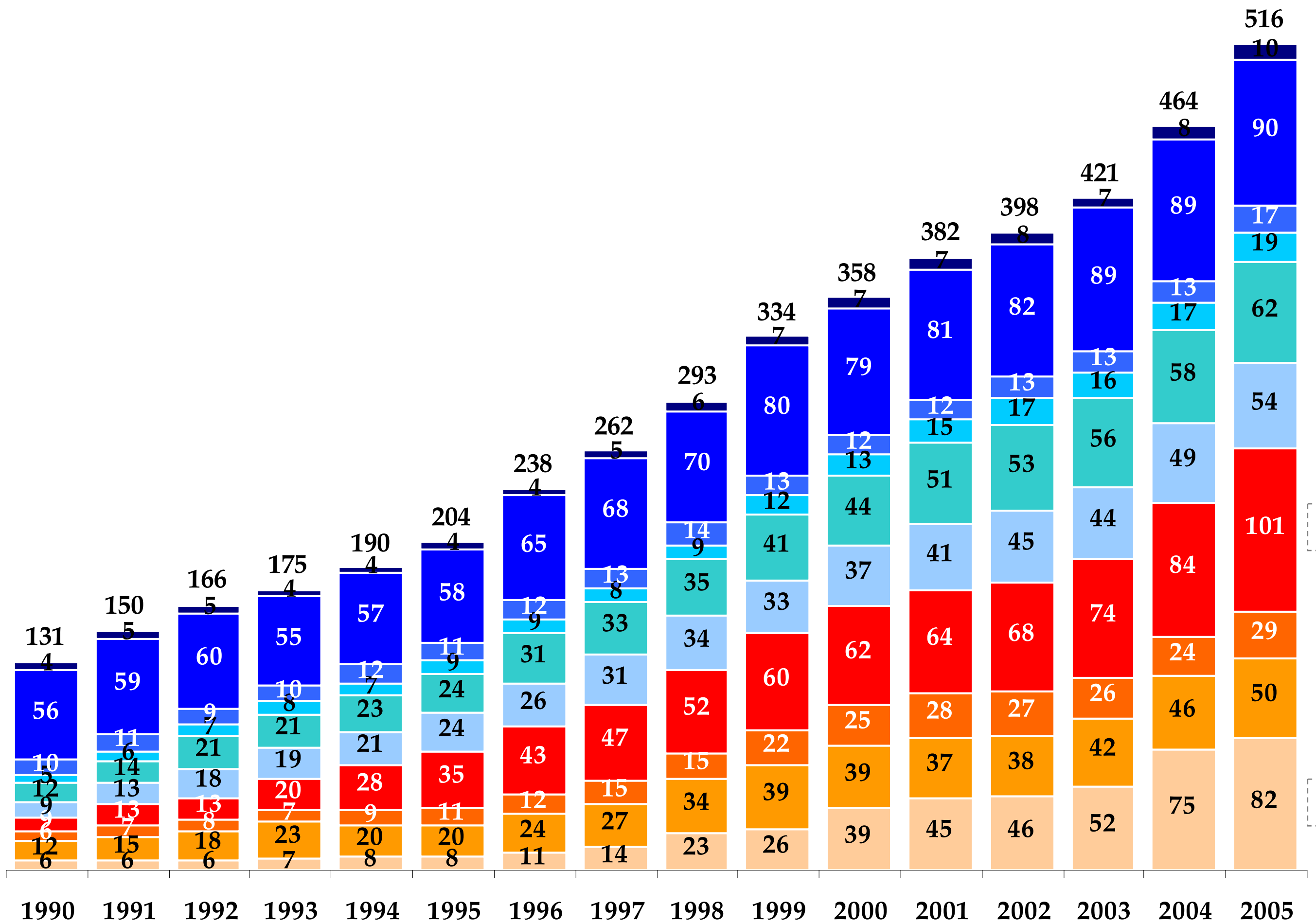
Region	# of wineries (2005)	% of area (2005)	Area CAGR (92-05)	% of production (2005)	Production CAGR (92-05
Primary					
Marlborough	101	47.3%	15.2%	58.1%	12.4%
Hawkes Bay	62	20.2%	9.0%	20.2%	5.4%
Gisborne	19	9.0%	2.6%	16.1%	1.1%
Secondary					
Otago	82	4.7%	31.5%	1.0%	26.1%
Canterbury	50	4.1%	13.7%	0.6%	10.9%
Wairarapa	54	3.7%	13.8%	1.2%	14.6%
Nelson	29	3.1%	19.4%	1.8%	19.3%
Auckland/Northland	100	2.4%	7.1%	0.8%	-0.4%
Other/Unknown[1]	n/a	5.5%	n/a	0.2%	n/a

1. Includes Waikato/BOP and survey non-respondents; Source: WineNZ

STRONG WINERY NUMBER GROWTH NATIONWIDE

Winery numbers have grown strongly nationwide; however Marlborough and Otago stand out for especially strong growth

Number of wineries in New Zealand by region
(actual; 1990-2005)



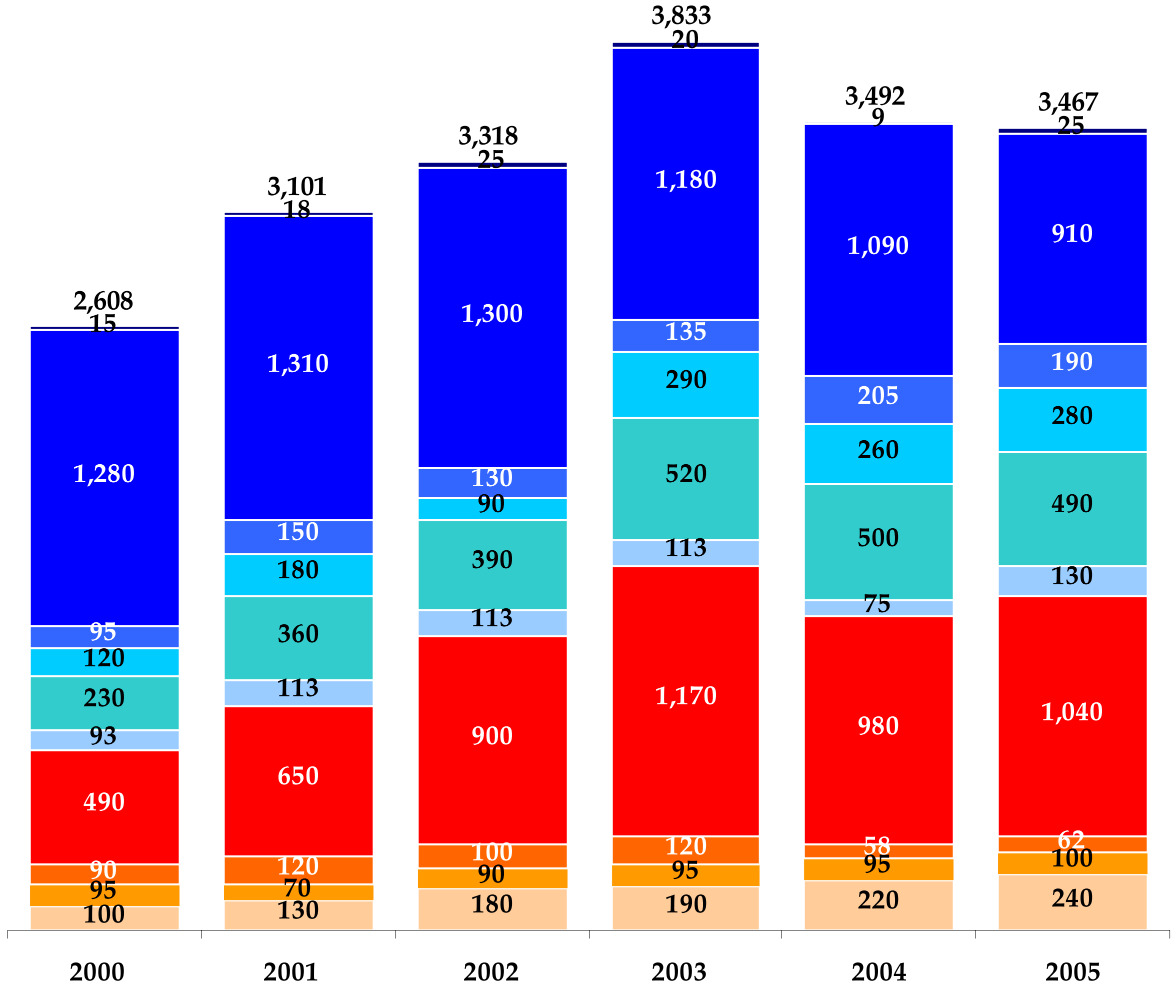
Region	CAGR (90-05)	Absolute Change (90-05)
Northland	6.3%	+6
Auckland	3.2%	+34
Waikato/BOP	3.6%	+7
Gisborne	9.3%	+14
Hawkes Bay	11.6%	+50
Wairarapa	12.7%	+45
Marlborough	17.5%	+92
Nelson	11.1%	+23
Canterbury	10.0%	+38
Otago	19.0%	+76

Note: 2004 data varies from page prior at source; Source: various NZW Statistical Annuals; Coriolis analysis

WINE MANUFACTURING EMPLOYMENT GROWTH

Wine manufacturing employment is growing, though it has leveled off since 2003 as companies focus on improving efficiency

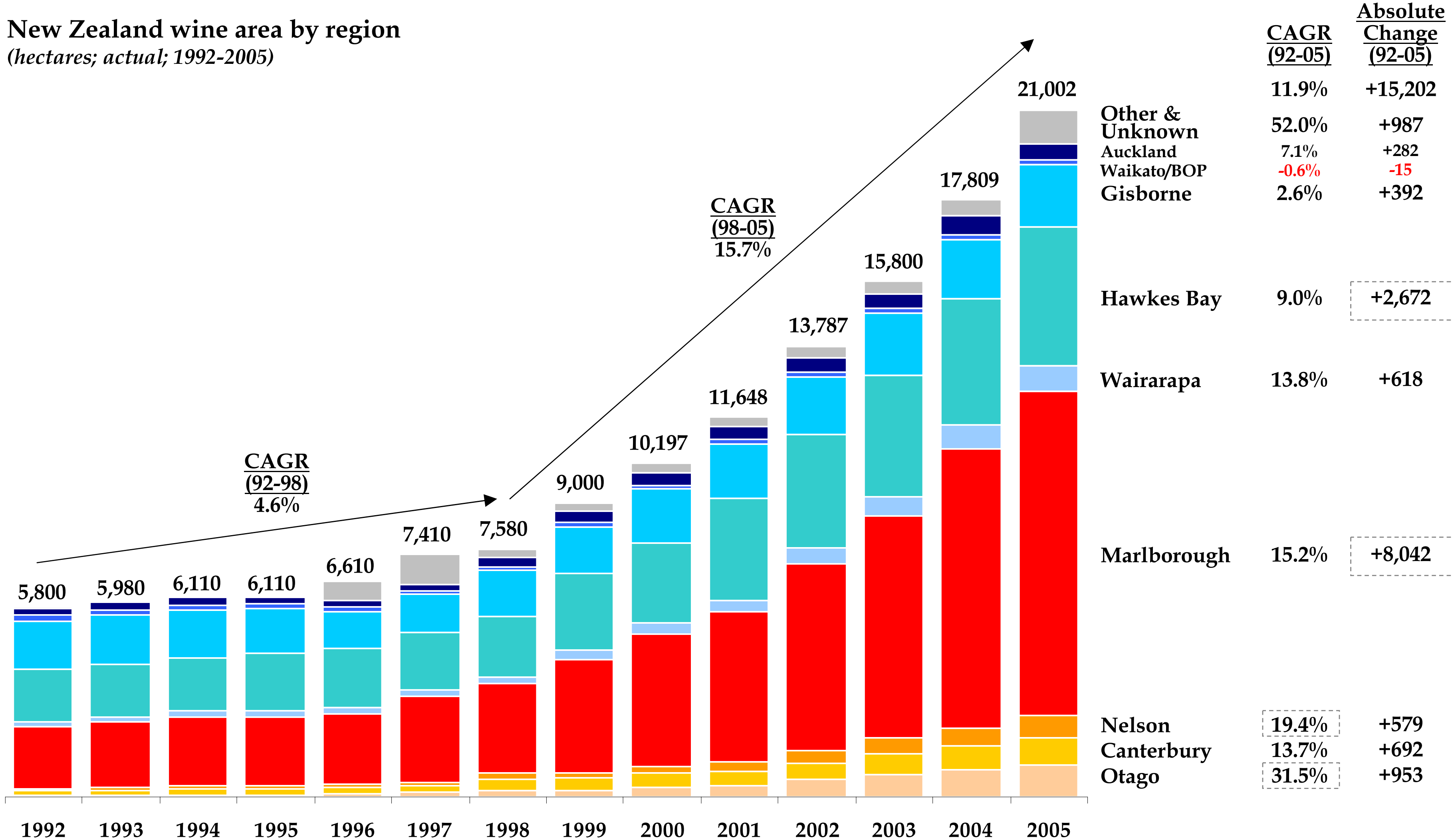
Number of people employed in wine manufacturing by region
(FTE; actual; 2000-2005)



	CAGR (00-05)	Absolute Change (00-05)
Northland	10.8%	+10
Auckland	-6.6%	-370
Waikato/BOP	14.9%	+95
Gisborne	18.5%	+160
Hawkes Bay	16.3%	+260
Wairarapa	6.9%	+37
Marlborough	16.2%	+550
Nelson	-7.2%	-28
Canterbury	1.0%	+5
Otago	5.9%	+140

Note: uses ANZSIC C2183; excludes grape growing operations; Source: SNZ Business Demographics survey; Coriolis analysis

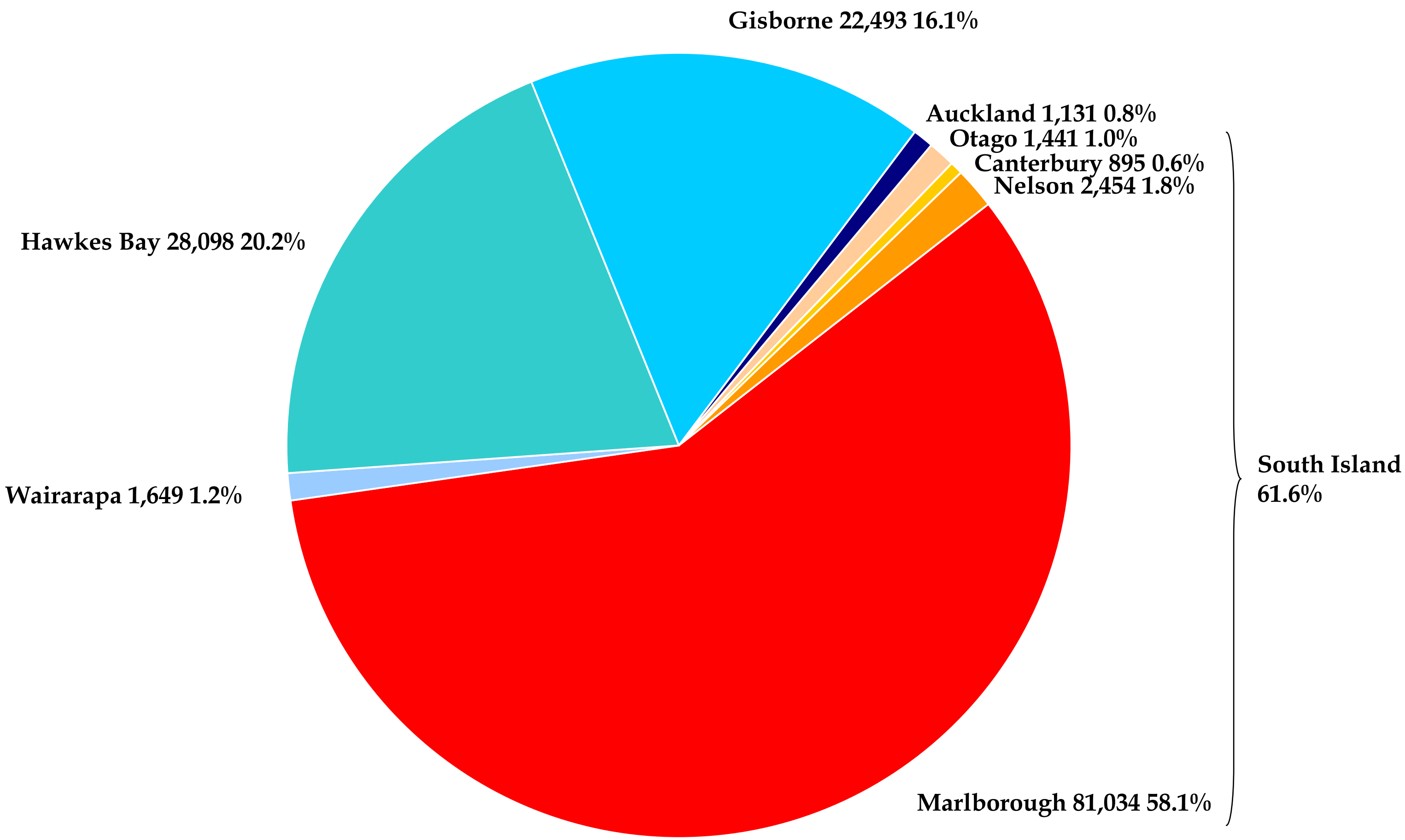
STRONG WINE AREA GROWTH IN MOST REGIONS
Land under grapes has shown strong growth across most regions especially since the late 90's



Note: 2005 different from earlier pages at source; other and unknown primarily survey question non-respondents; Source: various NZW Statistical Annuals; Coriolis analysis

PRODUCTION DOMINATED BY THREE REGIONS
Three regions dominate wine production – Marlborough, Hawkes Bay and Gisborne

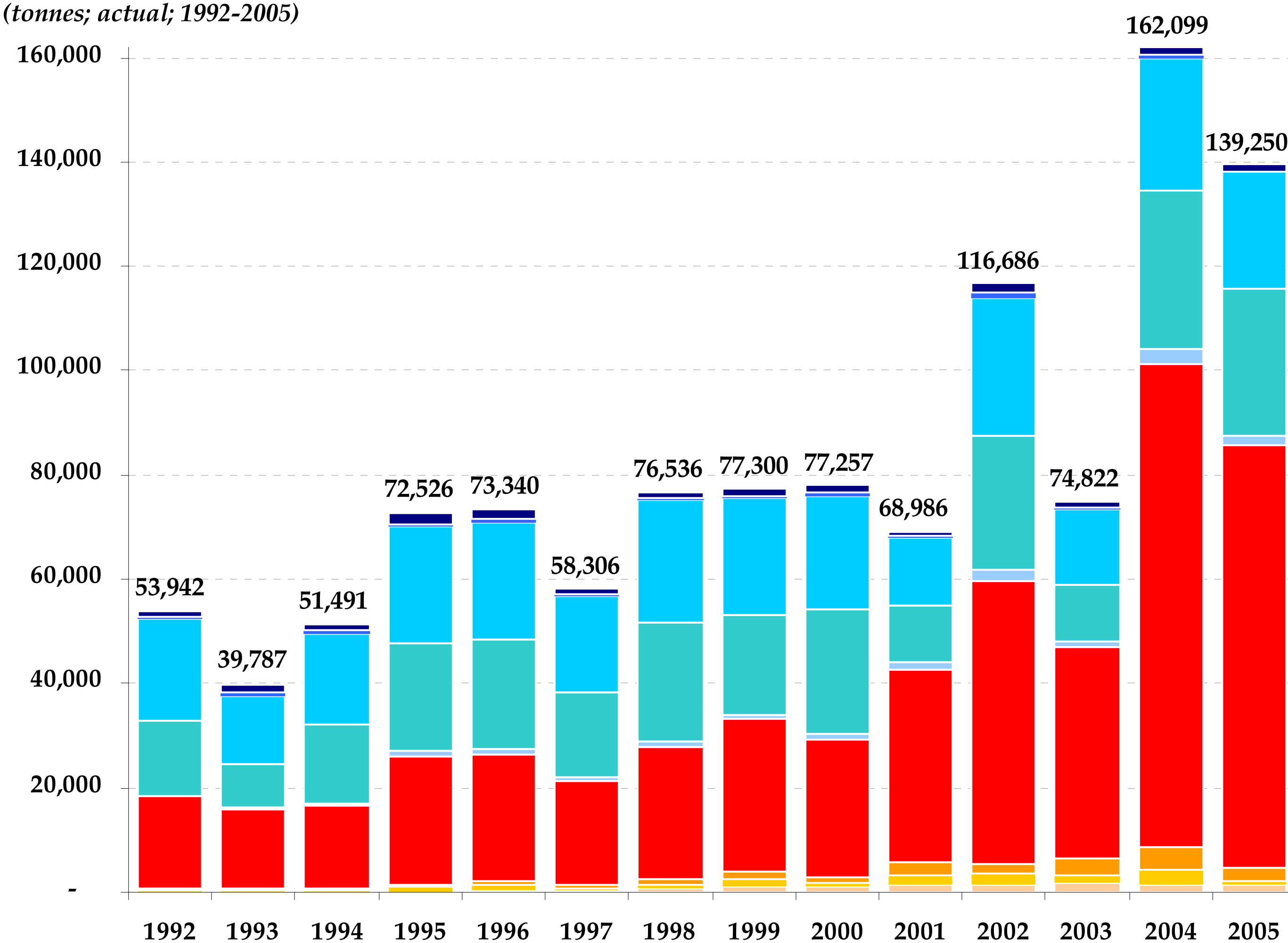
New Zealand wine production share by region
(tonnes; % of production; 2005)



Source: various NZW Statistical Annuals; Coriolis analysis

STRONG GROWTH FROM SMALLER REGIONS
The fastest rate of production growth is coming from Otago, Nelson and Wairarapa

New Zealand wine production by region
(tonnes; actual; 1992-2005)



	CAGR (92-05)	Absolute Change (92-05)
Auckland	-0.4%	-67
Waikato/BOP	-5.4%	-220
Gisborne	1.1%	+2,991
Hawkes Bay	5.4%	+13,854
Wairarapa	14.6%	+1,369
Marlborough	12.4%	+63,299
Nelson	19.3%	+2,206
Canterbury	10.9%	+661
Otago	26.1%	+1,370

Note: 2005 different from earlier pages at source; other and unknown primarily survey question non-respondents; Source: various NZW Statistical Annuals; Coriolis analysis

POINT-OF-VIEW: MARLBOROUGH
In many ways, Marlborough is New Zealand wine

- **"Marlborough 'is' New Zealand wine."** *Owner and Managing Director, Medium-sized company, Marlborough 2*

- **"Marlborough Sauvignon Blanc is driving all the growth in the wine industry and will continue to do so. The markets are expanding and growing. Sauvignon Blanc is on a roll. All of this has happened without marketing. I see the advantages if we do some marketing."** *Managing Director, Medium-sized company, Marlborough 5*

- **"No other variety in New Zealand currently can claim to be the best in the world like Sauvignon Blanc. Marlborough Sauvignon Blanc is the only variety that we can claim we have our nose ahead of the field. It's not a fashion, it has intrinsic merit and distinctiveness that will keep it in demand, but it can be imitated. In Chile, New Zealand wine makers they are imitating Marlborough Sauvignon Blanc."** *Wine Commentator*

- **"There will never be another Marlborough. In terms of volume, it can't be matched. Once it gets critical mass it has it's own industry around it. All other regions are working on individual sites. You could plant grapes on unsuitable land in Marlborough and make wine and have ten times the opportunity to sell it, even if it's not a particularly interesting wine, than someone planting a stunning site in Canterbury. No one region will every replicate Marlborough in size and its ability to sell wine into the world market."** *Managing Director and Winemaker, Medium-sized Company, Marlborough 7*

POINT-OF-VIEW: HAWKES BAY
Hawkes Bay is an interesting and developing region with a long history

- **"Hawkes Bay is really interesting it is well suited for viticulture. There are a lot of old vineyards there."** *Managing Director and winemaker, Medium-sized company, Marlborough*
- **"The top end wines coming out of the Hawkes Bay are very exciting particularly with Syrah, and Merlot."** *Managing Director and Winemaker, Medium-sized Company, Marlborough 7*
- **"Hawkes Bay and Gisborne, their advantage is they all give reasonable yield so they can be profitable, its hard otherwise. Hawkes Bay have good soils and good yields, good Chardonnay and more Sauvignon Blanc but at a lower price point – the quality is not as good. They are talking Viogner at the moment. Hawkes Bay grow Cab Sauv and Merlot and Shriaz and it's hard for them. If you go into the bulk wine sites in New Zealand, Marlborough Sauvignon Blanc is $6.50 a litre Cabernet Sauvignon from Hawkes Bay is $3.00 a litre."** *Managing Director, Medium-sized company, Marlborough 5*
- **"In the Hawkes Bay prices have dropped – there has been lack of sales with the inability of the companies to sell Hawkes Bay reds and Chardonnay in the overseas market. High priced reds are small fry items globally."** *General Manager, Winemaker and Viticulturalist, Medium-sized company, Marlborough, Hawkes Bay and Central Otago*
- **"Wine makers in the Hawkes Bay are worried. Their two key varieties - Chardonnay and Merlot - face huge international competition. The Chilean Merlot's in the low price categories deliver a more consistent quality than those from Hawkes Bay. Most Hawkes Bay wine sells in New Zealand, they struggle internationally. There is a lot of excitement in Hawkes Bay about Syrah, they need a lift. That could be a winner, by international standards it's a good wine. Australians are appreciating more cooler climate Syrah's, like those grown in the Adelaide Hills. That could open up the market for New Zealand Syrah."** *Wine Commentator*

POINT-OF-VIEW: GISBORNE
Gisborne has historically been a bulk wine producer and appears to be struggling to develop a unique wine identity

- **"Gisborne gets some good yields so the money is OK, but it is getting harder and harder with rain and cyclones affecting it. There's not many small wineries the big wineries are squeezing those growers. They are struggling with Chardonnay which is good. Chardonnay is difficult to sell, it's not unique. Australian Chardonnay is good and it is 2 pounds cheaper, it's not worth 7 pounds to the buyer. That is the problem in Gisborne."** *Managing Director, Medium-sized company, Marlborough 5*

POINT-OF-VIEW: CENTRAL OTAGO
Central Otago is an exciting region that elicits strong reactions, both positive and negative…

- **"Central Otago is the emerging jewel in the crown, a very exciting region. It has a huge amount of potential. The major players have seen it as too higher risk so the passionate pioneers have created it. What they have in energy and enthusiasm they lack in risk management. The larger companies still see it is a successful region but they have a different philosophy, they assess the risks. There will be some acquisitions in the future. You can manipulate climates, there are windmills in place to mitigate frost."** *Managing Director/Winemaker, Medium-sized Company, Marlborough 7*

- **"They are trying to sell the Mercedes cars of wines and that's hard, but they have glamour and they are small and niche and that appeals to a lot of people. If they can convince the world that the quality is that good then they charge those high prices."** *Managing Director, Medium-sized company, Marlborough 5*

- **"It is so expensive in Central Otago, it's been a real learning curve, there is no way the industry can continue like that. I have had real arguments with them about their methodology and costs. There is no return in 3 to 4 years and you are frost fighting seven years out of ten, the cost is so high that I don't think there will be huge growth. The labour costs are higher, cost of living is higher, trades people are expensive. The minimum cost for a Central Otago Pinot is $25. That is just outside most peoples budgets."** *Managing Director and winemaker, Medium-sized company, Marlborough 3*

- **"Central Otago will probably double it's amount of labels again over the next five years, of those probably only Mt Difficulty will grow to any size to be profitable. Others are not doing particularly well. The size and cost of operation makes them hard to sustain."** *General Manager, Winemaker and Viticulturalist, Medium-sized company, Marlborough, Hawkes Bay and Central Otago*

- **"Central Otago have established themselves as a high price producer they are going to struggle they have had a big vintage and they have gone up to 4,500 tonne from two vintages of 1,500. So they are going to learn to sell wine. They don't have room for fruit. You can't triple your volume of wine at a certain price point without working very hard, or expanding your markets 100% in a short time. The consumer will win. They will struggle because their cost of production is so high."** *General Manager, Marketing, Medium-sized company, Marlborough 6*

POINT-OF-VIEW: CENTRAL OTAGO
Central Otago is an exciting region that elicits strong reactions, both positive and negative… (continued)

- **"There is no profitability in most of those wineries. The figures are real scary, only a few do well. There are high costs of production and only a limited amount of grapes to choose from, if they have a bad year they have no chance. They can't afford top class wine makers. Really tough for those guys."** *Managing Director, Medium-sized company, Marlborough 5*

- **"Central Otago must stick to being small boutique wineries selling to the tourist market. I think they have planted too many vines and the price will come down for everyone. Planting 250 hectares of Pinot Noir in one go is crazy. They will only get one good year out of three. They will be fine though if they stay niche and work with what they have with the tourists."** *Owner and Managing Director, Medium-sized company, Marlborough 2*

- **"They have a lot of cellar door sales where there is a high margin maybe that model works. There has to be some rationalisation, wine companies are getting bigger and that will continue."** *Winemaker and winery manager, Medium-sized company, Marlborough 1*

- **"That growth is pretty scary, especially in Central Otago. My experience in Central with a small holding has been a huge learning curve, they are so devoid of reality. There is no way the industry there can survive the way they are going. A lot of these companies will quietly slip away."** *Managing Director and winemaker, Medium-sized company, Marlborough 3*

POINT-OF-VIEW: CANTERBURY/WAIPARA
The Waipara sub-region of Canterbury hold potential, but questions remain

- **"I came from Waipara originally - the climate change is most marked there. It was really cold there, it was permafrost, now its all grapes."** *Managing Director and winemaker, Medium-sized company, Marlborough 3*

- **"As you go south from Marlborough to Canterbury and beyond, there are real issues with profitability. Waipara has real problems. The total tonnage in Canterbury was 1,400 total last year. The yields at a guess are less than a tonne to the hectare, real scary. Making a good wine but you need profitability."** *Managing Director, Medium-sized company, Marlborough 5*

- **"In Canterbury they have a cool climate on the plains, but in Waipara it is warmer and quite similar to Marlborough. But Waipara is trying to distant itself from Canterbury as a whole, so there is no good promotion of the Canterbury area. I think Canterbury wine writers gave praise unduly 10 years ago. But as a whole the soil and climate is good, they have a good number of wineries and Pernod-Ricard are in there substantially. This gives the local wine makers more confidence. Pegasus Bay has made some excellent wines year in year out. The future for Waipara looks great. A multimillion wine village is being built there. It also looks like classic wine country. Canterbury House just sold out to Waipara Hills."** *Wine Commentator*

- **"Waipara has Riesling as their number one white variety and it has proven its ability to make excellent Riesling. But the fashion for dry wines has held it back. Riesling hasn't been treated seriously by the New Zealand wine industry. It has some perception problems. It is fresh fruity and crisp when it is young, but in three years it starts developing minerally toasty characteristics which is what really gets Riesling fans excited. It is the cellaring white wine. But the international market for Riesling is not buoyant."** *Wine Commentator*

POINT-OF-VIEW: WAIRARAPA
Wairarapa has a strong position as a niche pinot noir producer

- **"Martinborough is the birthplace of Pinot Noir and will maintain that position."** *Managing Director and Winemaker, Medium-sized Company, Marlborough 7*

- **"Pinot Noirs from Martinborough mature a lot better than those from Central Otago, whether that is the vine age or sun, or the wine makers is unsure. Internationally it is seen as a significant. In the new World Atlas of Wine this year it will include two new maps one of Martinborough and one of Central Otago alongside Marlborough and Hawkes Bay. In the UK they perceive that the two smaller regions worthy of being mapped."** *Wine Commentator*

- **"I think they will do OK, they have a good Pinot they just need to get the price right. They have been asked to look at the prices of their wines in the last 18 months. As the quality of Marlborough Pinots has increased the price difference between the areas is certainly there."** *Owner and Managing Director, Medium-sized company, Marlborough* 2

POINT-OF-VIEW: NELSON
It is unclear whether Nelson can break into the big time

- **"Nelson are currently selling all there wine over here, except for a few companies. I don't see much growth coming out of there."** *Owner and Managing Director, Medium-sized company, Marlborough 2*

- **"There have been some outstanding wines come out of Nelson. The climate stats are sunny, warm and wet. But there are wineries that have proven you can make excellent, Chardonnay, Riesling, Pinot Noir, and Sauvignon Blanc. Nelson is very versatile. There have been an explosion of wineries in the last few years. They now have a decent wine trail to attract tourists. But they have no variety that they can call their own. Overall long term their quality is good enough that they can carve out a name for themselves internationally. It might be that the Upper Moutere turns out to be a real top Pinot area, but it's pretty wet, who knows. Seifred has been traditionally been the only real international winery and their focus has been on the middle market, not a lot of great wines. Had they made more great wines then it would have promoted the Nelson region."** *Wine Commentator*

POINT-OF-VIEW: AUCKLAND/NORTHLAND
Auckland/Northland has as many wineries as Marlborough, but account for less than 1% of total wine production

- **"Pockets around the country like Waiheke are producing some pretty exciting wines."** *Managing Director and Winemaker, Medium-sized Company, Marlborough 7*
- **"They are limited in Auckland with all the rain and humidity. Kumeu River is really successful, but it is really hard and will continue to be a tough area."** *Managing Director, Medium-sized company, Marlborough 5*
- **"We hear a lot about Waiheke but I'm not convinced they have a lot of problems with wind, and the wineries are starting to re-evaluate whether they will produce Cabernet Sauvignon in the long term. Goldwater was recently sold out. There are problems with high rain fall and cloud. In some years they are excellent but others they don't age well."** *Wine Commentator*

3. WINE VARIETIES – KEY TAKEAWAYS
While New Zealand makes a wide variety of wines, Marlborough Sauvignon Blanc is the star

- **New Zealand produces numerous wine varieties, of which three stand out for area planted and total production - Sauvignon Blanc, Chardonnay and Pinot Noir**

- **Sauvignon Blanc dominates the New Zealand wine scene, accounting for 33.5% of wine area, 45.5% of the total wine production and 71% of total export sales. In addition Sauvignon Blanc has grown its area at a compound rate of 21.2% from 1994 to 2005 and its production at a CAGR of 19.7% between 1992 and 2005. Marlborough Sauvignon Blanc is the New Zealand star, which yields pungently aromatic and exuberant flavoured wines. It has an exceptionally high profile in New Zealand and in 2005 accounted for 90% of the total Sauvignon Blanc volume and 40% of the total wine production.**

- **Chardonnay is New Zealand's second largest variety by production, accounting for 21.4% of wine produced, a figure which has grown at a compound rate of 12.9% between 1992 and 2005. It accounts for 18.1% of wine area and area has grown at a CAGR of 10.2% between 1994 and 2005. Gisborne is the largest producer of Chardonnay with 44% of production followed by Marlborough (29%) and the Hawkes Bay (22%). New Zealand Chardonnay is high quality and extremely diverse appealing to a wide variety of palates.**

- **Pinot Noir is currently New Zealand's other star wine. Pinot Noir accounts for 17.9% of wine area and 10.5% of wine production, reflecting the large number of new planting in the ground and the lower yields of this temperamental variety. In addition Pinot Noir has grown its area at a compound rate of 21.8% from 1994 to 2005 and its production at a CAGR of 18.5% between 1992 and 2005**

- **Of the wide range of other varieties grown in New Zealand, only four stand out: Merlot, Pinot Gris, Syrah and Malbec. None of these emerging varieties, on its own, has yet developed an international reputation that would warrant investment**

KEY VARIETIES PROFILED

New Zealand produces numerous wine varieties, of which three stand out for area planted and total production - Sauvignon Blanc, Chardonnay and Pinot Noir

Profiles of key New Zealand wine varieties

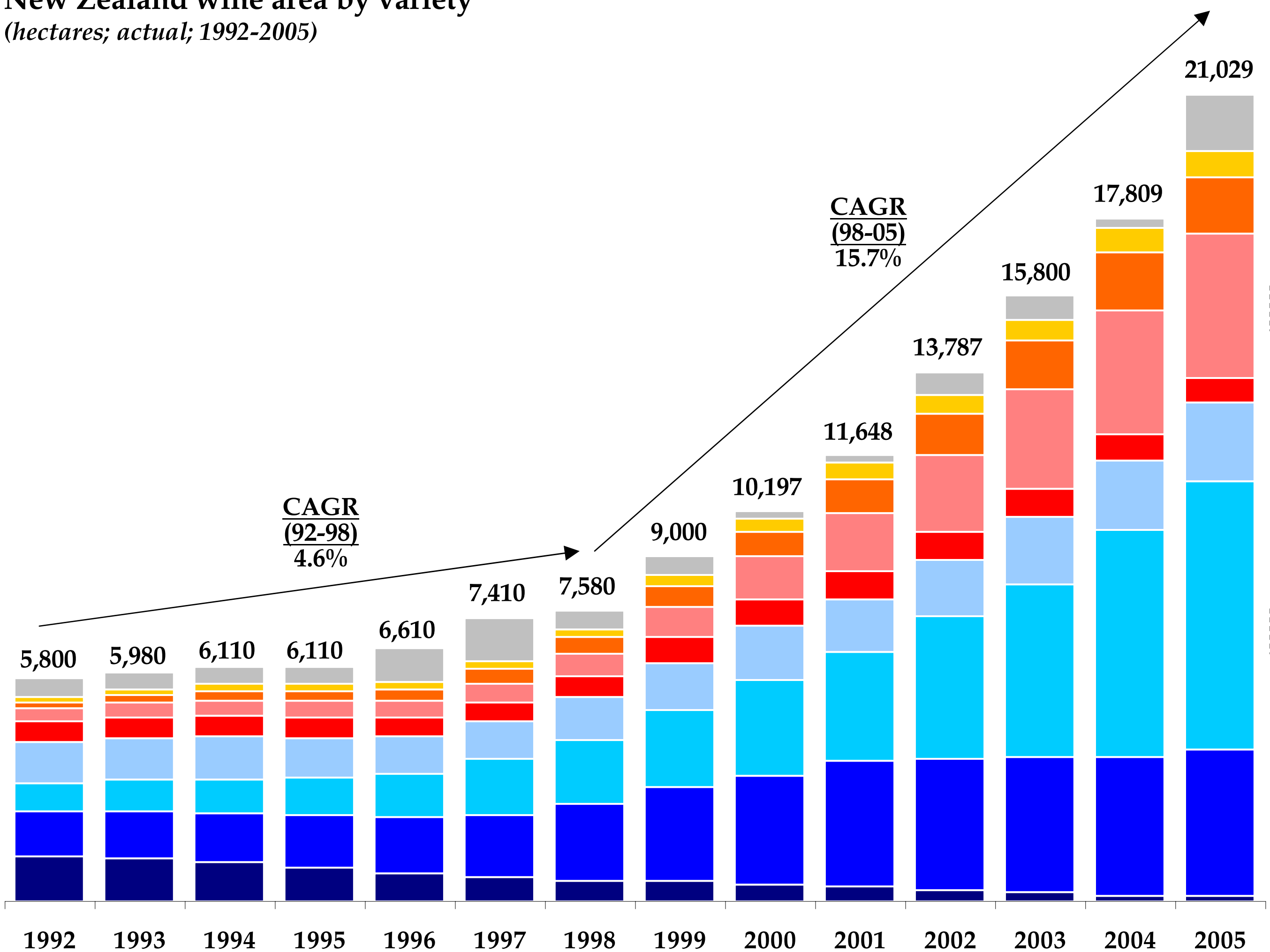
(various)

Variety	% of area (2005)	Area CAGR (94-05)	% of production (2005)	Production CAGR (92-05
Primary				
Sauvignon Blanc	33.5%	21.2%	45.5%	19.7%
Chardonnay	18.1%	10.2%	21.4%	12.9%
Pinot Noir	17.9%	21.8%	10.5%	18.5%
Secondary				
Merlot	7.1%	18.6%	6.6%	20.6%
Riesling	3.9%	10.0%	3.4%	3.3%
Cabernet Sauvignon	2.9%	1.0%	2.2%	1.2%
Seimillon	1.1%	2.9%	1.7%	4.7%
Mullet Thurgau	0.7%	-16.6%	1.5%	-14.9%
Muscat varieties	0.7%	-4.2%	1.5%	-5.5%
Pinot Gris	2.3%	34.3%	1.2%	35.1%[1]
Syrah	1.1%	27.8%	0.5%	34.9%[1]
Cabernet Franc	0.9%	7.4%	0.6%	9.1%
Malbec	0.8%	25.0%	0.5%	36.6%[1]
Pinotage	0.4%	0.9%	0.5%	1.1%
Reichensteiner	0.3%	-4.5%	0.5%	-5.1%

1. uses 1997 data as data prior included in white/other; Source: WineNZ

AREA GROWTH: SAUVIGNON BLANC AND PINOT NOIR
Two varieties stand out for total area growth: Sauvignon Blanc and Pinot Noir

New Zealand wine area by variety
(hectares; actual; 1992-2005)

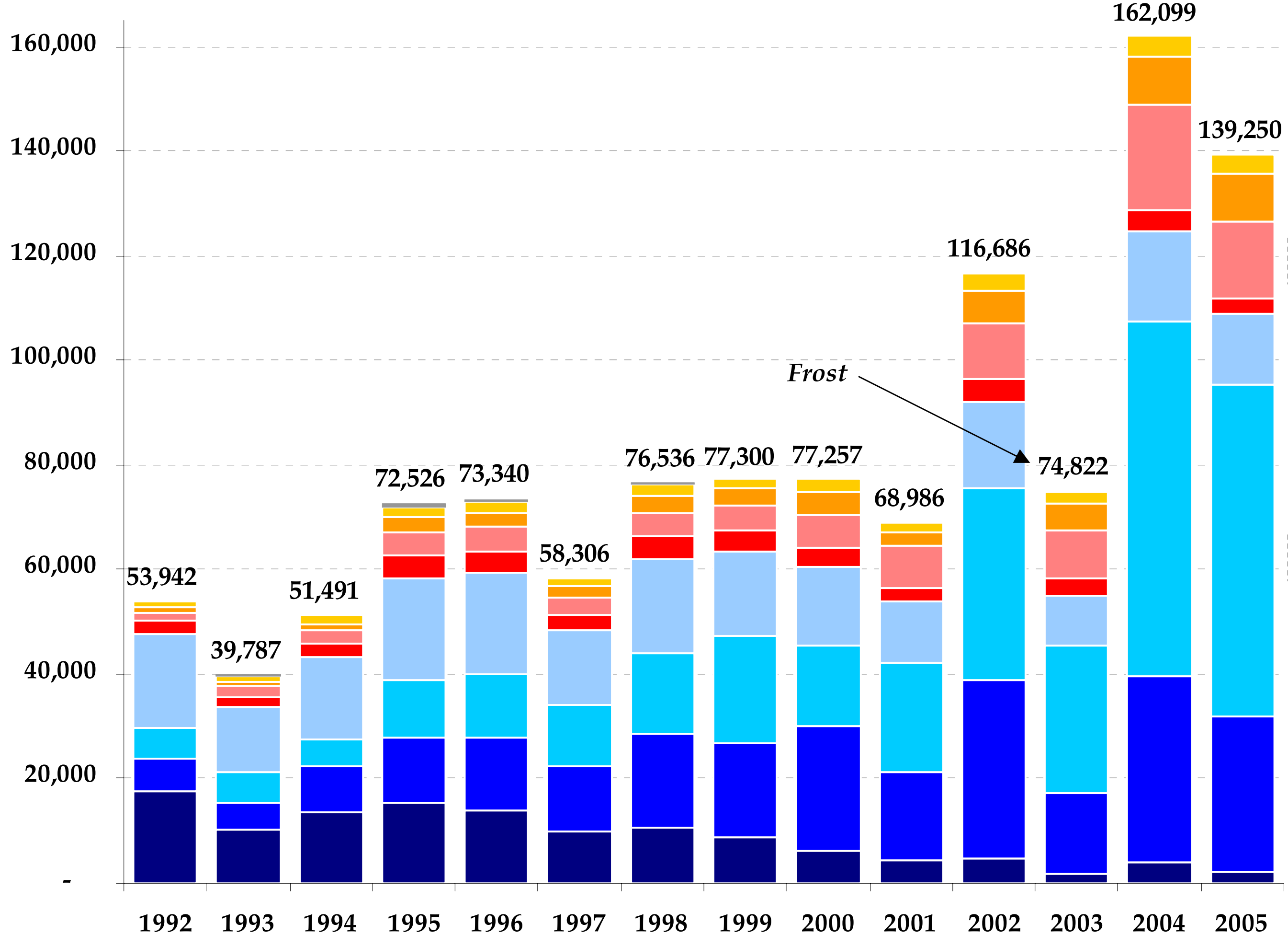


	CAGR (92-05)	Absolute Change (92-05)
(Total)	10.4%	+15,229
Other & Unknown	9.6%	+1,017
Other Red	12.0%	+513
Merlot	18.1%	+1,320
Pinot Noir	20.2%	+3,415
Cab. Sauvignon	1.4%	+100
Other White	5.0%	+964
Sauvignon Blanc	18.8%	+6,294
Chardonnay	9.5%	+2,633
Muller Thurgau	-15.2%	-1,027

Note: other and unknown primarily survey question non-respondents; Source: various NZW Statistical Annuals; Coriolis analysis

PRODUCTION GROWTH: SAUVIGNON BLANC, CHARDONNAY AND PINOT NOIR
Sauvignon Blanc, Chardonnay and Pinot Noir stand out in terms of total production growth

New Zealand wine production by variety
(tonnes; actual; 1992-2005)



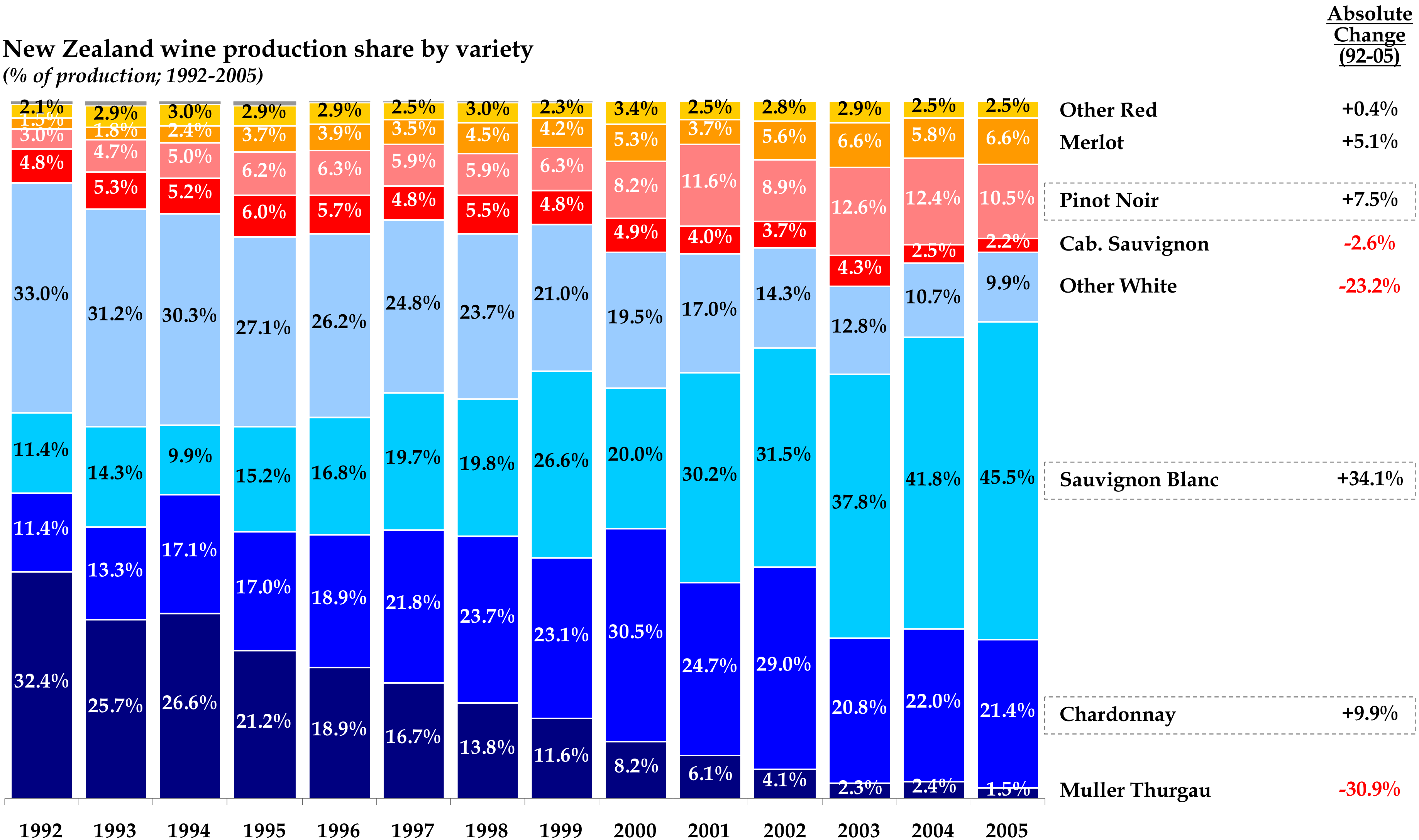
	CAGR (92-05)	Absolute Change (92-05)
	7.6%	+85,308
Hybrids	-9.9%	-135
Other Red	8.9%	+2,328
Merlot	20.6%	+8,391
Pinot Noir	18.5%	+12,981
Cab. Sauvignon	1.2%	+422
Other White	-2.0%	-4,061
Sauvignon Blanc	19.7%	+57,160
Chardonnay	12.9%	+23,569
Muller Thurgau	-14.9%	-15,347

Note: other and unknown primarily survey question non-respondents; Source: various NZW Statistical Annuals; Coriolis analysis

GROWING SAUVIGNON BLANC SHARE

Sauvignon Blanc, New Zealand's key wine, now accounts for 45.5% of total production

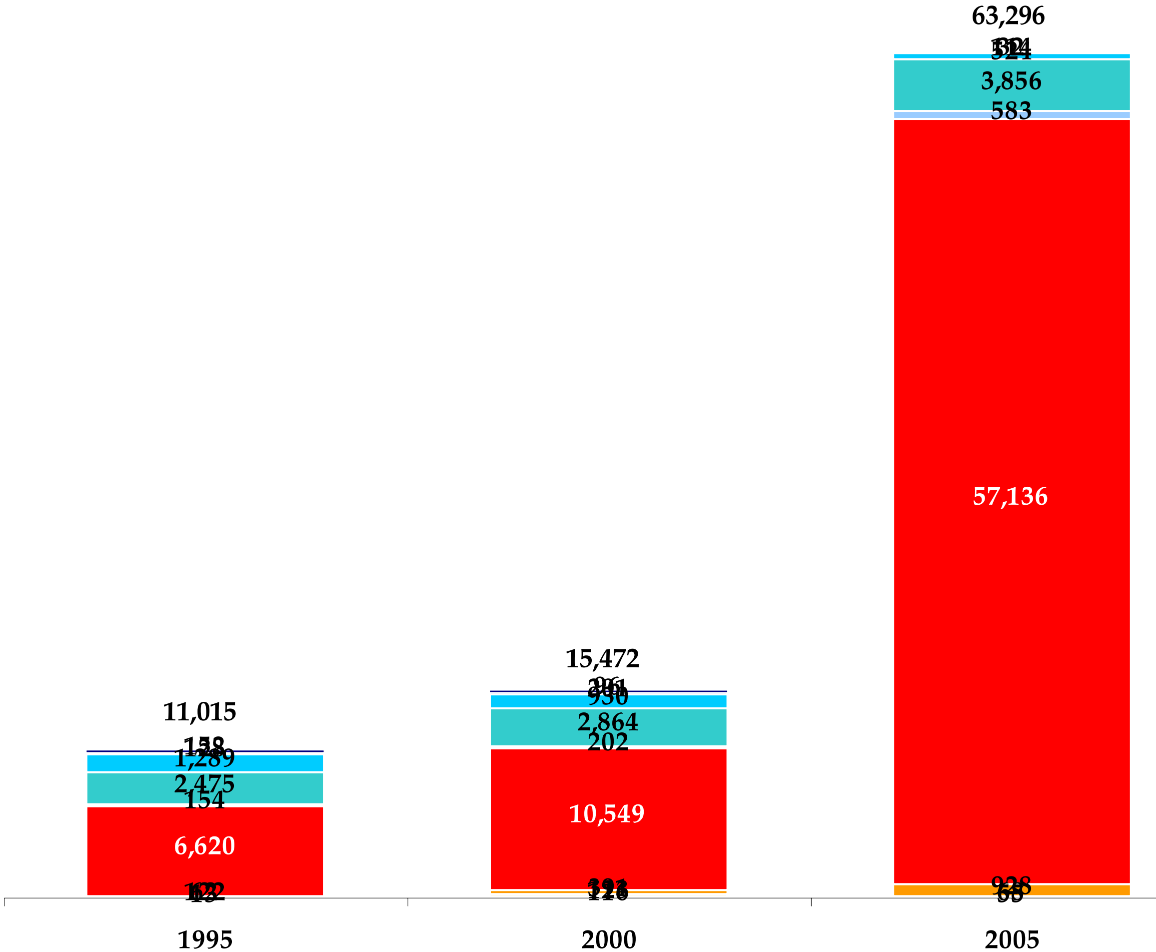
New Zealand wine production share by variety
(% of production; 1992-2005)



Source: various NZW Statistical Annuals; Coriolis analysis

SAUVIGNON BLANC PRODUCTION DOMINATED BY MARLBOROUGH
Marlborough dominates Sauvignon Blanc and production is showing massive growth

Sauvignon Blanc production volume by region
(tonnes; 1995-2005)



	CAGR (95-05)	Absolute Change (95-05)
	19.1%	+52,281
Auckland	-14.4%	-120
Waikato/BOP	-1.2%	-14
Gisborne	-8.6%	-765
Hawkes Bay	4.5%	+1.381
Wairarapa	14.2%	+429
Marlborough	24.1%	+50,516
Nelson	22.5%	+806
Canterbury	0.9%	+6
Otago	15.5%	+42

POINT-OF-VIEW: WHY MARLBOROUGH SAUVIGNON BLANC?
Marlborough got lucky with Sauvignon Blanc, but that luck required a lot of hard work

- **"A New York writer summed it up when he said his first glass of Marlborough Sauvignon Blanc reminded him of his first kiss as a teenager, it is a unique product. People drink it and people like it and say they want another glass. It's fruit driven and acidic. It's a wine ladder they start with sweet wines and bubbles and not long after that they find Marlborough Sauvignon Blanc and some people stay. The new generations and new markets like it."** *Managing Director, Medium-sized company, Marlborough 5*

- **"Marlborough Sauvignon Blanc is so unique because of the climate. It's part latitude, sunshine, warm days, cool nights, it's the Kaikoura mountains that take the cold southerly from Canterbury and push it out to sea. We miss that southerly. It's a quirk of fate. Other countries are trying to find the same climate."** *Managing Director, Medium-sized company, Marlborough 5*

- **"Sauvignon Blanc came about at a time when people were looking for a new white wine. We were very fortunate. We have a quality edge and have fine-tuned it around here, we are getting better at it and our vines are getting older or wine markers are getting more experience. Collectively we have a lot of skill. That is hard to replicate. "** *Managing Director and Winemaker, Medium-sized Company, Marlborough 7*

- **"We succeeded in Sauvignon Blanc because the world was waiting for a new taste and style of wine and we filled the niche, the British media and the public acceptance of Marlborough Sauvignon did it. Can we get lucky twice, I would bet against it."** *General Manager, Winemaker and Viticulturalist, Medium-sized company, Marlborough, Hawkes Bay and Central Otago*

- **"We make great wines; Marlborough Sauvignon Blanc is the new world benchmark others try to emulate. We are extremely lucky that what makes it good means it's also fantastic for growing Riesling, Pinot Noir and Pinot Gris. But there isn't the demand for it around the world. Others can make good wine too, but our Sauvignon is unique because of our environment."** *General Manager, Marketing, Medium-sized company, Marlborough 6*

POINT-OF-VIEW: DEMAND FOR SAUVIGNON BLANC
Demand for Marlborough Sauvignon Blanc continues to show strong growth

- **"There won't be a saturation of Marlborough Sauvignon. They just can't get enough of it in the US, it amazes me."** *Managing Director and winemaker, Medium-sized company, Marlborough 3*
- **"There is still a demand for New Zealand wine, and Marlborough Sauvignon Blanc."** *General Manager, Winemaker and Viticulturalist, Medium-sized company, Marlborough, Hawkes Bay and Central Otago*
- **"For the price of grapes to be still going up there is certainly still a demand for Sauvignon Blanc."** *Winemaker and winery manager, Medium-sized company, Marlborough 1*
- **"I can't see another variety ever overtaking Sauvignon Blanc. If someone said to me what shall I invest in I'd say invest in Marlborough Sauvignon Blanc, that is where the immediate future is."** *Winemaker and winery manager, Medium-sized company, Marlborough 1*
- **"New Zealand brands need to have a Marlborough Sauvignon Blanc. Sileni originally had no Marlborough Sauvignon Blanc and when they went to sell their product they were told they needed to have a one. That scenario is being mirrored throughout the country. That's why most companies have a Marlborough Sauvignon Blanc."** *Managing Director, Medium-sized company, Marlborough 5*
- **"We have grown by 50,000 cases this year, by buying more land and identifying areas in Marlborough that we wanted to target that are good for growing Sauvignon Blanc. We have huge expansion in those areas. Our existing contractors are expanding, and their neighbours are converting and supplying us. We grow because of demand and profitability who knows in five or ten years time."** *Managing Director, Medium-sized company, Marlborough 5*
- **"To have people wanting what we've got and following what we've got and trying to emulate us, that's the best form of flattery you can have."** *General Manager, Marketing, Medium-sized company, Marlborough 6*
- **"The growth of Sauvignon Blanc has to continue, because people keep planting vines everywhere. The nurseries have orders in advance for the next two years."** *General Manager, Marketing, Medium-sized company, Marlborough 6*

POINT-OF-VIEW: THE FUTURE OF SAUVIGNON BLANC?
The future for Marlborough Sauvignon Blanc looks good as there are physical limits on supply which will limit the destructive oversupply found in other countries

- **"Marlborough Sauvignon Blanc will remain the number one export for New Zealand."** *Wine Commentator*

- **"We are not going to be overtaken because no one can make the same Sauvignon Blanc. It's not a commodity."** *Managing Director and Winemaker, Medium-sized Company, Marlborough 7*

- **"Growth will level off because there is a limitation on plantable area for Marlborough Sauvignon and that's what driving the growth. There will be a lack of quality land."** *General Manager, Winemaker and Viticulturalist, Medium-sized company, Marlborough, Hawkes Bay and Central Otago*

- **"Availability of land is an issue. We are right at the boundaries now of good growing areas and water. Water is a real problem. The aquifer is just not recharging."** *Owner and Managing Director, Medium-sized company, Marlborough 2*

- **"At the end of the day we produce damn good product and we will be a successful industry. Some will be more successful in that industry that others. At the moment we have Marlborough Sauvignon Blanc which is the only wine style to have a truly international reputation and it is considered the benchmark product. We keep hearing about the threat from Chile and the threat from Tasmania. To date the wines that they have been producing haven't knocked us off our pedestal yet, and long may that continue. Its not a bad thing that they aspire to be like us, better that position than nobody wanting to copy us. As long as we maintain the top position then the New Zealand industry will be reasonably successful."** *Winemaker and winery manager, Medium-sized company, Marlborough 1*

- **"We will keep growing. We can double growth, but they will be more marginal areas, it will cost more. The best areas are taken now but it can double again. The risks aren't that great. Market forces will rule as we begin to increase and if the market starts to slow down at the same time then those more marginal qualities will have to discount to sell – Like in 2004, with a lesser quality wine but the top price didn't come down and we sold it all, it all sold through. To grow we will need capital. All the infrastructure is here. If you pay for labour the labour comes."** *Managing Director, Medium-sized company, Marlborough 5*

POINT-OF-VIEW: MORE MARKETING SUPPORT FOR SAUVIGNON BLANC
Some of those interviewed believed there was need to further promote Sauvignon Blanc

- **"At the moment we do all this investment in research and it's crazy. We don't do any marketing. Let's build the demand. We need to direct the industry bodies. Marketing is hard it needs to promote all."** *Managing Director, Medium-sized company, Marlborough 5*

- **"In every country we need to be emphasising that we make the best Sauvignon Blanc in the world, because we do. It is more expensive than others but it is the best, it's the leader. This needs to happen at every level."** *Owner and Managing Director, Medium-sized company, Marlborough 2*

- **"We need more marketing, that gives the whole market growth. Marketing should allow us to sell more of all varieties. Whether we should be marketing all products or just Marlborough Sauvignon, I'm not sure. It's the 80/20 rule."** *Managing Director, Medium-sized company, Marlborough 5*

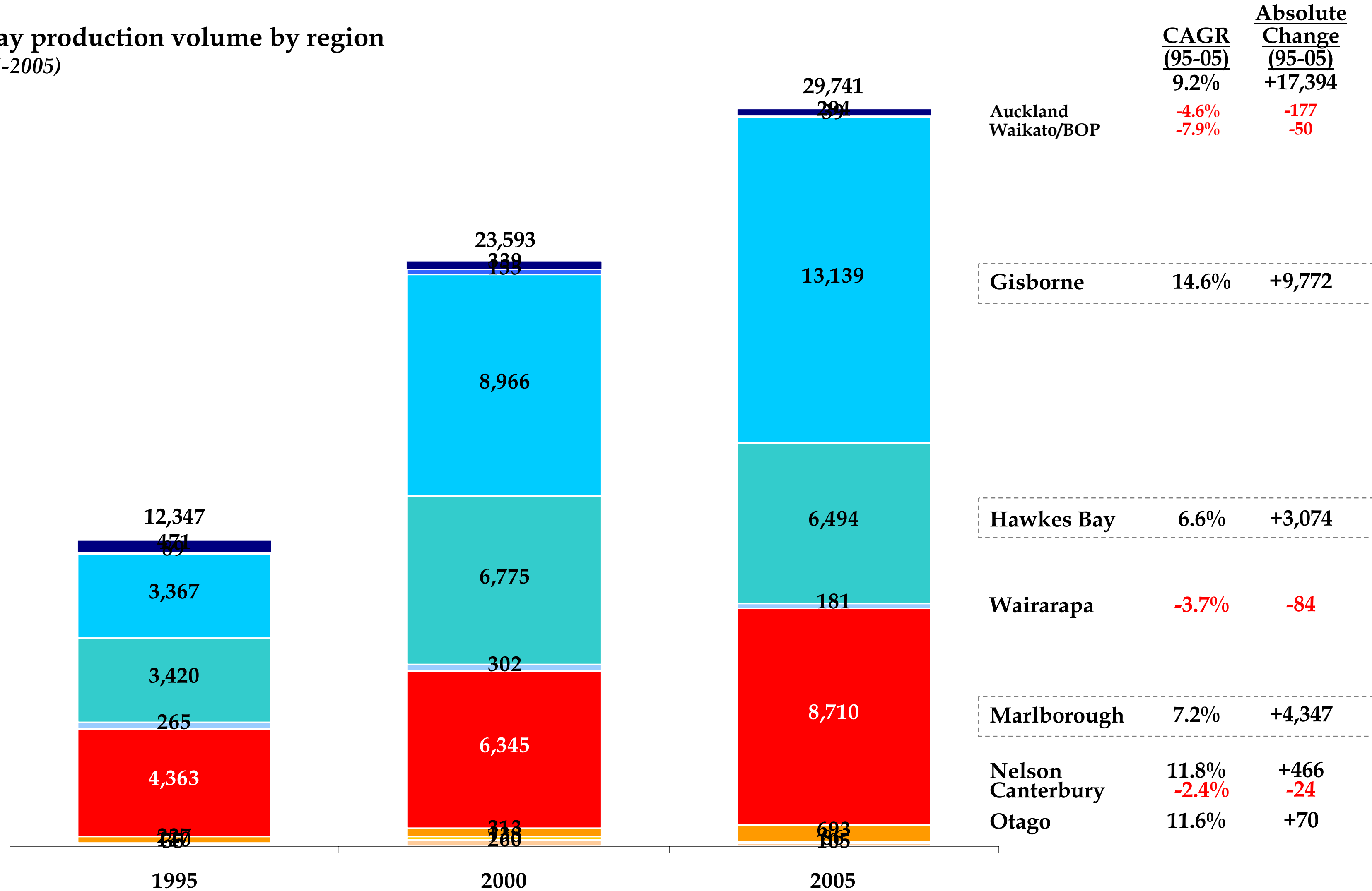
POINT-OF-VIEW: SAUVIGNON GETS YOUR FOOT IN THE DOOR
Marlborough Sauvignon Blanc was seen as the foot in the door for other varieties and regions

- **"We sell all our other varieties on the back of Sauvignon Blanc. We need Sauvignon to introduce people to other varieties."** *Managing Director, Medium-sized company, Marlborough 5*

- **"We have 70% Sauvignon Blanc, then Pinot Noir between Marlborough and Central, followed by Riesling and at a distance Chardonnay. But we have a dozen varieties after that but none at any great volumes."** *General Manager, Winemaker and Viticulturalist, Medium-sized company, Marlborough, Hawkes Bay and Central Otago*

CHARDONNAY PRODUCTION GROWING IN THREE REGIONS
Chardonnay production growth is coming from Gisborne, Hawkes Bay and Marlborough

Chardonnay production volume by region
(tonnes; 1995-2005)



POINT-OF-VIEW: CHARDONNAY
New Zealand makes a good Chardonnay, but it isn't an international icon and struggles to stand out

- **"The international buyers always really like our and New Zealand Chardonnay but to get the punters on the shelves to buy New Zealand Chardonnay as a big ask, because they don't associate New Zealand with Chardonnay. They tend to go with a California or Australian, but we could sell a lot if they could get a taste, we haven't really tried."** *Managing Director and winemaker, Medium-sized company, Marlborough 3*

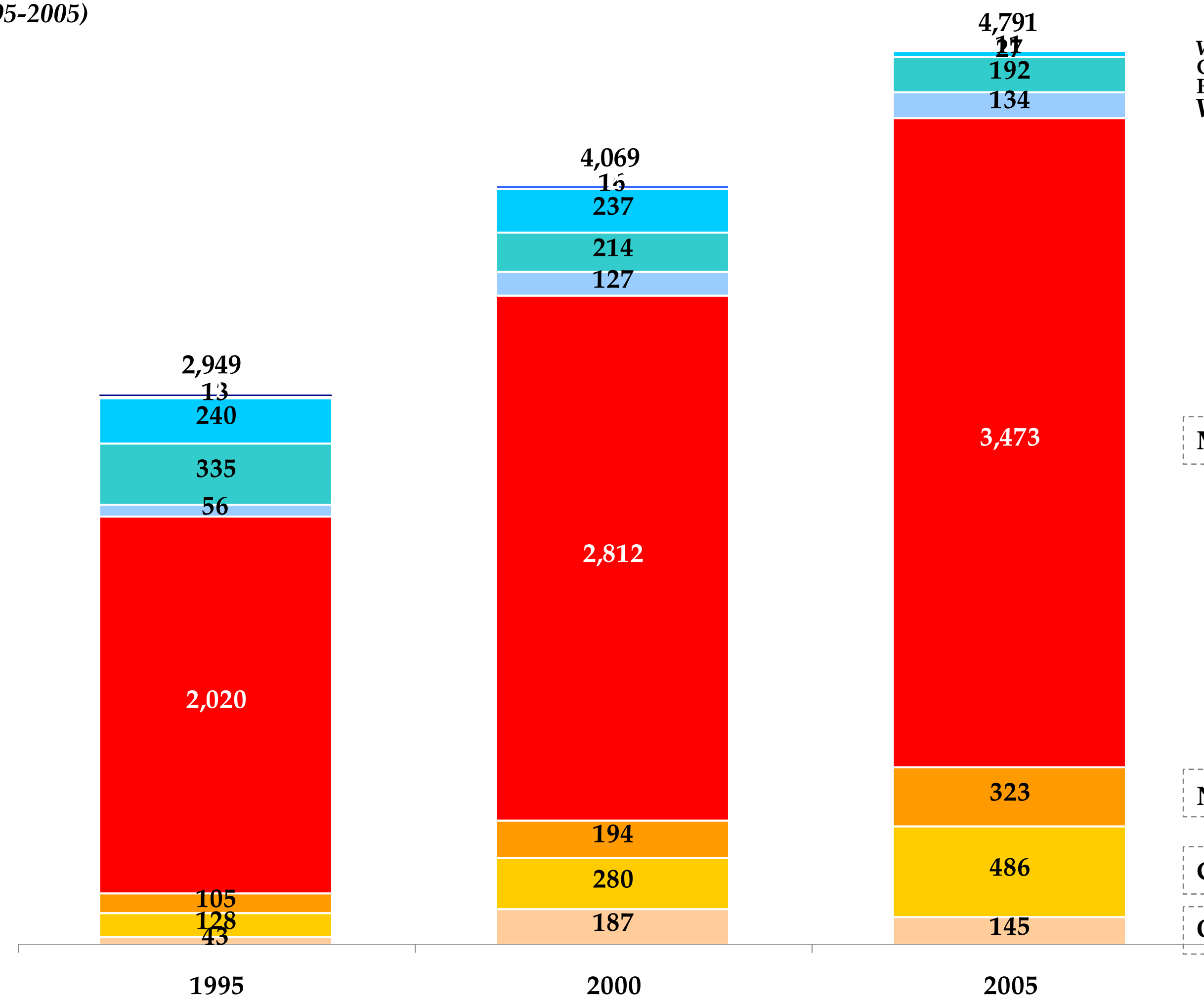
- **"The problem with Chardonnay which is still a significant amount of our exports is that there is no perceived Chardonnay style. Everyone around the world makes good Chardonnay we don't make the best, the wines don't age well. After three years they are past their best, Botrytis is an issue, they become a bit hollow. There is also a lack of New Zealand style. If you buy a bottle it could be anything, the styles range from full bodied and soft to light bodied. It is a recognised problem in the industry."** *Wine Commentator*

- **"Our Chardonnay is good but it doesn't really stand out. People don't think New Zealand they think Australia."** *Managing Director, Medium-sized company, Marlborough 5*

- **"Gisborne calls itself the Chardonnay capital it is in terms of tonnage but I don't think the title is deserved. There are not a lot of great Chardonnays that come out of their year in year out. They are fruity and oaky and do well at shows but do not age well. There are a lot of great Chardonnays in many regions. Marlborough Chardonnay's mature well, in 5 years they age well. Chardonnay does have full body and is smooth which is appealing to many wine drinkers."** *Wine Commentator*

RIESLING PRODUCTION GROWTH FROM SOUTH ISLAND
Riesling production is growing, primarily in the South Island

Riesling production volume by region
(tonnes; 1995-2005)



	CAGR (95-05)	Absolute Change (95-05)
	5.0%	+1,842
Waikato/BOP	-1.7%	-2
Gisborne	-19.6%	-213
Hawkes Bay	-5.4%	-143
Wairarapa	9.1%	+78
Marlborough	5.6%	+1,453
Nelson	11.9%	+218
Canterbury	14.3%	+358
Otago	12.9%	+102

Source: various NZW Statistical Annuals; Coriolis analysis

PINOT GRIS THE ONLY OTHER GREAT WHITE HOPE
Only Pinot Gris stands out as a growth star from other key white varieties

Other key white wines production volume by region
(tonnes; 1995-2005)

Variety	Production 1995	Production 2005	CAGR 95-05	Primary Region
Semillon	2,528	2,388	-0.6%	Gisborne
Muller Thurgau	15,387	2,144	-17.9%	Gisborne
Muscat varieties	5,036	2,098	-8.4%	Gisborne
Pinot Gris[1]	149	1,655	35.1%	Marlborough
Gewürztraminer	985	1,164	1.7%	Gisborne
Reichensteiner	1,867	675	-9.7%	Gisborne

1. Pinot Gris uses 1997 data (first available) and 97-05 CAGR; Source: various NZW Statistical Annuals; Coriolis analysis

POINT-OF-VIEW: PINOT GRIS
Pinot Gris is a new and fashionable wine

- **"Pinot Gris is certainly flavour of the month, but it's not unique to New Zealand. There is huge demand and shortage of supply. We are growing our volumes of Pinot Gris but who knows the market will give us an indication. At the moment it's one of our most profitable we can sell most of it at $25 whereas the Sauvignon is $20. The market is short. Once the market grows we will increase our price points to $25, $20, $15. Our wine maker from Italy says it's amongst the best Pinot Gris in the world, like our Chardonnay."** *Managing Director, Medium-sized company, Marlborough 5*

- **"We have only been growing Pinot Gris since 2000, so that's the new wine off the rack, the new varietal for us. Pinot Gris is so fashionable at the moment."** *Winemaker and Winery Manager, Medium-sized company, Marlborough 1*

- **"Pinot Gris is extremely fashionable. I rang around restaurants a while ago asking what the most popular wines were and it was very different statistics than what you get at the supermarket, where Pinot Gris is small but growing. In restaurants, Pinot Gris was the top selling white and Pinot Noir was the top selling red. Pinot Gris has always had a presence most notably from Alsace and the Pinot Grigio's from Italy. But in New Zealand the reputation of the wine has outstripped its quality. People have been taking advantage of its under supply and so the quality as been mediocre, but recently there has been a distinct lift in quality. People like Pinot Gris because the name is easy to pronounce and it is slightly sweet – people say they like dry but they actually like quite a sweet wine. It is good for new wine drinkers and it has enough body to satisfy Chardonnay drinkers. It is a half way house between Riesling and Chardonnay it has the aromatic appeal of Riesling but the satisfying mouth fill and body of Chardonnay, plus the low acidity of acidity."** *Wine Commentator*

- **"It is the most grown white variety in Central Otago. I think it has the potential to be a serious force long term. You don't tire of it quickly, it doesn't lack finesse, it is very versatile. People are sick of Chardonnay all the time, it doesn't need oak barrels, so it's cheaper to make."** *Wine Commentator*

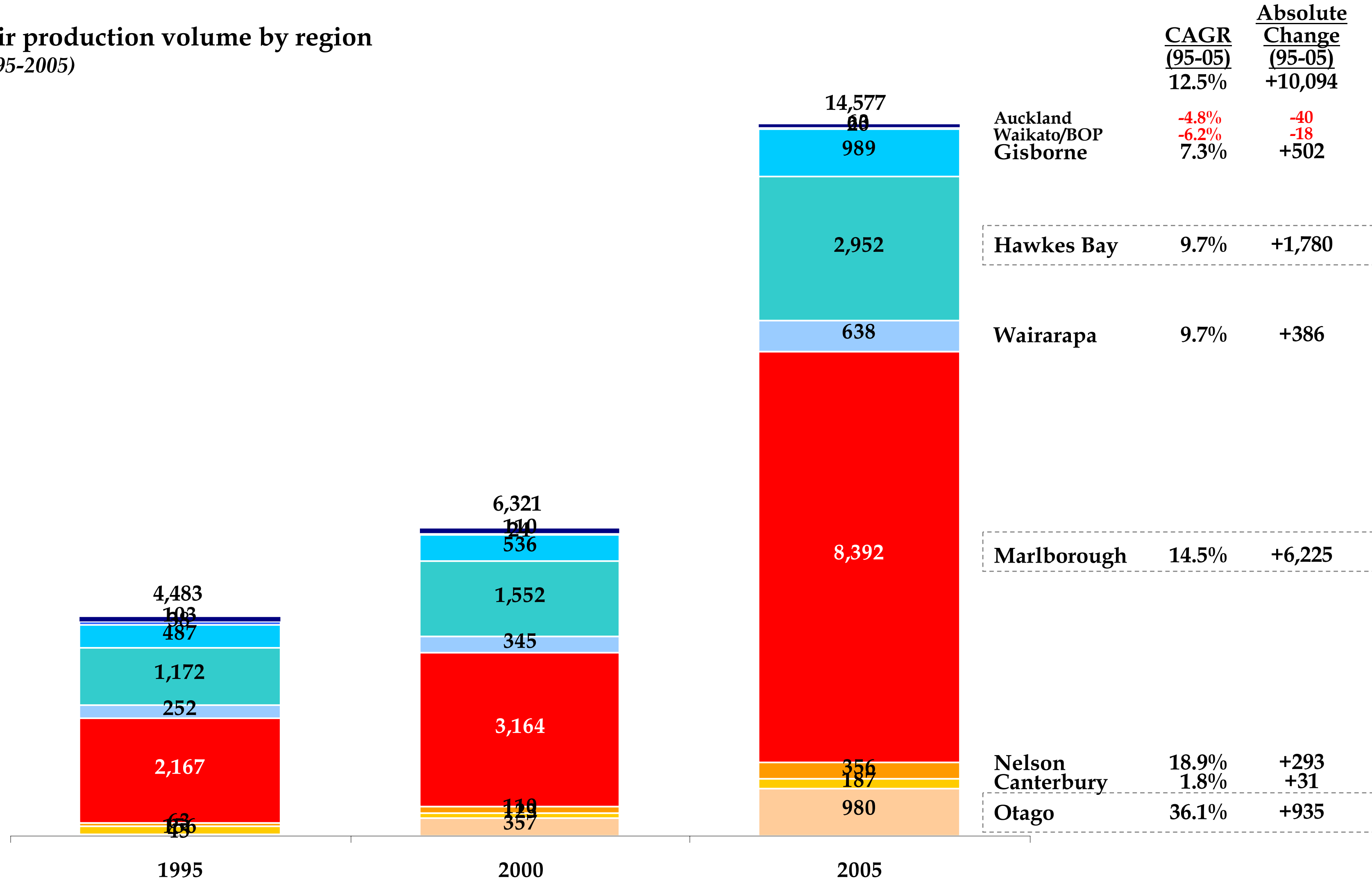
POINT-OF-VIEW: OTHER WHITES
A few potential up and comings exist

- **"New Zealand is making some progress there. Although with Viogner there are issues with profitability, it is hard to flower and crop reliably from one year to the next. They will plant 5 hectares but not bulk it up. Gewürztraminer is making a bit of a come back. Its never really set the world on fire even in Alsace where it is regarded as the worlds benchmark. The total volumes are not enormous."** *Wine Commentator*

- **"Bob Campbell describes it as Sauvignon Blanc as bang bang bang it's out there, Viogner is background music. It's a very European wine. It doesn't stand out in taste tests. It will be a short term wine a bit like Riesling, but it is on a growth path."** *Managing Director, Medium-sized company, Marlborough 5*

PINOT NOIR PRODUCTION GROWTH DRIVEN BY THREE REGIONS
Marlborough, Hawkes Bay and Otago have driven Pinot Noir growth

Pinot Noir production volume by region
(tonnes; 1995-2005)



POINT-OF-VIEW: POTENTIAL IN PINOT NOIR
Pinot Noir was seen as having great potential for New Zealand

- **"We, as a country, are having great success with Pinot Noir; this will continue. This is a different animal, in a way we could achieve higher pinnacles with Pinot Noir because Sauvignon is a dry white wine and there is a ceiling on what people are prepared to pay for it but with Pinot Noir there is almost no ceiling, so if we produce some stellar wines here then potentially we can achieve much higher prices. If we could get a few icon wines then that would be fantastic."** *Winemaker and Winery Manager, Medium-sized company, Marlborough 1*

- **"When I was in the US doing wine tastings when the Americans smelt Otago Pinot they showed close attention. The wine is so fragrant it stops people in its tracks. Pinot Noir clearly is making inroads it is certainly viewed internationally as one of the top new world examples of Pinot Noir. Not just Central Otago but also Martinborough. Pinot Noir clearly is an emerging star. There is internationally alot of positive comment."** *Wine Commentator*

- **"Of all of the grapes currently planted in New Zealand it has the most opportunity to grow at a similar scale to Sauvignon but it will never achieve the volumes. By a factor of 10 to 1 it will continue to match it."** *Managing Director and Winemaker, Medium-sized Company, Marlborough 7*

- **"Pinot Noir is happening in New Zealand but you will have to work very hard at it. They are getting fantastic recognition. The per litre price is dropping over time though."** *General Manager, Medium-sized company, Marlborough 6*

POINT-OF-VIEW: PINOT NOIR PRICING
However, pricing was seen as very important with Pinot Noir

- **"We are selling nearly more Pinot Noir into the States than Sauvignon Blanc and we are selling it at a very good price because it is seen as a premium variety. We are increasing our Pinot production and we sell a lot of Pinot into the UK because it's seen as very well priced and hugely better quality compared to a similarly priced products from France. So we have very very good listings for Pinots in the UK and we sell quite bit into Sweden and the States. But Pinots from Central Otago and Martinborough won't have a chance because they are too expensive and over the top, there is resistance. How many cases of 25-30 pound bottles of wine are you going to sell in the UK. We sold a sparkling in the UK we have to be very careful about how we price it because as soon as soon as it hits the cheapest of the best French people opt for French. If we keep it at the right price they know that the French equivalent at that price is a bit iffy so we can sell it."** *Owner and Managing Director, Medium-sized company, Marlborough 2*

- **"In Cuisine tastings this year the top 10 Pinot Noirs were all from Marlborough, people don't say that. We asked our importer in the UK, how long will it take to build up to 1,000 cases of Pinot Noir, he said we import Hamilton Russell from South Africa a top Pinot Noir one of the best out there. If you can do it as good as them then it will take you two years. That's a problem. We need to market more. Our top Pinot which is winning awards is $30 the top Central Otago award winners are $55. At $30 we sell 500 cases, at $25 we sell 1,500 cases at $20 we sell 3,000 cases at $15 we sell 4,000 cases. That's the challenge for Central Otago they need to compete in this market."** *Managing Director, Medium-sized company, Marlborough 5*

- **"We are just starting to get some momentum with Pinot Noir. We are being a bit cautious getting the price right and the style right."** *Managing Director, Medium-sized company, Marlborough 3*

- **"If we produce Pinot Noir in a way that we are able to offer genuine value - many 10-20 pound Pinot's in the UK don't deliver the goods - then there is potential there."** *Wine Commentator*

- **"You can go to a supermarket and get a Marlborough Pinot Noir from the bottom shelf for $13.95 or one for $65. But in Central Otago they are all $25 and above. Marlborough produces cheap and cheerful Pinot's but we also produce outstanding Pinot's."** *Winemaker and Winery Manager, Medium-sized company, Marlborough*

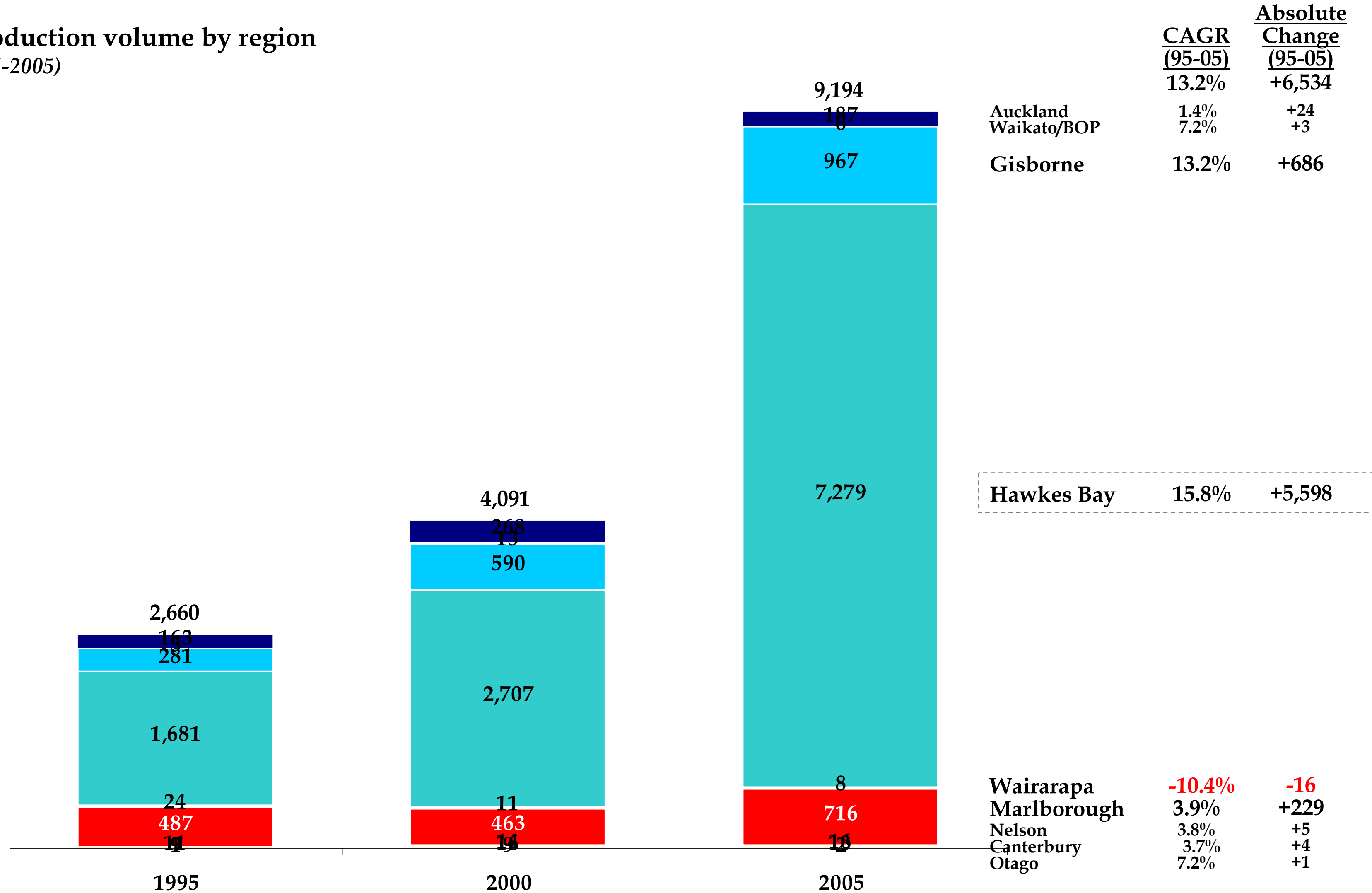
POINT-OF-VIEW: CHALLENGES IN PINOT NOIR
Pinot Noir was also seen as presenting some challenges

- **"Pinot Noir is not hugely produced or hugely drunk. In New Zealand, we will step up in the next couple of years as the biggest producer of Pinot in the world. The huge challenge for us is who is going to buy it. We have to do what we did for Sauvignon Blanc and more because we have to create a market for it, and fill it across the price quality spectrum to get regular consumption of it. It is a huge challenge. Can we get lucky twice? I would bet against it. But in America, where there seems to be a specific impetuous for Pinot Noir because of a lot of things, including the movie Sideways. That is the sort of country that may save us."** *General Manager, Winemaker and Viticulturalist, Medium-sized company, Marlborough, Hawkes Bay and Central Otago*

- **"Pinot Noir from Central Otago is not maturing well, it then won't build a great reputation. But that can change, as wine makers mature. People put a lot of store in competitions with impressive names like the International Wine and Spirit Competition, but 99% of wineries don't enter these competitions, and people can think these are the wine Olympics but they are not. The wines that win the trophies were simply the best out of those that were there. There needs to be a more dispassionate view of where we do stand with some varieties. We clearly are producing some exciting Pinots, but its only the top 10%, as time goes by, those good ones will be rewarded more and more."** *Wine Commentator*

MERLOT DOMINATED BY HAWKES BAY
Merlot production and production growth is coming from Hawkes Bay

Merlot production volume by region
(tonnes; 1995-2005)



Source: various NZW Statistical Annuals; Coriolis analysis

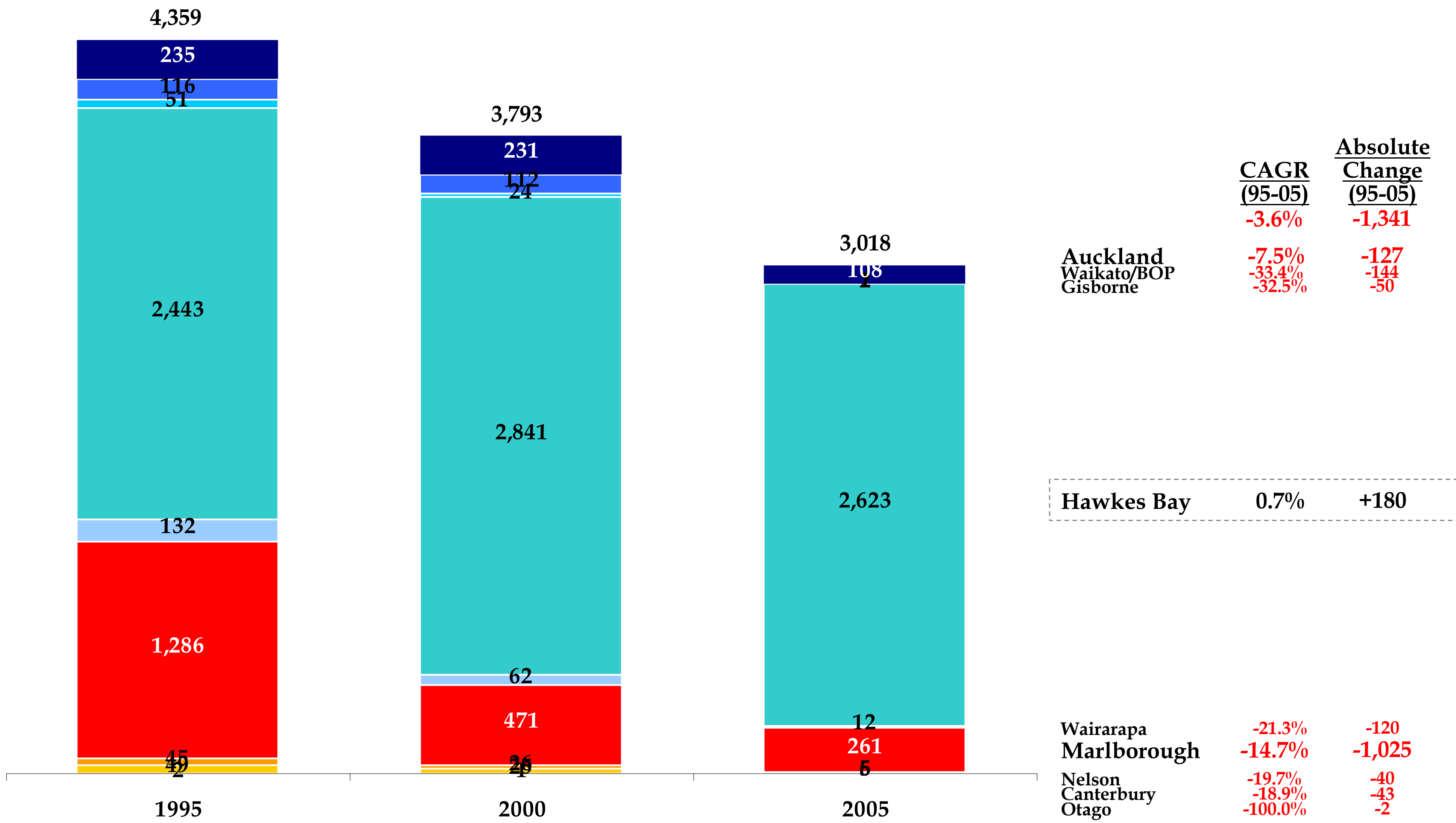
POINT-OF-VIEW: CHALLENGES IN MERLOT
Merlot was seen as having challenges

- **"Wine makers in the Hawkes Bay are worried their two key varieties Chardonnay and Merlot, face huge international competition. The Chilean Merlot's in the low price categories deliver a more consistent quality than those from Hawkes Bay."** *Wine Commentator*

CABERNET SAUVIGNON FALLING

Cabernet Sauvignon production is falling everywhere except Hawkes Bay, where production is flat

Cabernet Sauvignon production volume by region
(tonnes; 1995-2005)



Source: various NZW Statistical Annuals; Coriolis analysis

MALBEC & SYRAH IN HAWKES BAY
Malbec and Syrah stand out for growth in other key red wines, although from a very low base

Other key red wines production volume by region
(tonnes; 1995-2005)

	Production			
Variety	1995	2005	CAGR 95-05	Primary Region(s)
Cabernet Franc	637	782	2.1%	Hawkes Bay
Malbec[1]	63	763	36.6%	Hawkes Bay
Syrah[1]	69	758	34.9%	Hawkes Bay
Pinotage	1,097	708	-4.3%	Hawkes Bay Gisborne

"The Syrah from the Gimblett gravels is far superior to the syrah from Marlborough." *General Manager, Winemaker and Viticulturalist, Medium-sized company, Marlborough, Hawkes Bay and Central Otago*

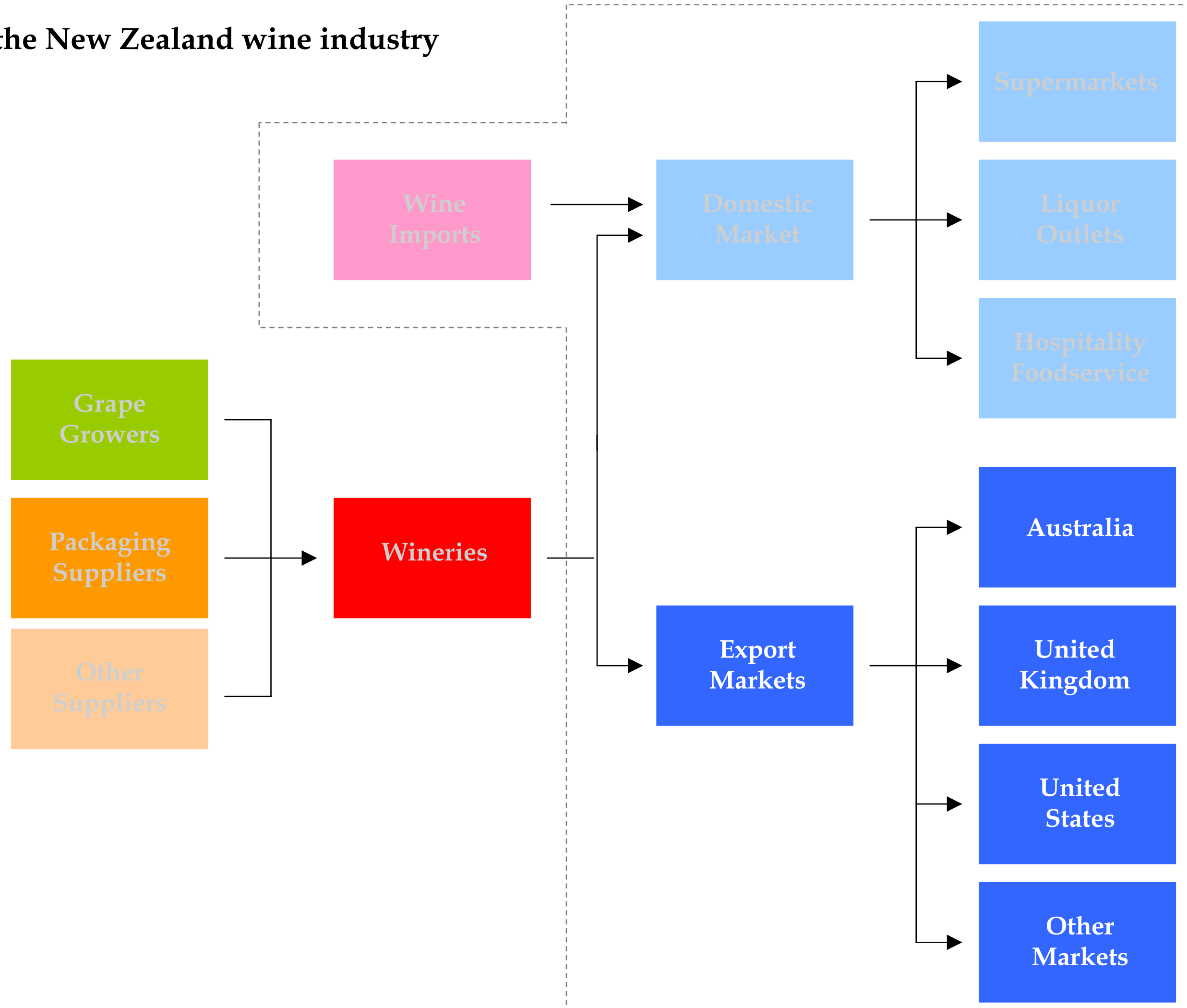
"There is a lot of excitement in Hawkes Bay about Syrah, they need a lift. That could be a winner, by international standards it's a good wine." *Wine Commentator*

1. Malbec and Syrah uses 1997 data (first available) and 97-05 CAGR; Source: various NZW Statistical Annuals; Coriolis analysis

2/3. TOTAL NEW ZEALAND WINE MARKETS

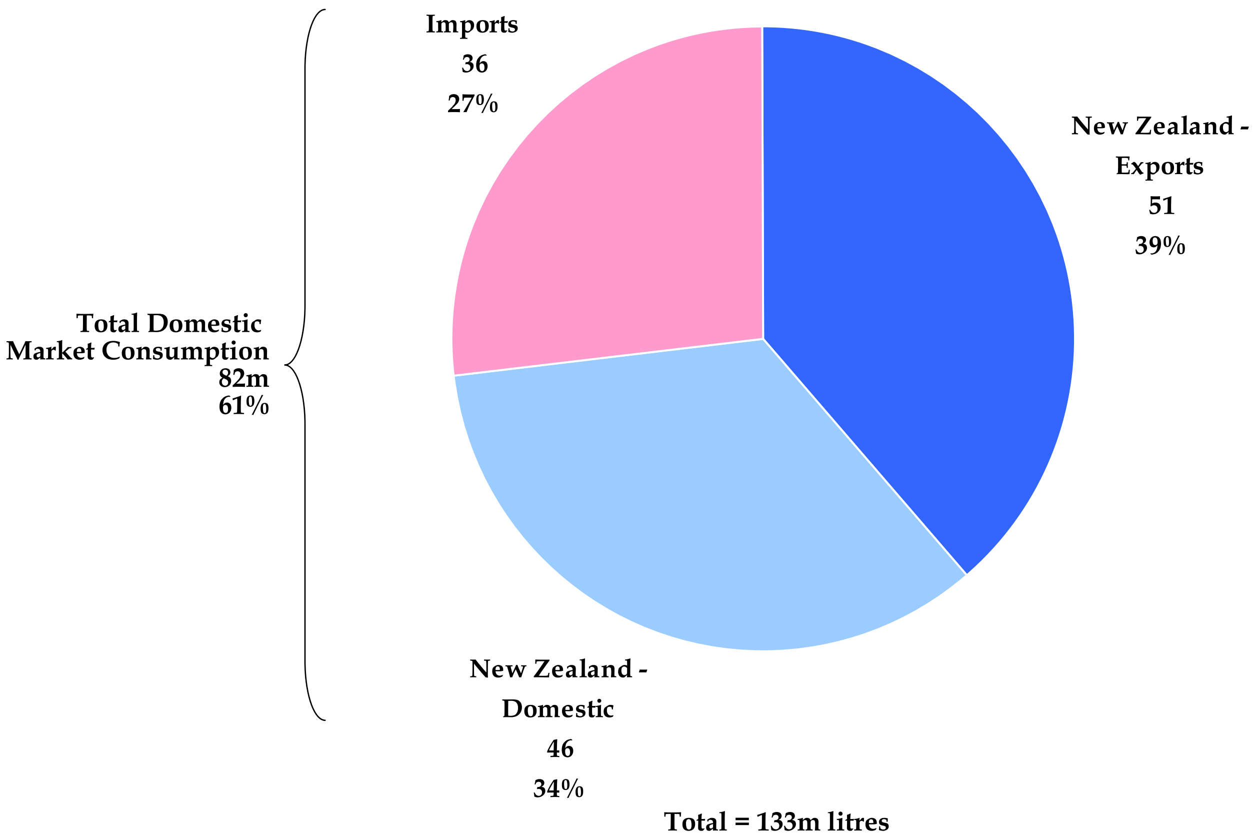
The second and third sections of this report looks at the various facets of the markets for New Zealand wine

Simplified model of the New Zealand wine industry
(2006)



TOTAL MARKET VOLUME
The New Zealand market moved 133m litres of wine between the domestic and export markets

Total wine volume in the New Zealand industry by source/destination
(litres; m; 2005)



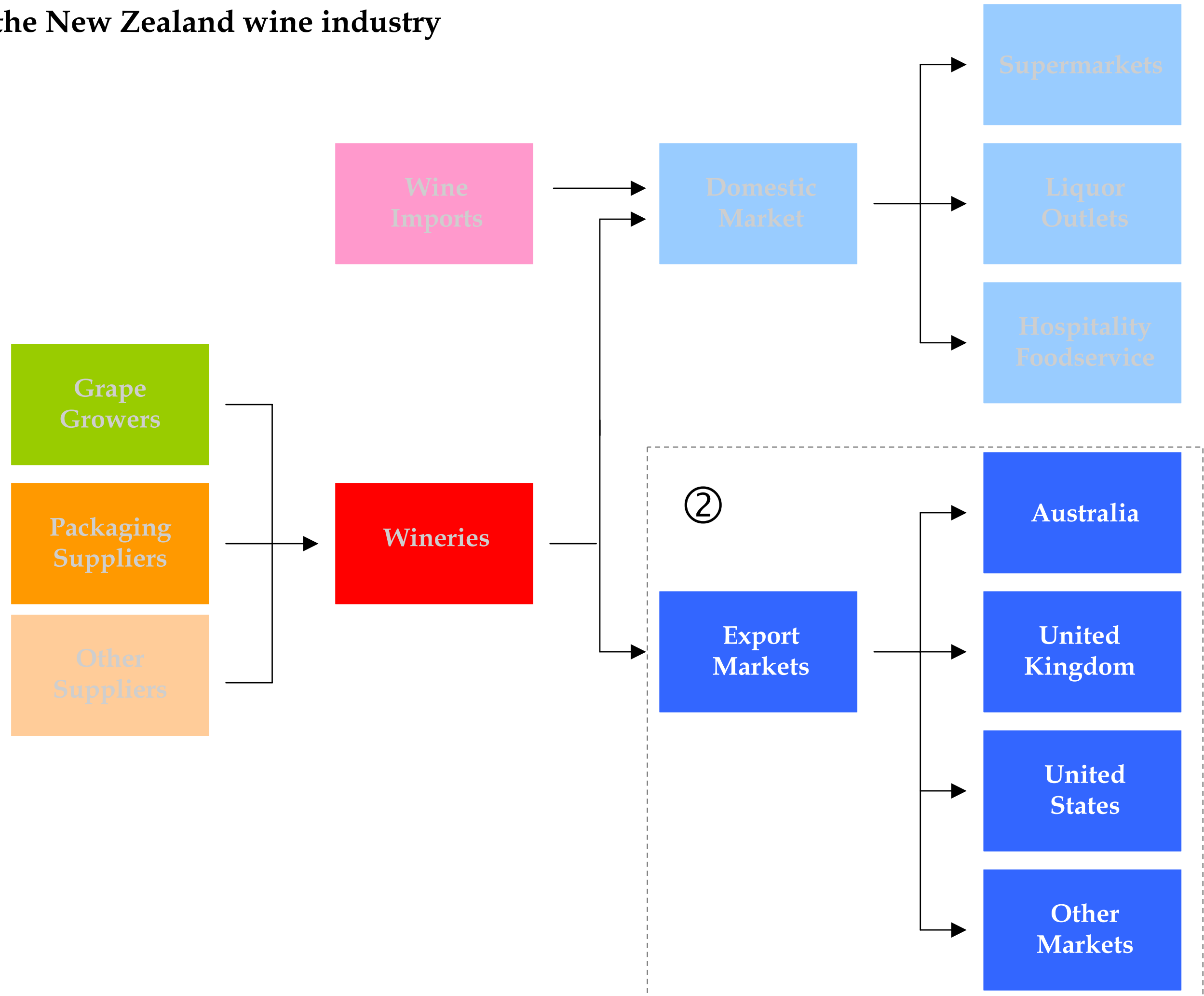
Source: Wine NZ; Coriolis analysis

POINT-OF-VIEW: DOMESTIC VS. EXPORT MARKETS
Most of the wineries interviewed were focused on export markets

- **"We primarily export our wines, so the domestic market, while important, is not the core of our business. "** *Winemaker and winery manager, Medium-sized company, Marlborough 1*
- **"We are a relatively new winery and we predominantly export all our wine which is 75 - 80% Sauvignon Blanc. We currently export into 15 markets. You start with the big ones Australia, the UK and US, that are easy to get into then set up satellites from there. We need to work out which markets will be the most profitable and pleasurable to work in. Ideally we will sell maximum allocations in our markets and then be able to raise prices."** *General Manager, Marketing, Medium-sized company, Marlborough 6*
- **"It used to be that when wine companies started off they were in the domestic market, but now some new companies are 100% export. It leaves some of the small companies vulnerable. Having the domestic base was important, but a lot have not done that now."** *Owner and Managing Director, Medium-sized company, Marlborough 2*
- **"The traditional markets are growing at the fastest rate – the UK, the USA, Australia - but so are other markets. Markets are growing that five years ago hadn't even heard of New Zealand wines. Marlborough Sauvignon Blanc is driving this."** *Managing Director, Medium-sized company, Marlborough 5*
- **"We are predominantly in the usual markets, Australia the US and UK but also Canada and wanting to grow in Asia and Europe."** *Managing Director and Winemaker, Medium-sized Company, Marlborough 7*
- **"The Domestic market was our focus, but now we are taking more of an interest in the export market, that's where we see our future."** *Managing Director and winemaker, Medium-sized company, Marlborough 3*

2. NEW ZEALAND WINE EXPORT MARKETS
This section of the report looks at the global market for New Zealand wine exports

Simplified model of the New Zealand wine industry
(2006)



2. NEW ZEALAND WINE EXPORT MARKETS – KEY TAKEAWAYS
New Zealand wine exports have shown phenomenal growth driven by strong and growing global consumer demand for New Zealand wines

- **In 2005 New Zealand exported 51.4 million litres of wine to the value of NZ$435m (US$332m). This value has grown 26.4% year on year (CAGR) in the last 10 years. In 2005, for the first time ever, New Zealand exported wine more than it sold on the domestic market in terms of both volume and value and many leading wineries have once again found themselves without enough wine to satisfy demand.**

- **Sales and volume growth in 2005 was strong across all key markets, driven by strong and growing global consumer demand for New Zealand wines. In US dollar terms, year-on-year sales increased by over 22% to UK market, 44% to the US market and 43% to Australia, confirming the importance of these markets to New Zealand. In smaller markets growth was also strong, particularly to Canada (up 120%), Continental Europe (up 37%) and the fast growing Asian markets (up 21%).**

- **Sales growth has been phenomenal, with New Zealand wine exports having grown at double digits across the world for more than a decade. Currently, wine exports are strongest to English speaking Anglo Saxon countries; mainland Europe and Asia appear to be opportunities.**

- **However, finding a market and distribution was difficult for many wineries. Investment by global wine giants was seen as one way of gaining access to distribution.**

2. NEW ZEALAND WINE EXPORT MARKETS – KEY TAKEAWAYS

New Zealand has three primary markets – Australia, the UK and the US – as well as a number of other key markets

- **Australia** Wine consumption is growing in Australia. New Zealand has made massive import market share gains in the Australian market and now accounts for almost 40% of all wine imports. New Zealand has achieved strong sales growth in Australia. New Zealand achieves premium prices for its wine in the Australian market. The Australian market is great for some, but becoming more of a struggle for others. New Zealand excels at producing two varieties (Sauvignon Blanc and Pinot Noir) at which Australia is relatively weak; in many ways the two countries have complementary production.

- **The United Kingdom** The United Kingdom is a strong market for New Zealand wine exports. British wine consumption is growing rapidly. In addition British consumers are making a long-term shift to new world wines, from which New Zealand is benefiting. New Zealand has achieved strong sales growth to the United Kingdom, growing sales at a CAGR of 18% for the past decade. New Zealand achieves premium prices for its wine in the UK market, beating even France in this highly competitive market. The UK is a good market for New Zealand wineries, but becoming more price competitive.

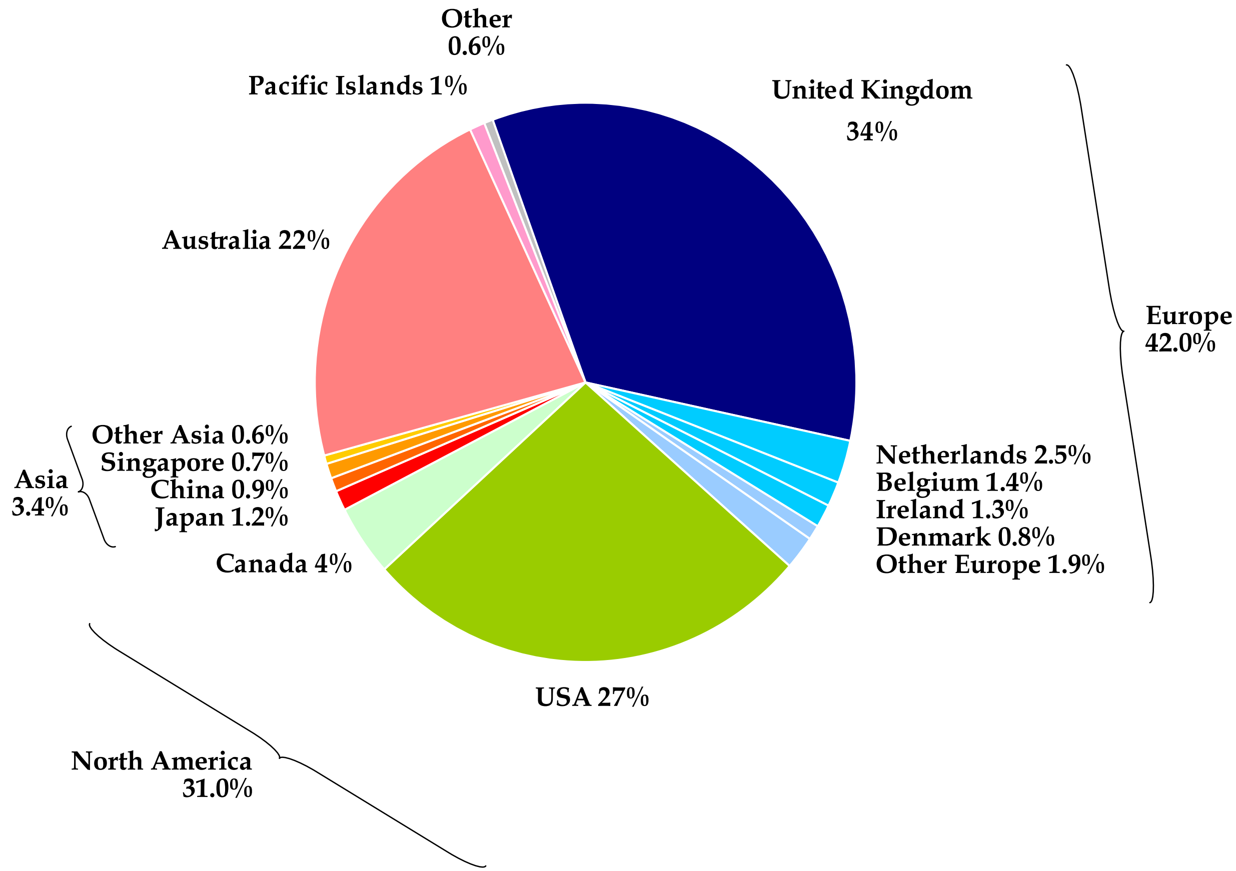
- **The United States** The United States is a fast growing market for exports. American wine consumption is now showing strong growth, following a period of decline in the early 90's. US consumers are shifting towards new world wines, benefiting New Zealand wines. New Zealand sales to the US exploded in the mid-90's and continue to grow rapidly. New Zealand achieves premium prices for its wine in the US market. The US market was seen as a big opportunity for the future by wineries. However, it was also seen as a market where relationships and recognition are paramount.

- **Other Key Markets** New Zealand has a number of other important export markets. These include Canada, Continental Europe and Ireland, as well as the fast growing Asian markets, including Japan, Singapore and China.

CURRENTLY ENGLISH SPEAKING ANGLO SAXON FOCUSED

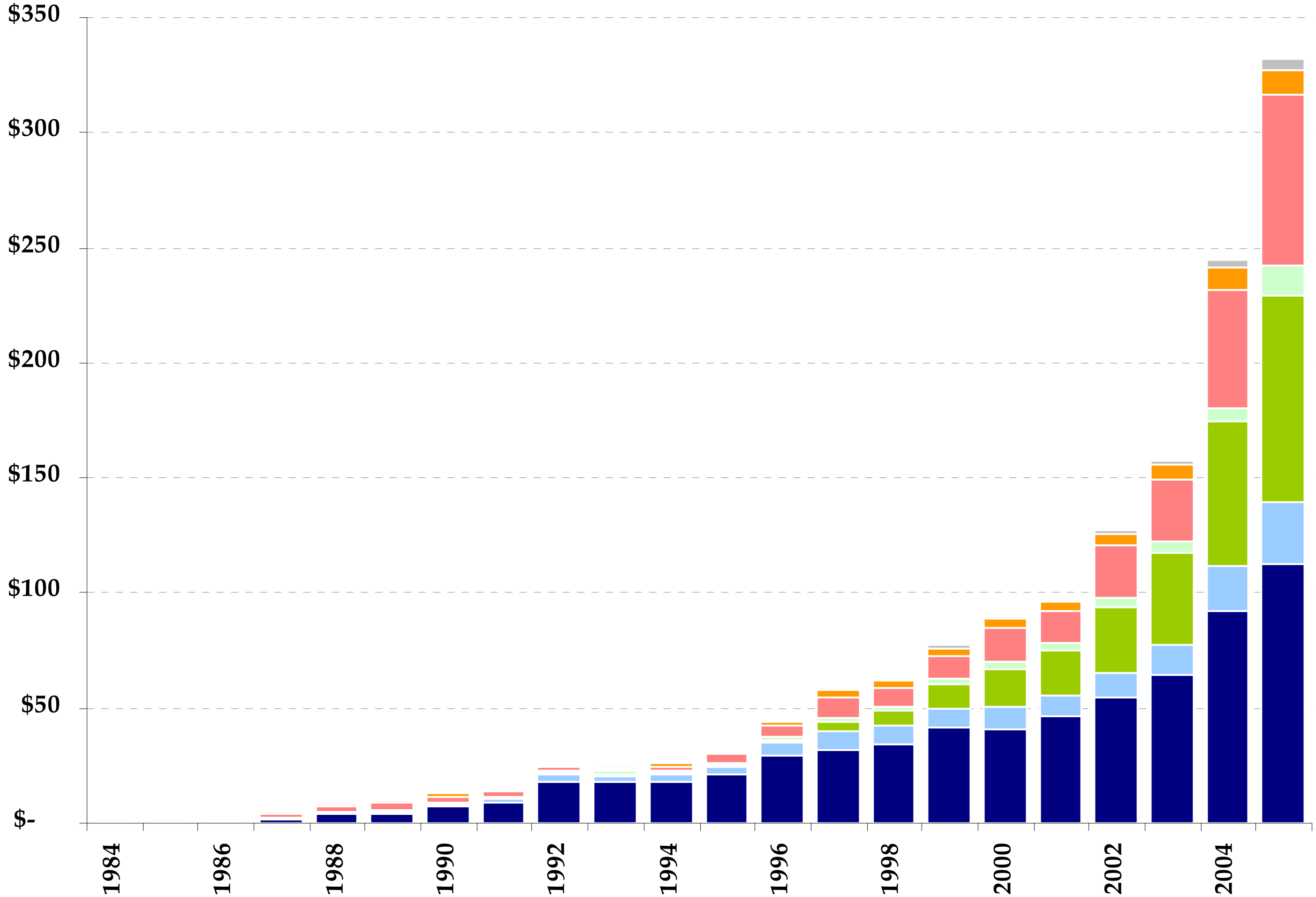
Wine exports are strongest to English speaking Anglo Saxon countries; mainland Europe and Asia appear to be opportunities

New Zealand wine exports by region
(% of export sales; 2005)



DOUBLE DIGIT GROWTH ACROSS THE WORLD
New Zealand wine exports have grown at double digits across the world

New Zealand wine exports by region
(US$m; export sales; 1984-2005)



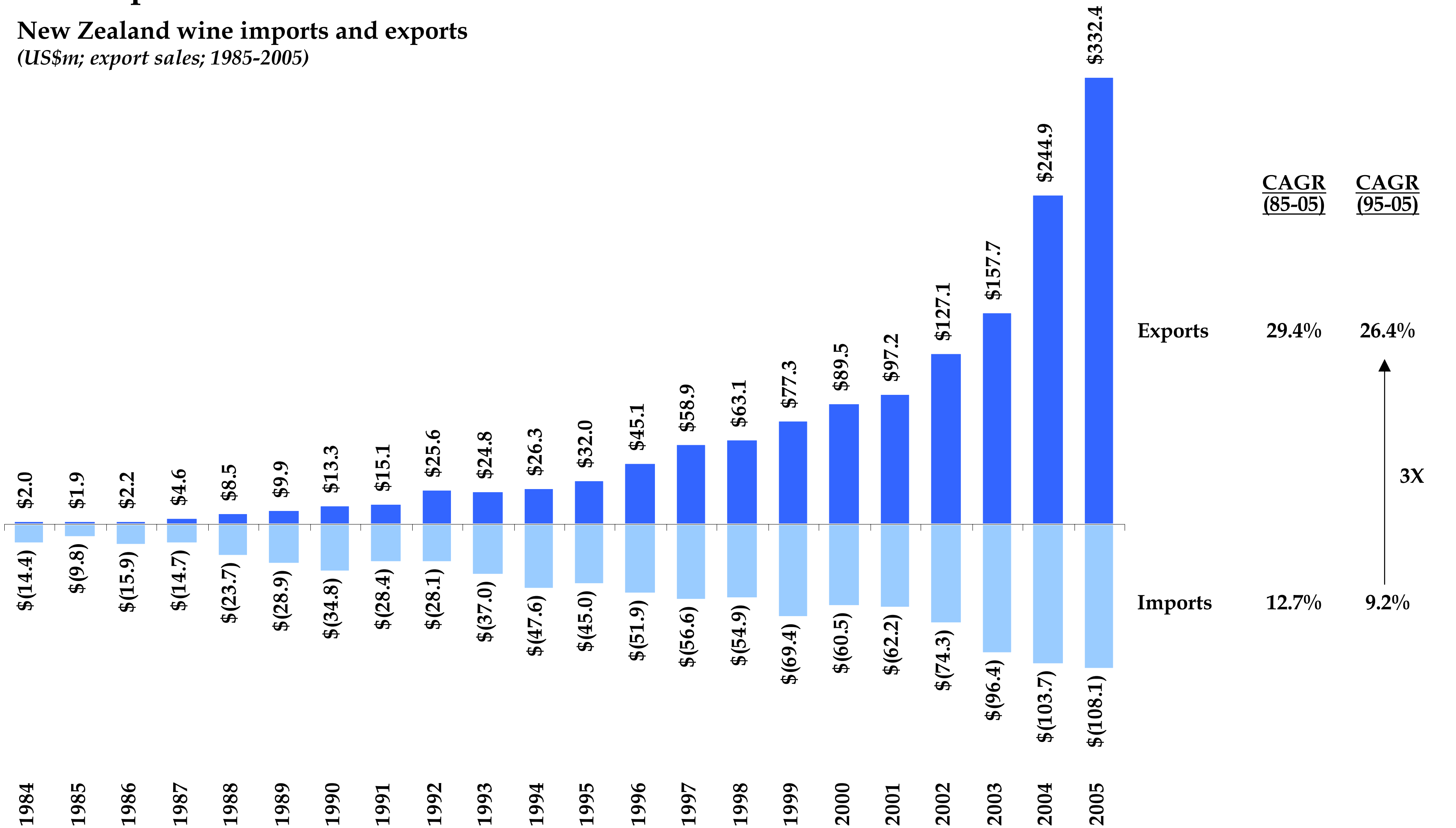
	CAGR (84-05)	CAGR (94-05)
Other	15.6%	20.6%
Asia	25.1%	23.0%
Australia	26.7%	40.6%
Canada	19.4%	26.4%
USA	29.0%	56.0%
Other Europe	42.2%	21.7%
UK	31.3%	18.1%

Source: UN Comtrade; Coriolis analysis

EXPORTS GROWING FASTER THAN IMPORTS

New Zealand wine exports are showing massive growth and are growing three times faster than wine imports

New Zealand wine imports and exports
(US$m; export sales; 1985-2005)



Source: UN Comtrade; Coriolis analysis

POINT-OF-VIEW: DISTRIBUTION IS DIFFICULT
However, finding a market and distribution was difficult for many wineries

- **"If a company has no distribution they don't have a chance. It's taken us 10 years to get good distribution even in Eastern Australia. There are only so many good distributors out there. We concentrate our marketing where we have good distribution. We met good distributors at wine shows, then being at Conferences, you need to get the contacts."** *Managing Director, Medium-sized company, Marlborough 5*

- **"We need to focus on distributing in the high paying segment. We need the right distributors who focus on premium. If you get the right distributor then most of your problems with exporting and distributing are sorted out. It's very hard work getting the right distributor."** *General Manager, Winemaker and Viticulturalist, Medium-sized company, Marlborough, Hawkes Bay and Central Otago 4*

- **"It's easy to find money, it's easy to plant grapes and grow grapes, it easy to make wine. It's hard to sell wine and sell it profitably. That is the crux of it, it's the hardest thing to do. Your brand strength is with the individuals who are pushing it and selling it."** *General Manager, Marketing, Medium-sized company, Marlborough 6*

- **"We are market driven, every year we produce more wine, but we only plan 12 months out. If in 12 months time we haven't sold the 2006 vintage then we won't grow in 2007. We are one year at a time, so markets dictate our growth. If we did some marketing there would be huge growth. Distribution is a real problem and restriction. It takes a long time to get good distribution. We now have it. Distribution still hinders our growth, the more we are recognised the better our distribution."** *Managing Director, Medium-sized company, Marlborough 5*

- **"We have just got our own white wine winery after 20 years. We also have an expansion strategy purchasing vineyards and we will grow into that over the next 2 years, we have no plans to get bigger. We need to be able to sell the wine from our increased production first."** *Winemaker and winery manager, Medium-sized company, Marlborough 1*

- **"We didn't meet all our targets for our price point. We could have discounted our brand to sell more but you can only go in one direction when you start doing that with price. We didn't want to entertain doing that, so we sell in bulk, but that should be a lot less in a few years time when we catch up."** *General Manager, Marketing, Medium-sized company, Marlborough 6*

POINT-OF-VIEW: BIG PLAYERS BRING DISTRIBUTION
Investment by global wine giants was seen as one way of gaining access to distribution

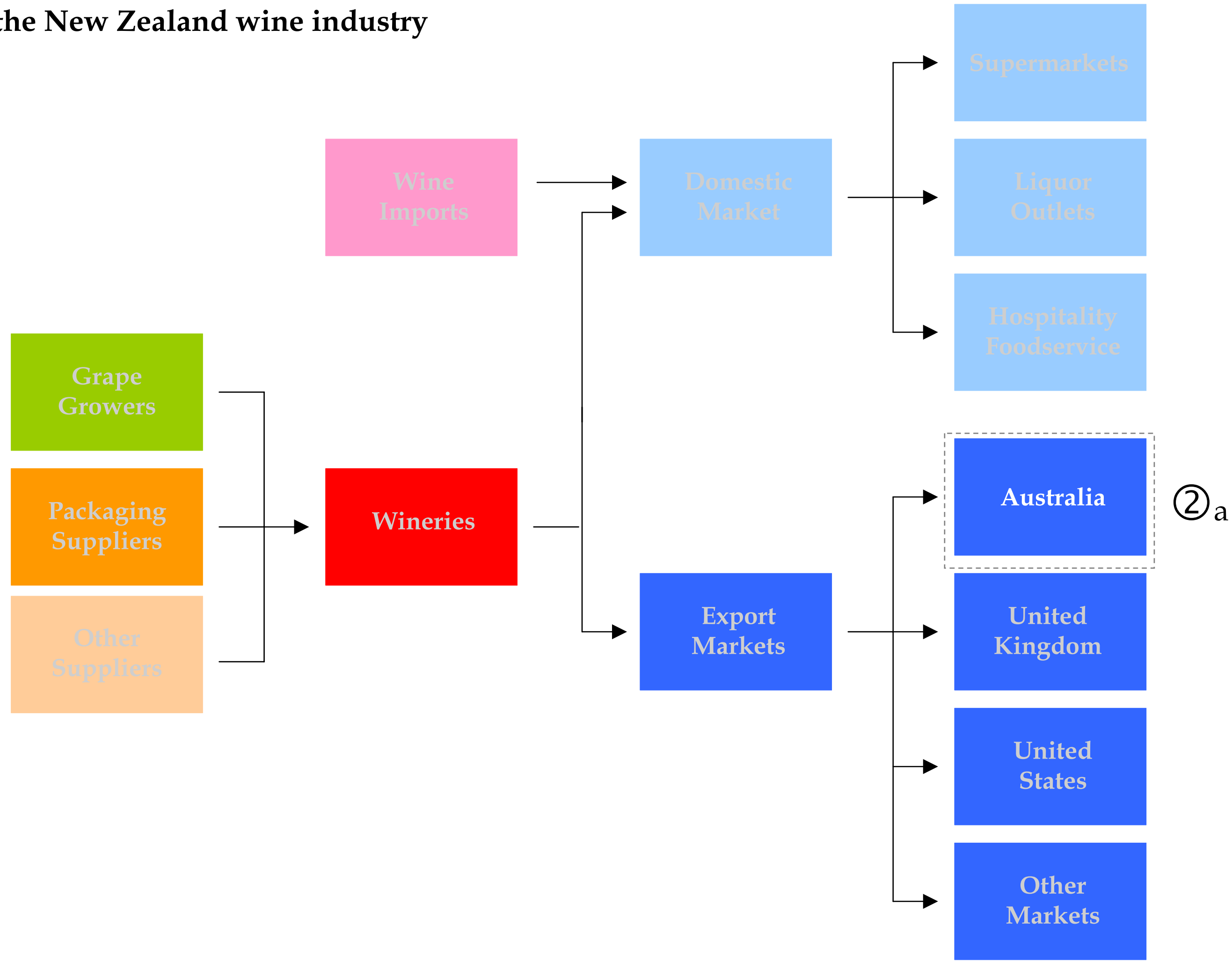
- **"I have no problem with the Fosters and the Constellations, because they have distribution, and what we lack is that. We get stuck in a distribution where we don't have any clout. Big companies can come and take your brand and distribute it. That's what's needed. Our weakest link is distribution because we are too small. The portfolio of some big companies are 20 Italian wines, French champagnes, and then there are our small brands - we are sometimes too small to matter."** *Owner and Managing Director, Medium-sized company, Marlborough 2*

- **"More and more of the world's wines are being put through less distributors. It makes it hard if you are not with one of those distributors. The bigger players are getting a bigger slice of the cake. As there are more Kim Crawford's who have good distribution is makes it harder for us. It's a challenge to get with those distributors, you need to be unique and have recognition."** *Managing Director, Medium-sized company, Marlborough 5*

- **"The biggest challenge is finding good distribution channels and partners that you can work with who can give your product a position in their portfolio. There is no point going into a huge big distributor or importer when you are just a minow, you will get left behind. Your brand needs to be a part of their portfolio and strategy."** *General Manager, Marketing, Medium-sized company, Marlborough 6*

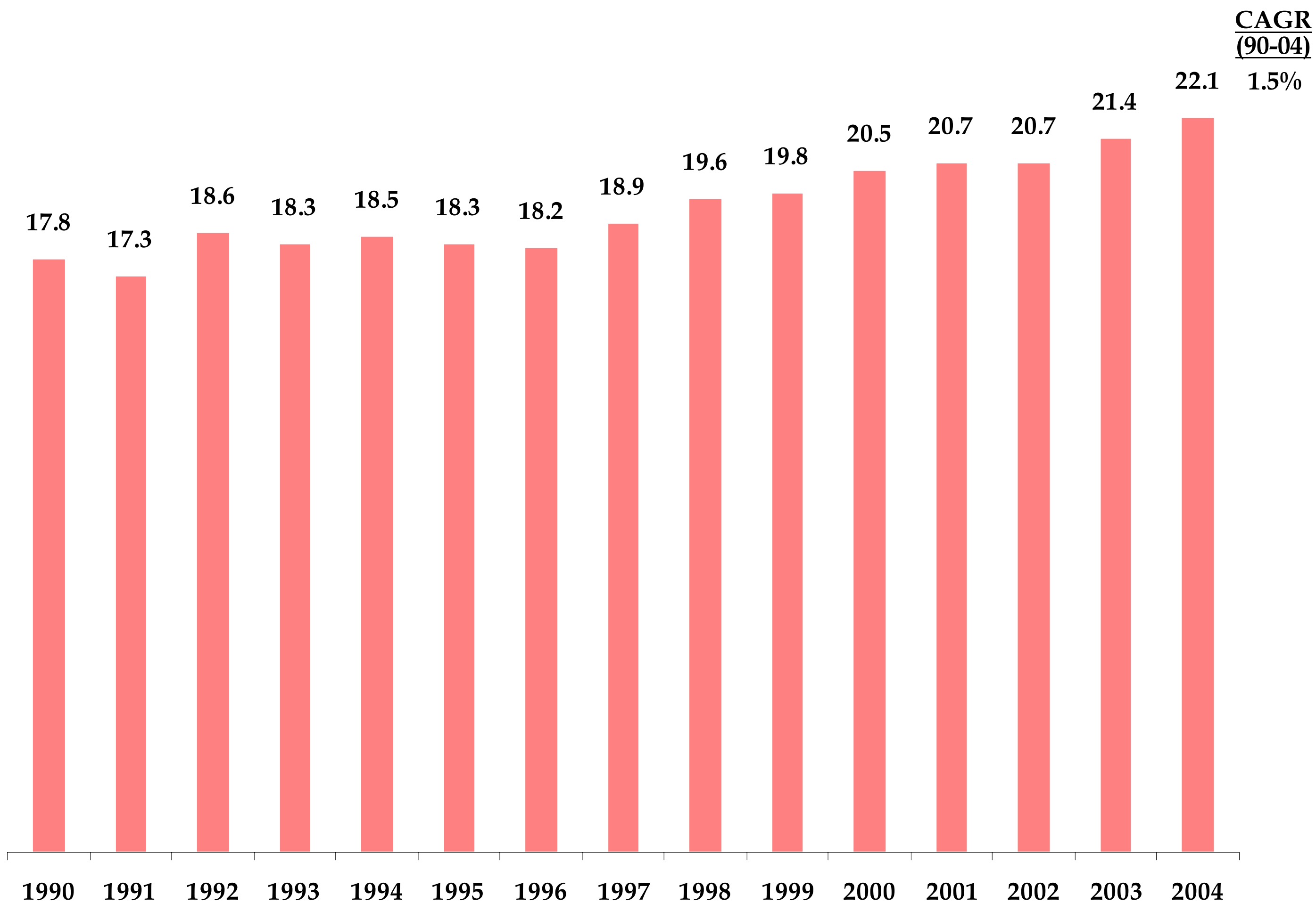
2a. THE AUSTRALIAN MARKET
Australia is a strong market for New Zealand wine exports

Simplified model of the New Zealand wine industry
(2006)



RAPIDLY GROWING WINE CONSUMPTION
Wine consumption is growing in Australia

Wine consumption per capita in Australia
(l per person; 1990-2004)



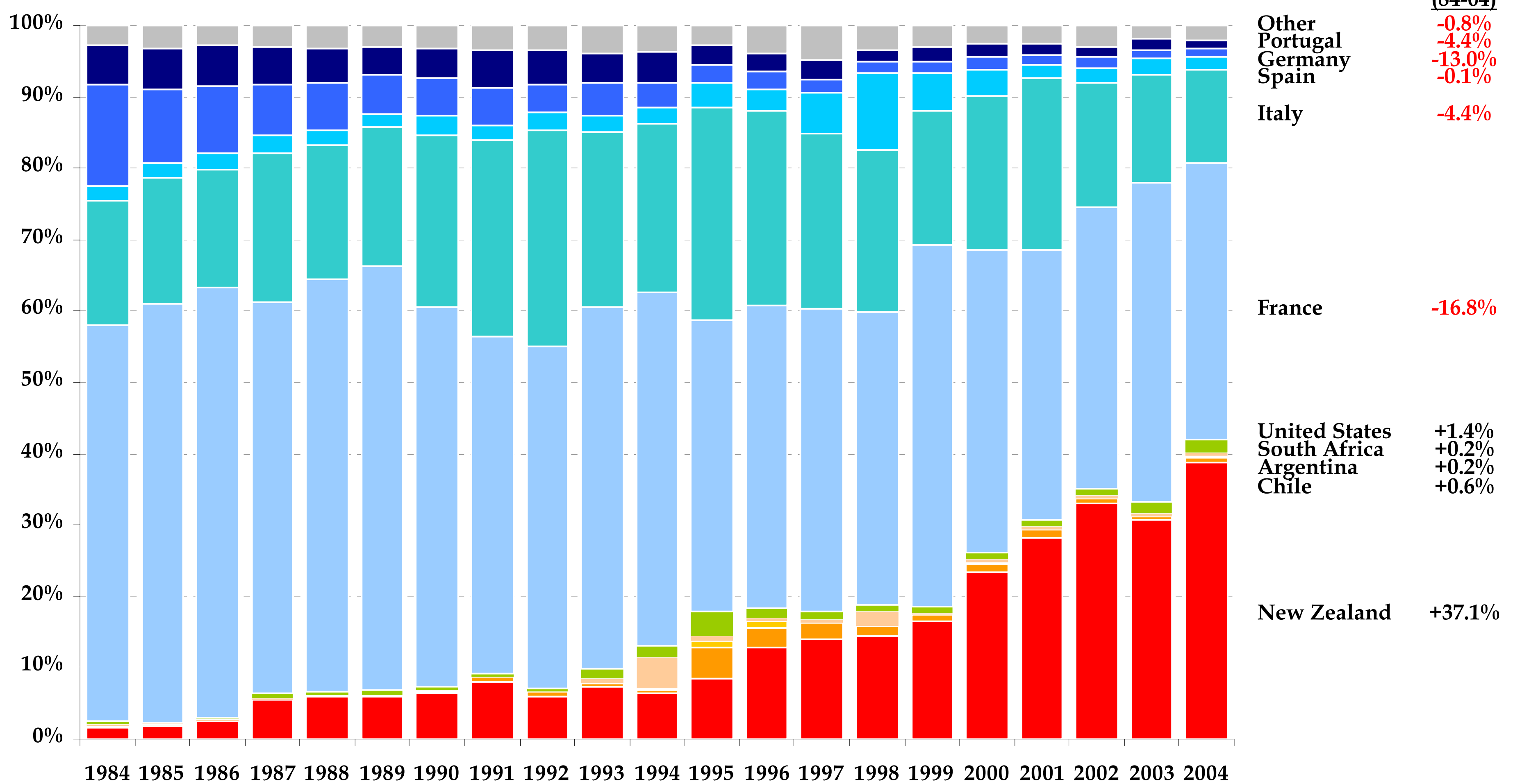
Note: uses ABS apparent consumption data; Source: ABS; Coriolis analysis

MASSIVE GAINS IN THE AUSTRALIAN MARKET

New Zealand has made massive import market share gains in the Australian market and now accounts for almost 40% of all wine imports

Relative market share of Australian wine imports by major supplier country

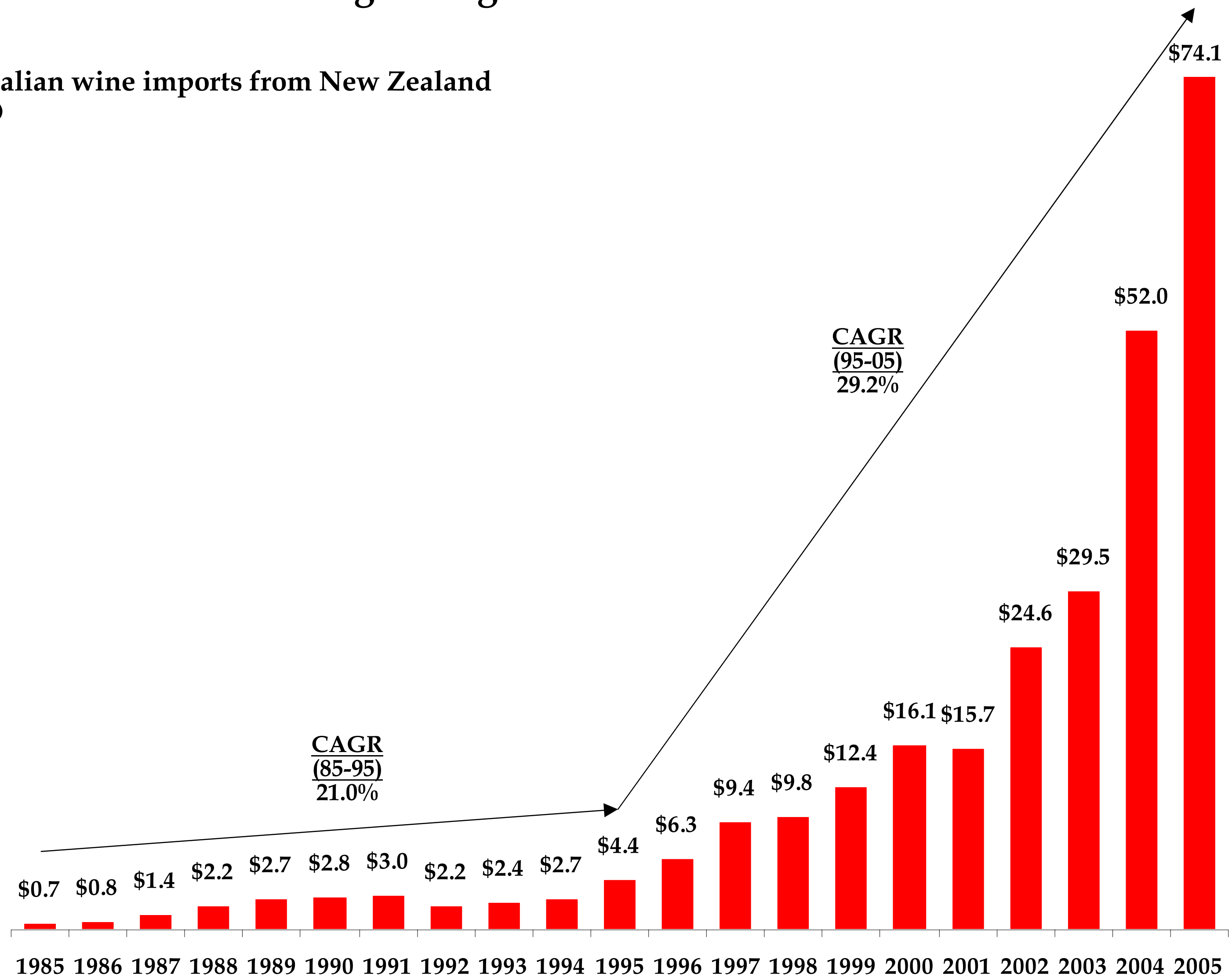
(% of import value; US$; 1984-2004)



Note: 2005 data not yet available for all countries; Source: UN Comtrade; Coriolis analysis

GROWING SALES IN AUSTRALIA
New Zealand has achieved strong sales growth in Australia

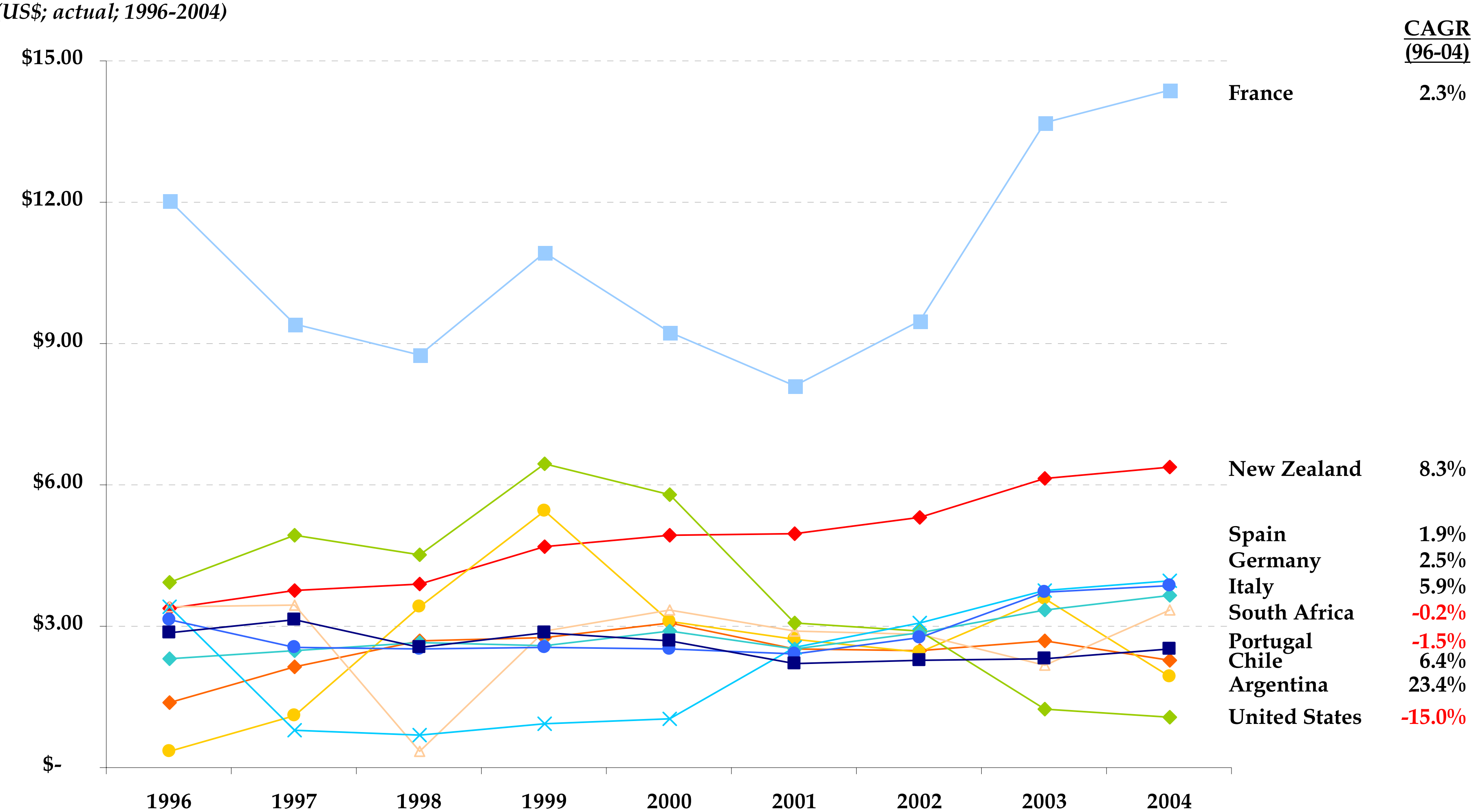
Value of Australian wine imports from New Zealand
(US$m; 1984-2004)



Source: UN Comtrade; Coriolis analysis

ACHIEVING PREMIUM PRICES
New Zealand achieves premium prices for its wine in the Australian market

Average price per litre of Australian wine imports by major supplier country
(US$; actual; 1996-2004)



Note: 2005 data not yet available for all countries; Source: UN Comtrade; Coriolis analysis

POINT-OF-VIEW: THE AUSTRALIAN MARKET
The Australian market is great for some, but becoming more of a struggle for others

- **"The most exciting market for New Zealand at the moment is Australia. There is a huge opportunity for growth in that market. If you look at the figures the shining growth categories are the emerging states Queensland and Western Australia and the shining category in terms of all liquor excluding RTD's is white wines over $15, which is New Zealand Sauvignon Blanc."** *Managing Director and Winemaker, Medium-sized Company, Marlborough 7*

- **"New Zealand wine has traditionally done very well in Australia. We are doing really well there. Australia have latched onto Sauvignon Blanc they really enjoy drinking it. The last time I was over there I was pouring a lot of Pinot Gris, this is a big change. We are making progress with Pinot Noir but it is a big step from a Barossa Shiraz."** *Winemaker and Winery Manager, Medium-sized company, Marlborough 1*

- **"New Zealand is selling wine into Australia that they don't produce well themselves. Our production in Australia mirrors the markets, 5% Chardonnay, but if we didn't have Sauvignon Blanc we would only be selling half of that. "** *Managing Director, Medium-sized company, Marlborough 5*

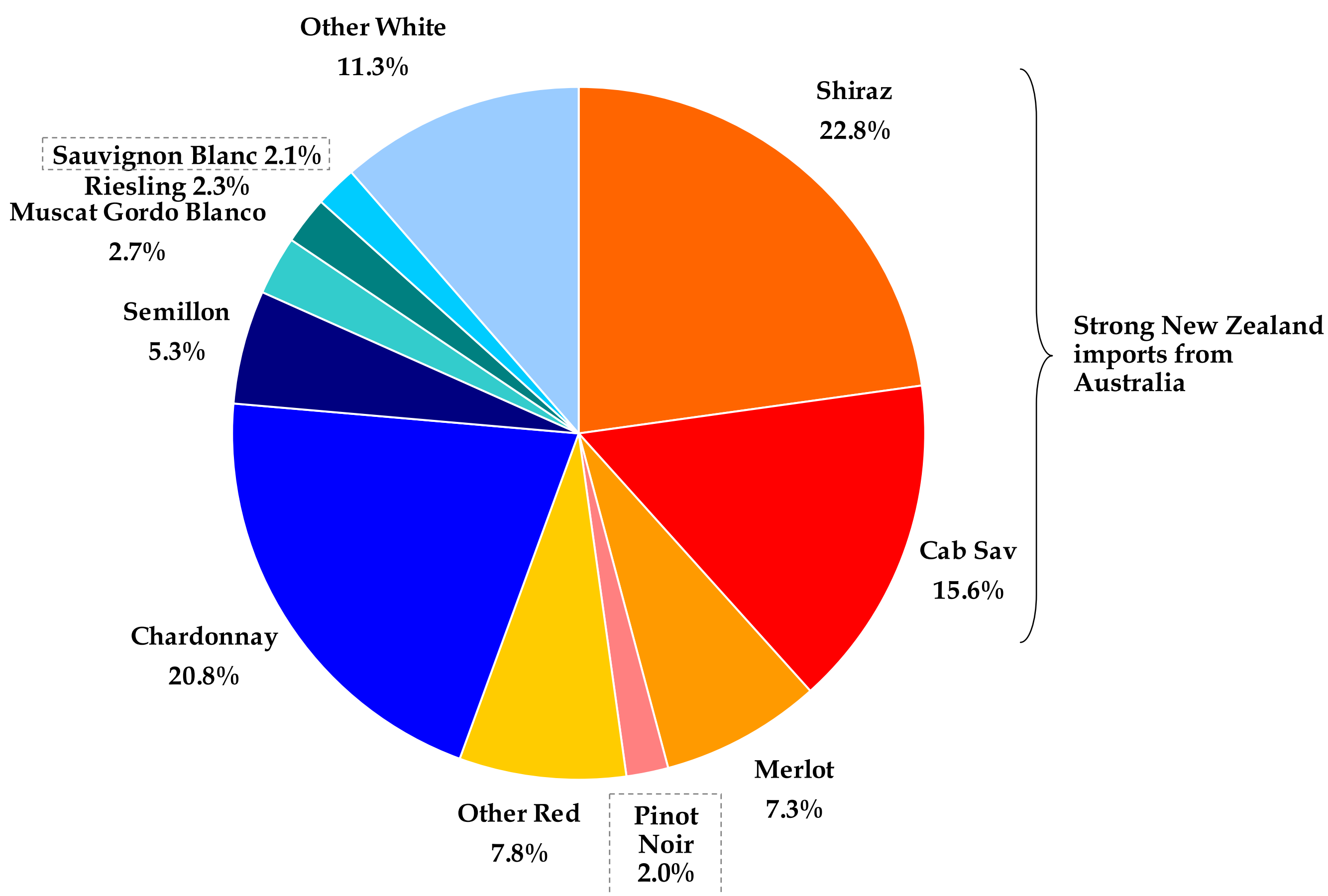
- **"Australia is untouched really for us I think we could do really well there. It's hard to get distribution."** *Managing Director and winemaker, Medium-sized company, Marlborough 3*

- **"We are facing a lot of margin squeezes in the supermarkets in Australia, the same as we are here."** *Winemaker and Winery Manager, Medium-sized company, Marlborough 1*

- **"Australia is saturated with New Zealand wines, and there is a price war. Every wine list in Australia wants a New Zealand Sauvignon Blanc and that's been a big change. That's all they want though, not other varieties. We have great distributors with five wine companies but the restaurants are demanding. They want to know what we will give them, free glasses, aprons, free wine to pour, its not much to do with the wine or the brand."** *Owner and Managing Director, Medium-sized company, Marlborough 2*

COMPLEMENTARY PRODUCTION
New Zealand excels at producing two varieties (Sauvignon Blanc and Pinot Noir) at which Australia is relatively weak; in many ways the two countries have complementary production

Australian domestic production share of wine grapes by type
(% of tonnes; 2005)

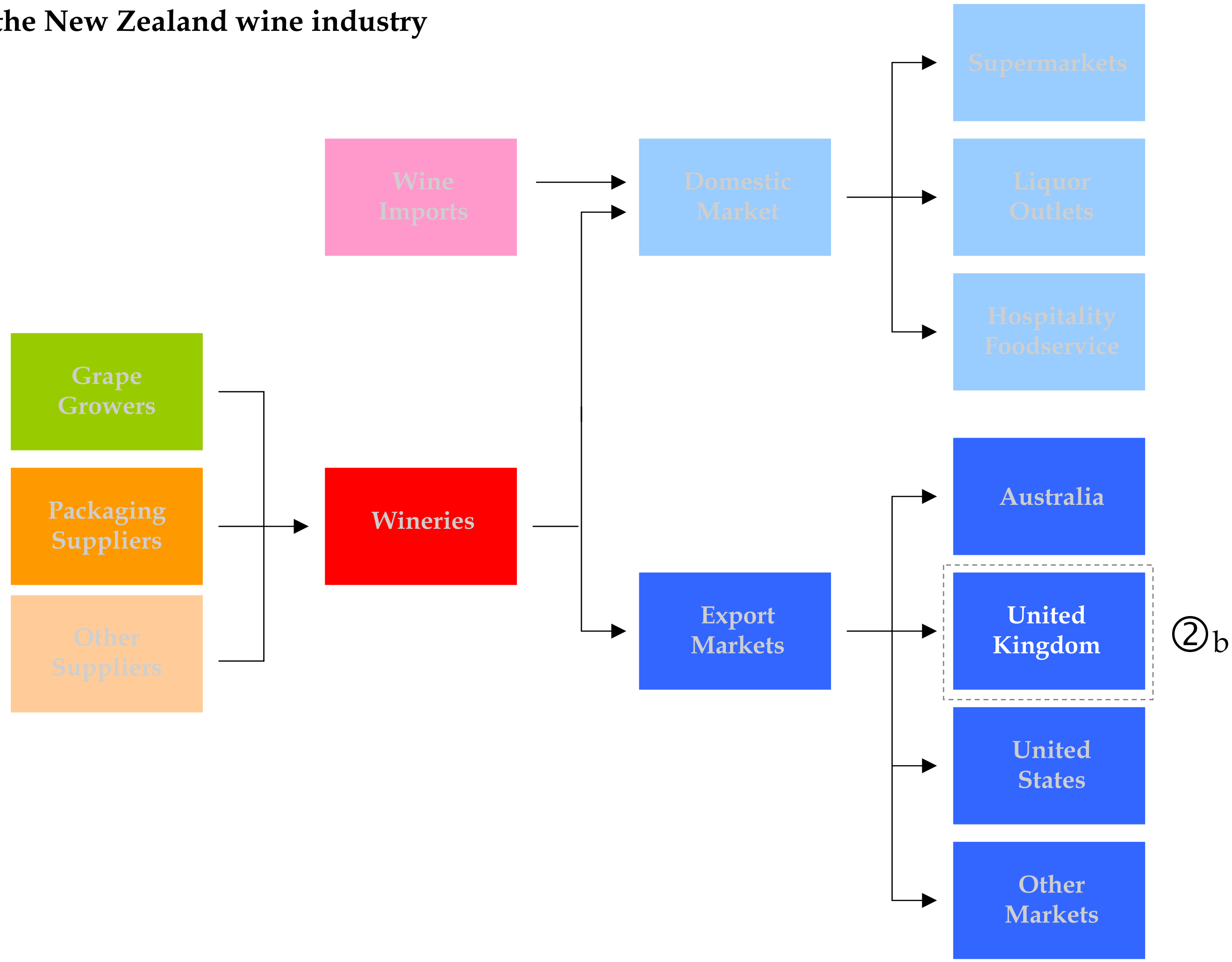


Total = 1,818,426 t

Source: ABS; Coriolis analysis

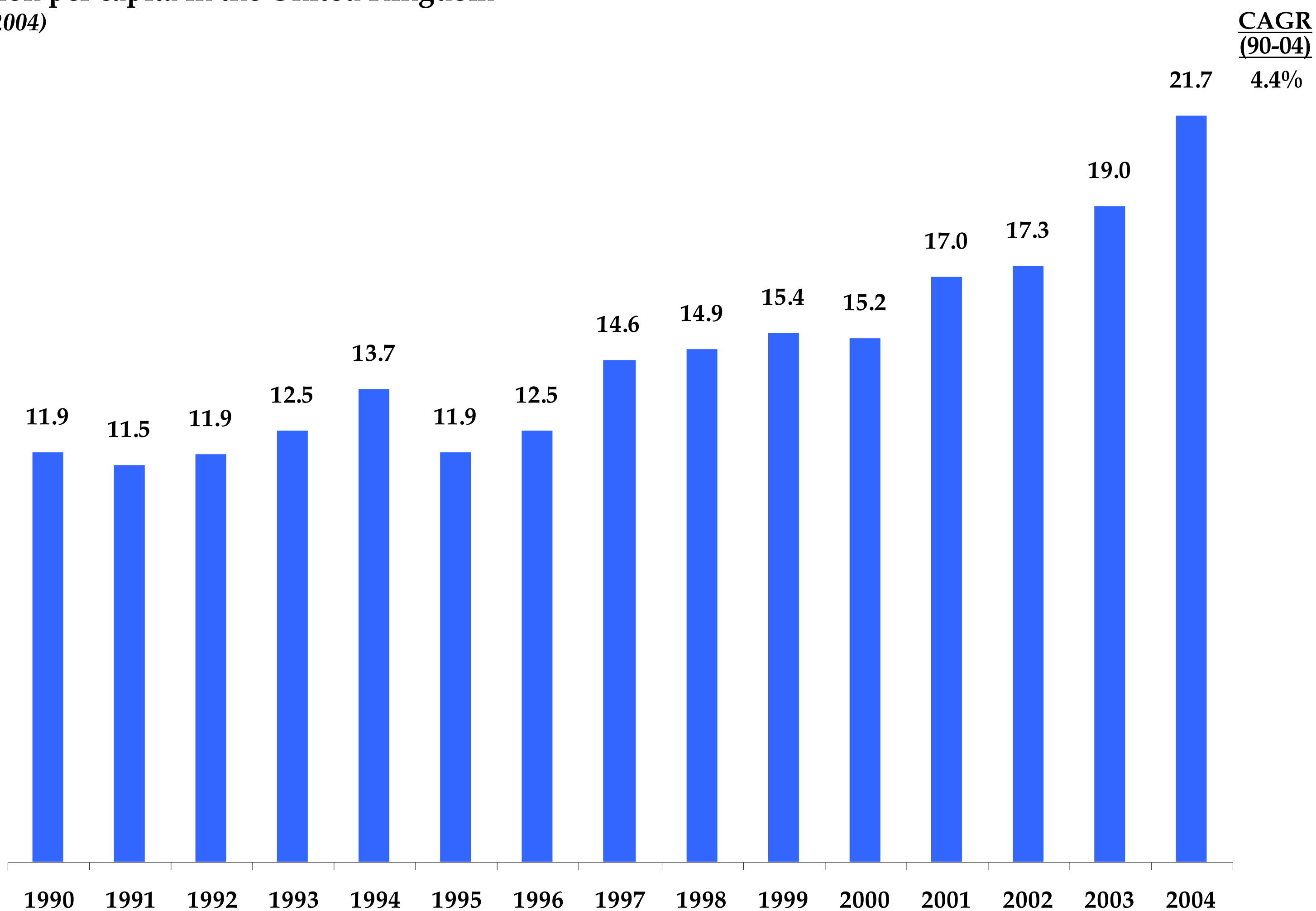
2b. THE UNITED KINGDOM MARKET
The United Kingdom is a strong market for New Zealand wine exports

Simplified model of the New Zealand wine industry
(2006)



RAPIDLY GROWING WINE CONSUMPTION
British wine consumption is growing rapidly

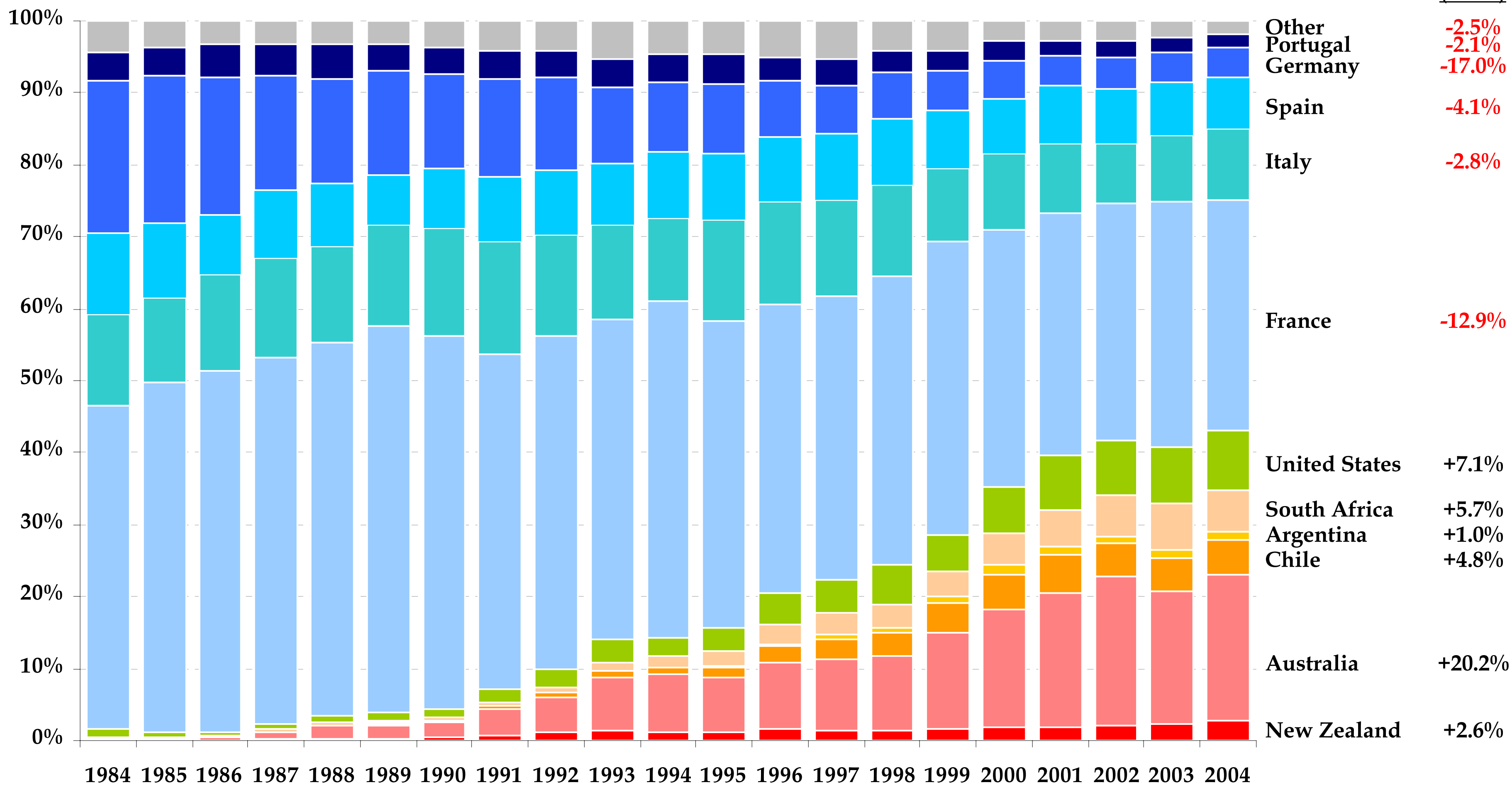
Wine consumption per capita in the United Kingdom
(l per person; 1990-2004)



Source: UN Comtrade; UN FAO; Coriolis analysis

SHIFT TO NEW WORLD WINE IN THE UK MARKET
In addition British consumers are making a long-term shift to new world wines, from which New Zealand is benefiting

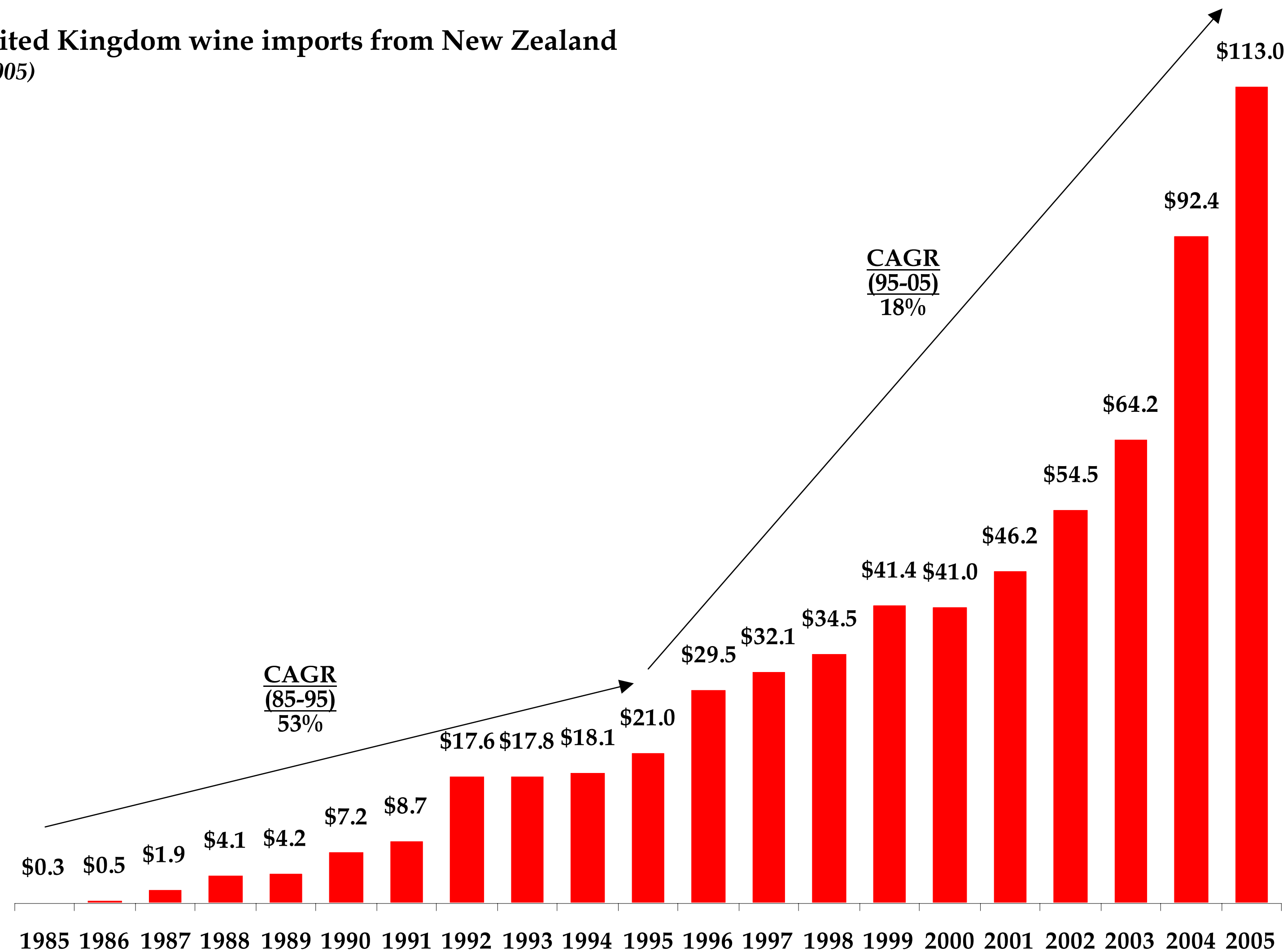
Relative market share of UK wine imports by major supplier country
(% of import value; US$; 1984-2004)



Note: 2005 data not yet available for all countries; Source: UN Comtrade; Coriolis analysis

GROWING SALES TO THE UNITED KINGDOM
New Zealand has achieved strong sales growth to the United Kingdom

Value of United Kingdom wine imports from New Zealand
(US$m; 1985-2005)

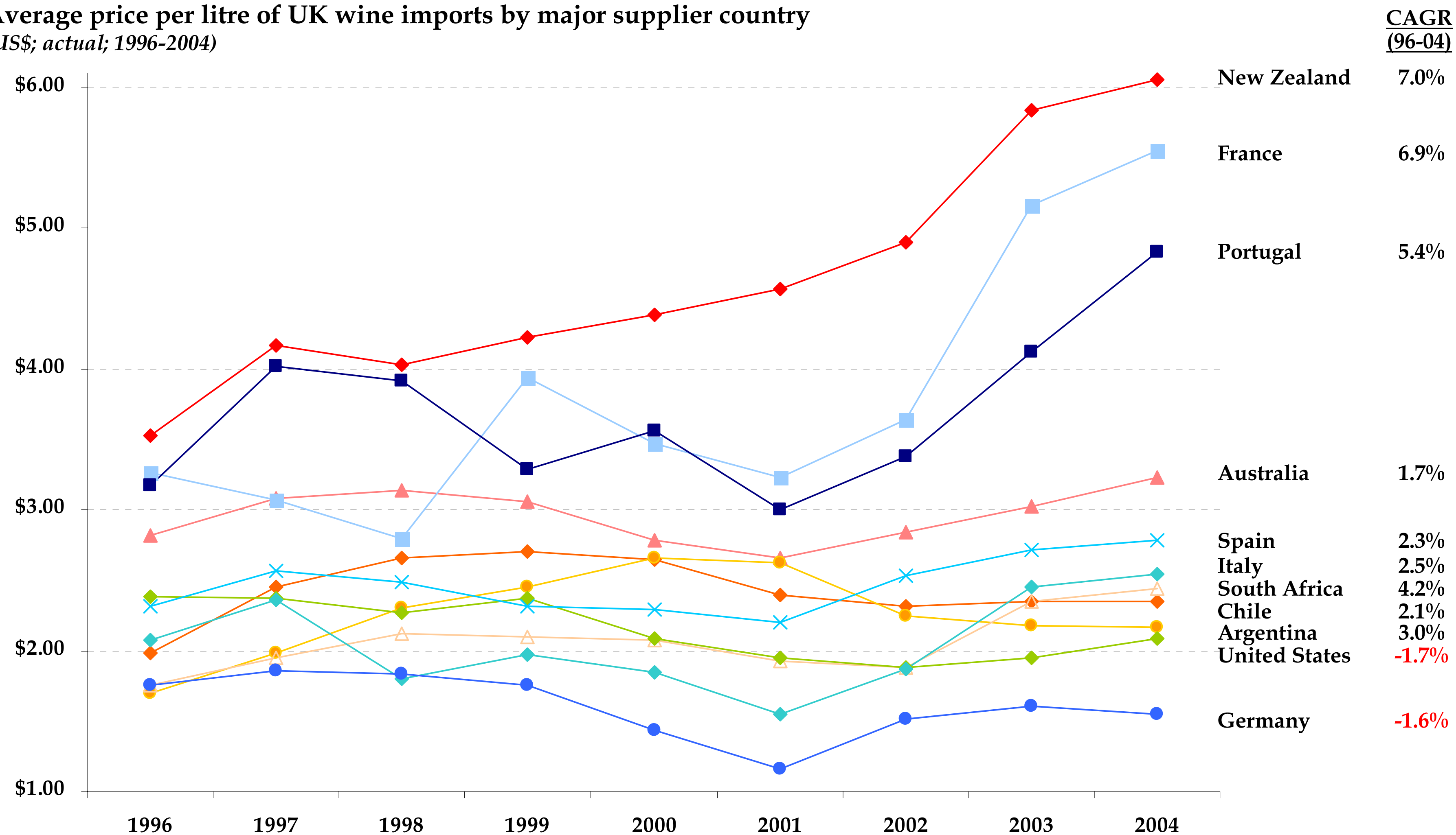


Source: UN Comtrade; Coriolis analysis

ACHIEVING PREMIUM PRICES

New Zealand achieves premium prices for its wine in the UK market, beating even France in this highly competitive market

Average price per litre of UK wine imports by major supplier country
(US$; actual; 1996-2004)



Note: 2005 data not yet available for all countries; Source: UN Comtrade; Coriolis analysis

POINT-OF-VIEW: THE UK MARKET
The UK is a good market for New Zealand wineries, but becoming more price competitive

- **"We can't forget about the UK because we still have good growth here. We could double our exports there without upsetting or saturating the market or having to lead to excessive discounting. There is still potential there."** *General Manager, Winemaker and Viticulturalist, Medium-sized company, Marlborough, Hawkes Bay and Central Otago*

- **"Relatively speaking I think we will retain our price premium, relative to other countries. It's where New Zealand needs to be to maintain viability."** *Managing Director and Winemaker, Medium-sized Company, Marlborough 7*

- **"The UK is a very traditional market it is growing but it's very price sensitive. It is not growing in profitability, but it is growing in volume."** *Managing Director and Winemaker, Medium-sized Company, Marlborough 7*

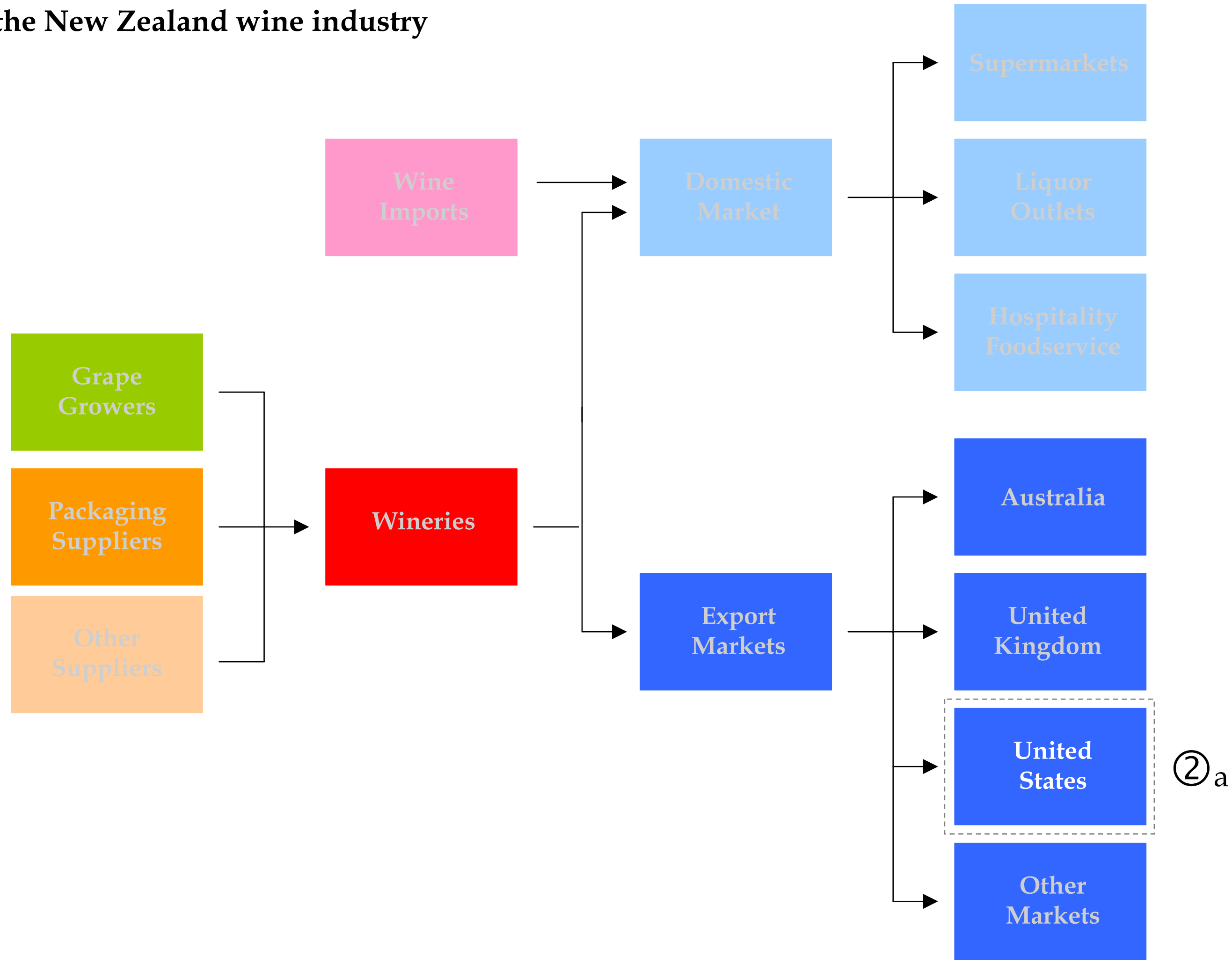
- **"We produce good quality wine and there has always been a good relationship with the UK. We need to defend our price point in the UK. We have kept away from the supermarkets and multiples, we didn't have the volume to do that, we kept our price point up. We want to double our volume in the next few years working through independent merchants. There is always the treat of someone coming in and undercutting us."** *Managing Director and winemaker, Medium-sized company, Marlborough 3*

- **"The UK is getting harder and harder. The supermarkets are strong and there is a lot of competition."** *Winemaker and Winery Manager, Medium-sized company, Marlborough 1*

- **"Because Sauvignon is easy to grow, in the UK, I see labels - not wineries - making 1,000 cases or less. They establish a little market and take whatever price the market offers. The net result is many, many more labels in the UK market than you will see here, and it confuses the market place. Long term investors like us have to fight harder in the market place. Many of these players aren't committed to the industry, they are just in it for a buck. They don't have the same economic drivers."** *General Manager, Winemaker and Viticulturalist, Medium-sized company, Marlborough, Hawkes Bay and Central Otago*

2c. THE UNITED STATES MARKET
The United States is a fast growing market for exports

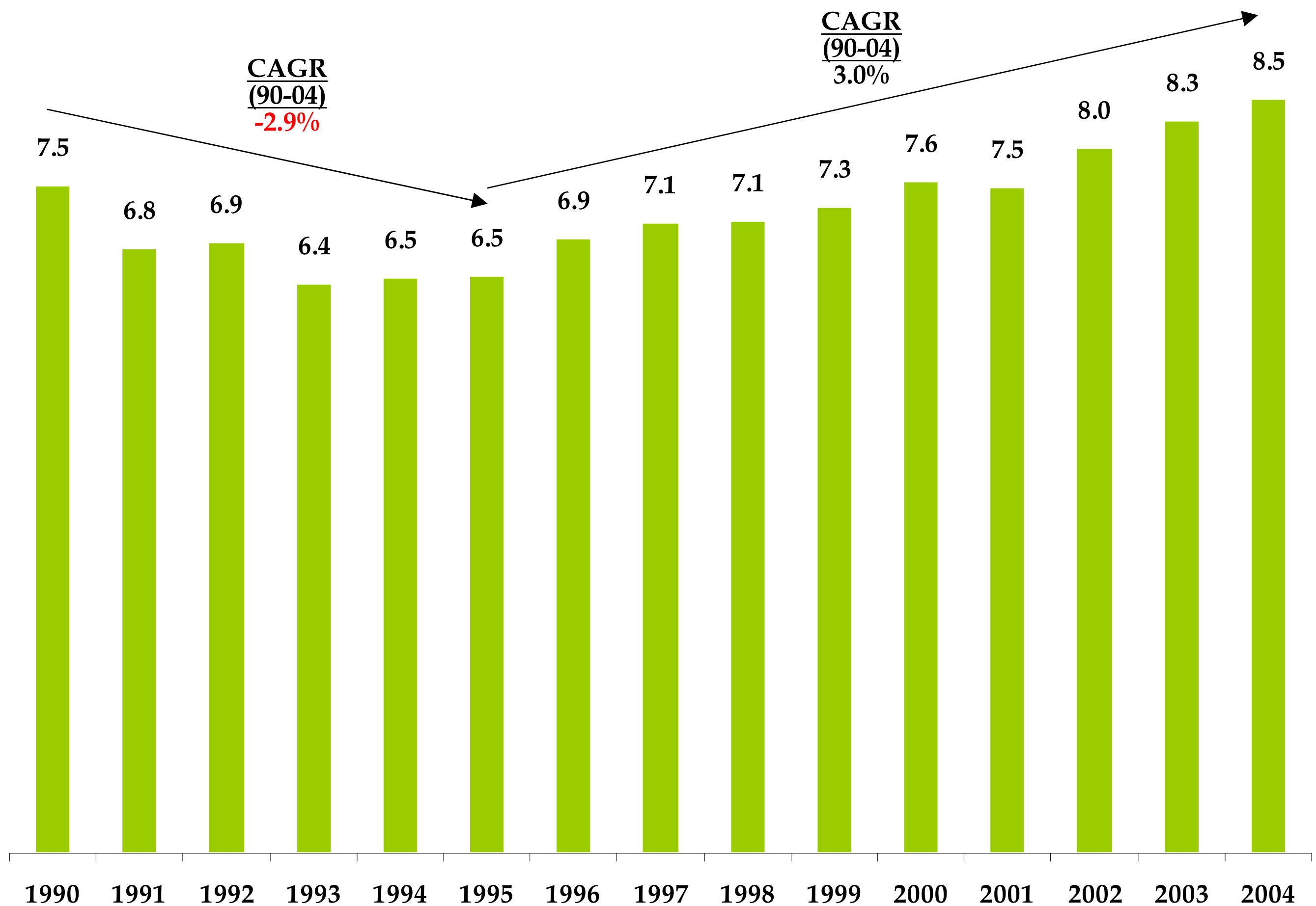
Simplified model of the New Zealand wine industry
(2006)



RAPIDLY GROWING WINE CONSUMPTION

American wine consumption is now showing strong growth, following a period of decline in the early 90's

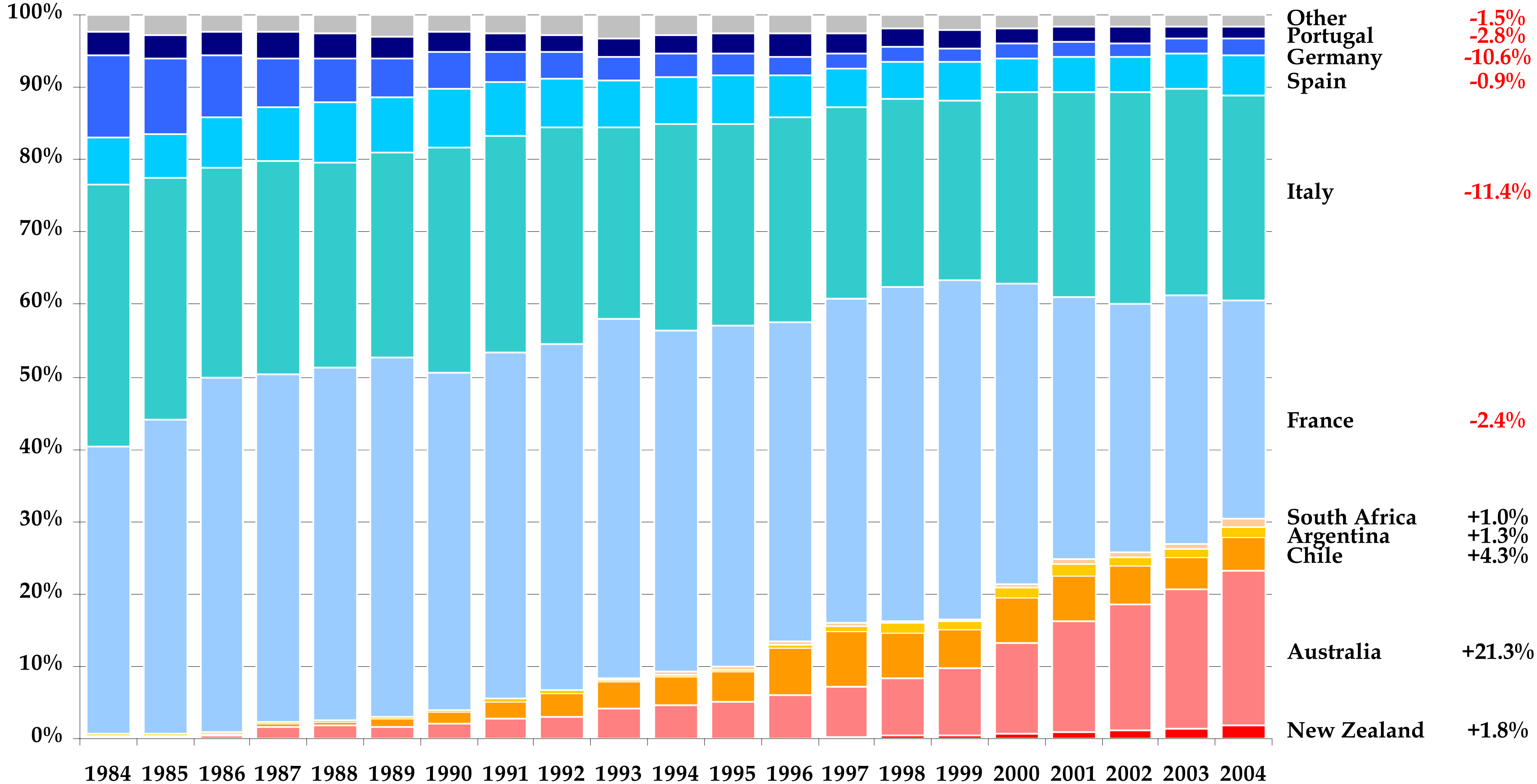
Wine consumption per capita in the United States
(l per person; 1990-2004)



Source: Wine Institute (US); Coriolis analysis

SHIFT TO NEW WORLD WINE IN THE US MARKET
US consumers are shifting towards new world wines, benefiting New Zealand wines

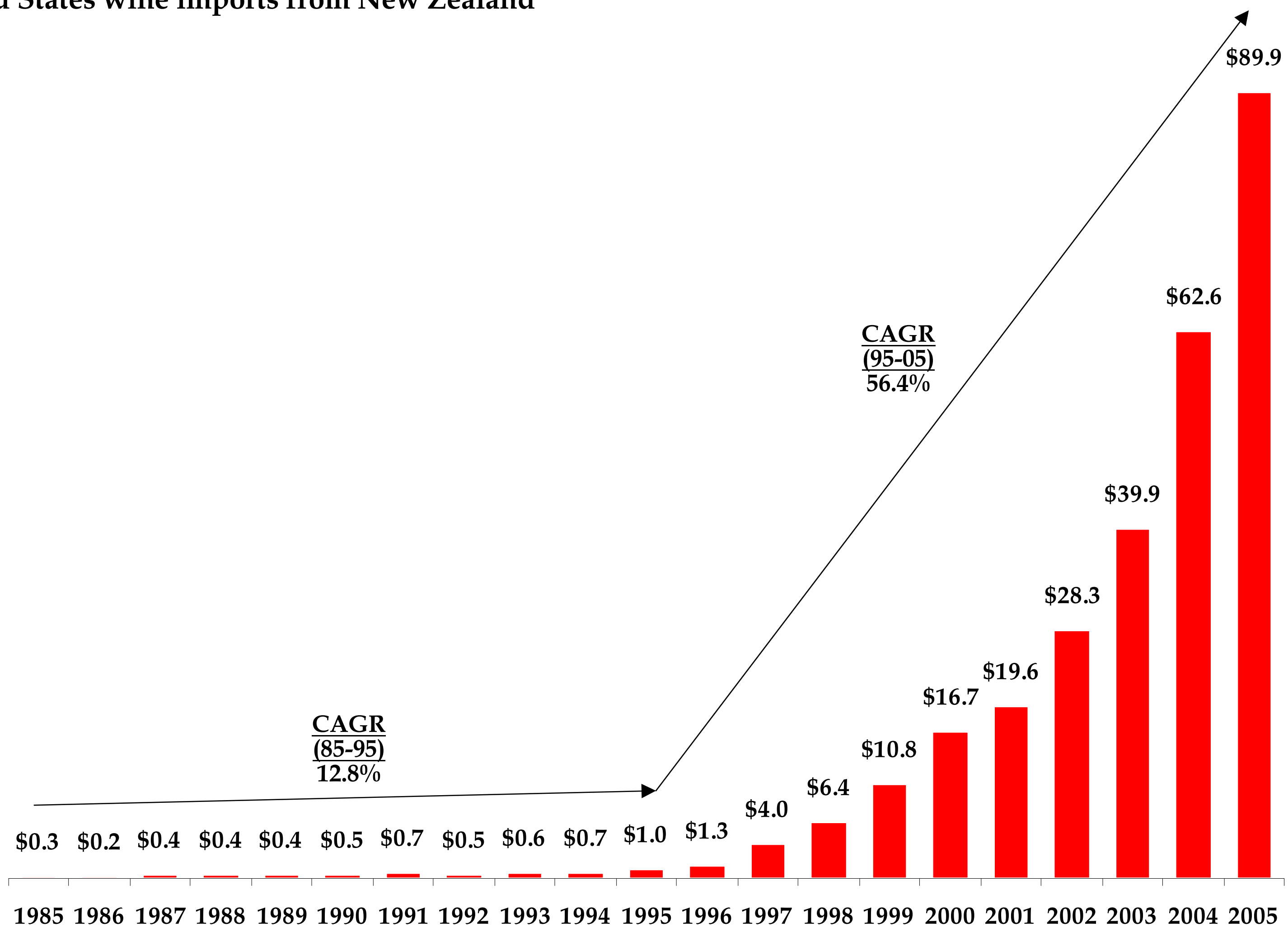
Relative market share of United States wine imports by major supplier country
(% of import value; US$; 1984-2004)



Note: 2005 data not yet available for all countries; Source: UN Comtrade; Coriolis analysis

GROWING SALES TO THE US SINCE MID 90'S
New Zealand sales to the US exploded in the mid-90's and continue to grow rapidly

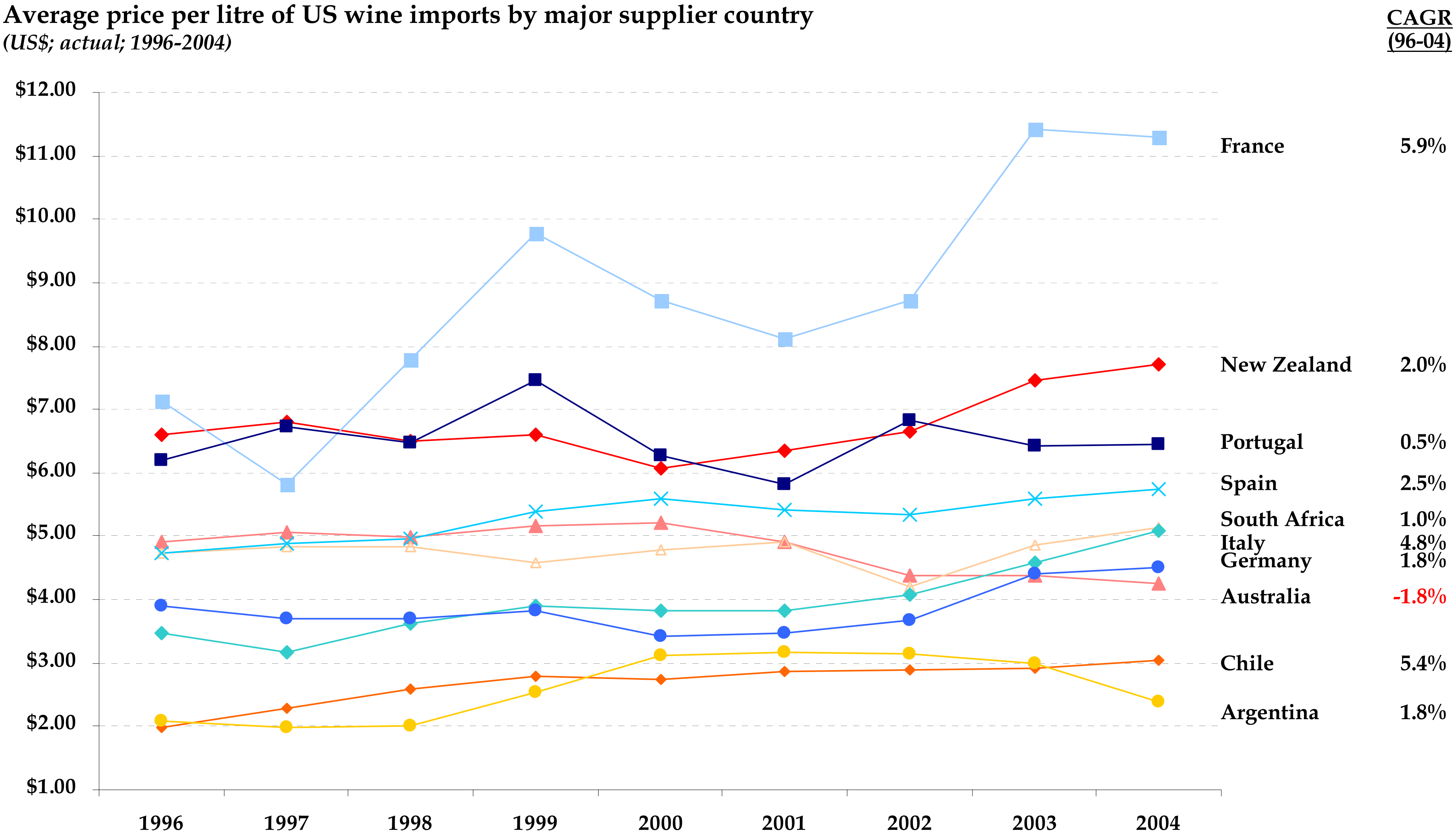
Value of United States wine imports from New Zealand
(US$m; 1985-2005)



Source: UN Comtrade; Coriolis analysis

ACHIEVING PREMIUM PRICES
New Zealand achieves premium prices for its wine in the US market

Average price per litre of US wine imports by major supplier country
(US$; actual; 1996-2004)



Note: 2005 data not yet available for all countries; Source: UN Comtrade; Coriolis analysis

POINT-OF-VIEW: THE US MARKET OPPORTUNITY
The US market was seen as a big opportunity for the future by wineries

- **"The US will in two or three years overtake the UK as our biggest market."** *Wine Commentator*

- **"The US is a big market to be in there are 280 million people, 25% drink alcohol. Once you get past the beer and bourbon blokes there are still a lot of people who drink wine. American's are good at getting into new things."** *General Manager, Marketing, Medium-sized company, Marlborough 6*

- **"We haven't really exploited the US really, there is a lot of opportunity there. We are in 17 key states at the moment and we are getting wider. We are moving out of California and into top dollar places like Montana with resorts, we do well in Florida, but we put a lot of time into it. Some States are difficult to get into."** *Managing Director and winemaker, Medium-sized company, Marlborough 3*

- **"We are a small player in the US market, we have always had a premium price. There is the threat of reduced pricing in supermarkets which might leave our company gathering dust on the higher shelves. There is an opportunity with the right product."** *Winemaker and Winery Manager, Medium-sized company, Marlborough 1*

- **"There is a lot of opportunity in the US, but it has its difficulties. We are growing in this market. We are not as premium here as in the UK. In the US on the West Coast they drink a lot of New World wines but on the East Coast like in New York they still drink a lot of European wine, French wine."** *Winemaker and Winery Manager, Medium-sized company, Marlborough 1*

- **"When you ask why has Australia been so successful in America with red wines. Just as Australia was launching red wine into America it had a string of things go right for it; Olivia Newton-John, Crocodile Dundee and Greg Norman [Golfer]. You can't buy imagery and publicity like that. Every American wanted to be like an Aussie. Buying a bottle of soft sweet quaffing red was as close as they were going to get. It's a pity Michael Campbell is competing today or we had some top actors. It needs a co-ordinated approach and luck."** *General Manager, Winemaker and Viticulturalist, Medium-sized company, Marlborough, Hawkes Bay and Central Otago*

POINT-OF-VIEW: THE US MARKET REQUIRES RELATIONSHIPS
However, it was also seen as a market where relationships and recognition are paramount

- **"We have a relationship with an importer in the US, who then uses distributors. It's a pretty ugly market to be in. The distributors have the power. There used to be 300 wine and spirit importers now its about 100, because distributors are importing directly then on-selling. It's very complex and convoluted it's and impediment to doing business there."** *General Manager, Marketing, Medium-sized company, Marlborough 6*

- **"The US, despite the warnings it's still a positive market. The changing strategy of distribution is an issue. The mega distributors are swallowing up smaller distributors. If you are in with a good importer you are fine, if you are in the B team then forget it. We have an importer who has strong relationships with distributors, so far so good. It's taken a long time to get traction. It's taken a while to get recognition of where New Zealand is even. The general purchaser has no knowledge of New Zealand. We were lucky to get movies that had good imagery of New Zealand and a quirky movie about Pinot Noir. They can't be included in a business plan."** *Managing Director and Winemaker, Medium-sized Company, Marlborough 7*

POINT-OF-VIEW: THE US MARKET
Some saw achieving value-for-money price points as important

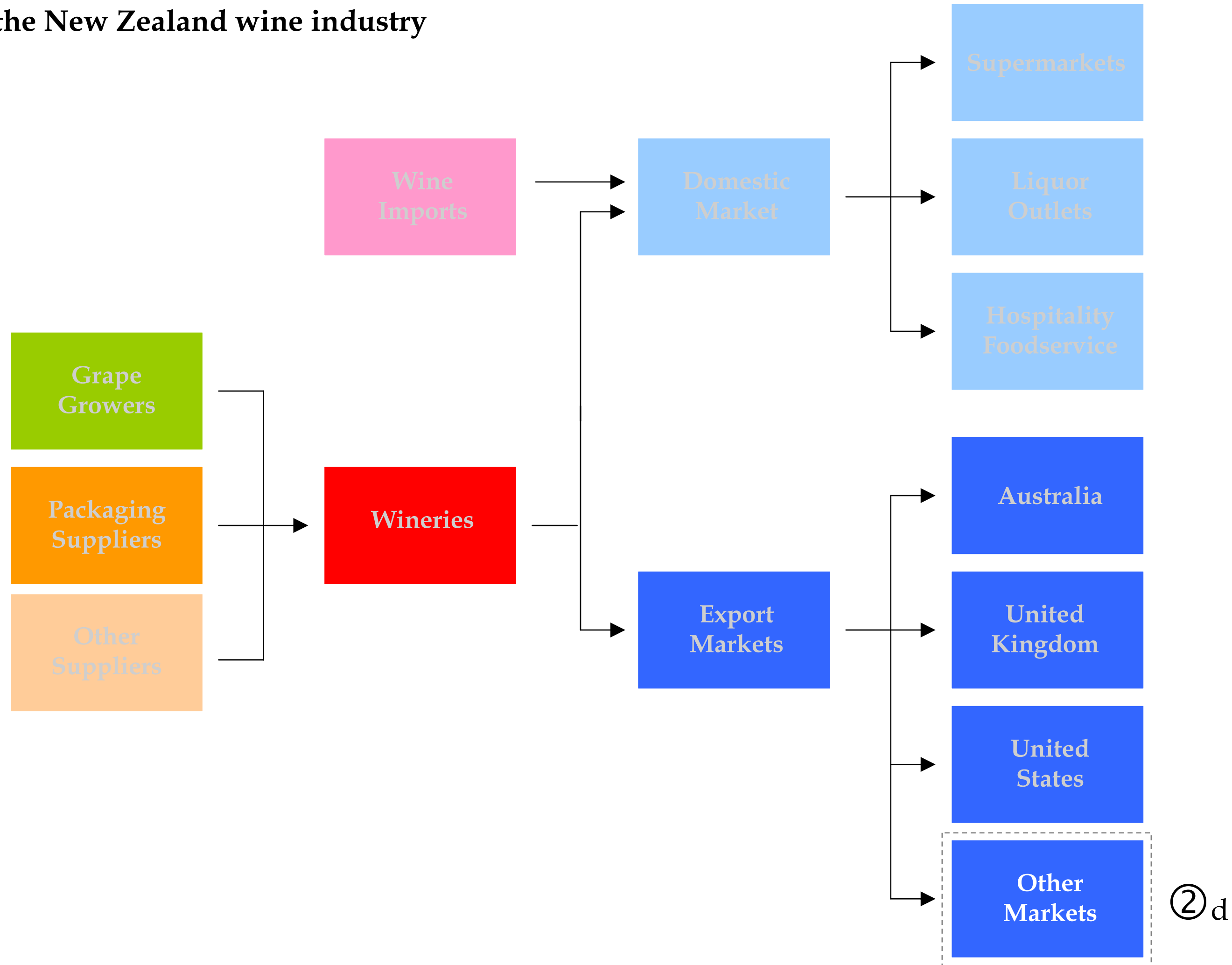
- **"We need to be in the US at the variety of price levels that is required across the whole industry."** *Owner and Managing Director, Medium-sized company, Marlborough 2*

- **"If we can deliver value for money at a variety of price points then we could have a great success in the States, that's where we should focus our message on something special and kiwi."** *General Manager, Winemaker and Viticulturalist, Medium-sized company, Marlborough, Hawkes Bay and Central Otago*

- **"It's been very hard to date to get into the US market. Sauvignon Blanc is not seen as a premium variety so they are not prepared to pay the prices for it in the States. We need to market and promote it is a top of the range product."** *Owner and Managing Director, Medium-sized company, Marlborough 2*

2d. OTHER MARKETS
New Zealand has a number of other important export markets

Simplified model of the New Zealand wine industry
(2006)



OTHER KEY MARKETS FOR NEW ZEALAND WINE
A number of other markets are important for New Zealand wine exports

New Zealand position in select key markets
(US$m; 2004)

Country	New Zealand Export Value[1] (US$m; 2004)	New Zealand Export Sales Growth (CAGR 00-05)	New Zealand Market Share of Total Imports (% of US$)[1]	Total Wine Imports (US$m; 2004)[1]
Canada	$13.0m	34.1%	0.9%	$907.7m
Germany Netherlands Belgium[2]	$15.4m	43.6%	0.1%	$4,196.0m
Ireland	$4.4m	36.6%	1.5%	$282.0m
Japan	$4.0m	12.8%	0.4%	$1,058.7m
China[3]	$2.9m	43.6%	1.3%	$147.6m
Denmark	$2.8m	17.7%	0.7%	$528.5m
Singapore	$2.5m	32.7%	1.0%	$208.7m

Note 1: uses 2004 data as 2005 total market data not available for these countries (as of May 2006)
Note 2: Germany, The Netherlands and Belgium are combined into one market as inter-country trade between them is often underreported; export (sender) and import (receiver) data often do not match due to differing time periods or reporting standards
Note 3: China includes Hong Kong and Macao

1. As measured by receiving country; Source: UN Comtrade; Coriolis analysis

POINT-OF-VIEW: EUROPE
Europe was seen as a growth market, but not without its challenges

- **"We developed UK very early on and now continental Europe is very important to us, if we were to set up there we might as well go into other areas at the same time. Netherlands is affluent with no wine industry, Belgium and Scandinavian markets are pretty good – if you can get in. There are government monopolies in some."** *General Manager, Marketing, Medium-sized company, Marlborough 6*

- **"There are sales in Europe. It is more difficult to sell in the wine producing countries but there are countries like Belgium which are huge importers of wine. Scandinavia has historically taken significant amounts of New Zealand wines."** *Wine Commentator*

- **"People are talking about Central and Eastern Europe. As it frees up its market and develops economically – and they are wine and spirits drinkers – it will open up opportunities. We are about to go into Russia, and Estonia. They are the best options along with Asia."** *General Manager, Winemaker and Viticulturalist, Medium-sized company, Marlborough, Hawkes Bay and Central Otago*

- **"We found it really hard in Europe. We sold into Germany, but had real problems getting it off the shelf. If someone called regularly you could pick it up. But New Zealand seems low on the radar compared to other European countries."** *Managing Director and winemaker, Medium-sized company, Marlborough 3*

POINT-OF-VIEW: ASIA
Asia was seen as a great opportunity full of difficulties

- **"Everyone talks about Asia. But you need to be prepared to invest a lot of time and master the language and culture etc. But there is a huge potential there. A Chilean company I was talking to their top 4 markets were the UK, USA, Korea and Japan."** *Wine Commentator*

- **"There must be some potential in Asia."** *Winemaker and winery manager, Medium-sized company, Marlborough 1*

- **"China is a great hope. We sell some in Shanghai through our Hong Kong agent. There is not an understanding of wine in Asia, they just think they should drink wine. There is an opportunity there, it's a growth market. We are in Hong Kong, Singapore, Thailand, but they are small markets. Wine is not an everyday drink."** *Owner and Managing Director, Medium-sized company, Marlborough 2*

- **"Asia is just starting to open up for us, Thailand, Vietnam, it will never be huge volumes but I am always surprised at how much we sell out there. It's a bit more difficult. China is a bit of an unknown and India, we have had enquires and sent samples. We spoke with a guy in India who had faith in growing the market there, he was offended when I said our price points wouldn't suit them. I think it would be too hard."** *Managing Director and winemaker, Medium-sized company, Marlborough 3*

- **"Twelve months ago we started a policy of wanting to move into Asia, so we have started to get a dozen Asian markets under way. It's gone slower than I had hoped for. We have had second, third and forth orders from some markets, but they are invariably small. They are loose cargo lots of 50-300 case orders per market. I see it improving but slowly. We introduced the wine to the distributor, who then has to talk to the restaurant, or whatever, then to the consumer. There is a growing awareness and interest in wine. Wine has a healthy future in Asia, but it is a small item for them. They style of NZ wine suits them, fruit and sweetness. They buy Marlborough Sauvignon or a French Cabernet blend that's what they read the rest of the world is drinking. One of our great hopes is Asia."** *General Manager, Winemaker and Viticulturalist, Medium-sized company, Marlborough, Hawkes Bay and Central Otago*

- **"We approach Asia cautiously. We are currently in four markets. There are quite a few difficulties and high costs doing business there. You have to decide whether you want to learn about different cultures to be selling wine there or do you want to learn about Europe and what goes on in Austria or Switzerland."** *General Manager, Marketing, Medium-sized company, Marlborough 6*

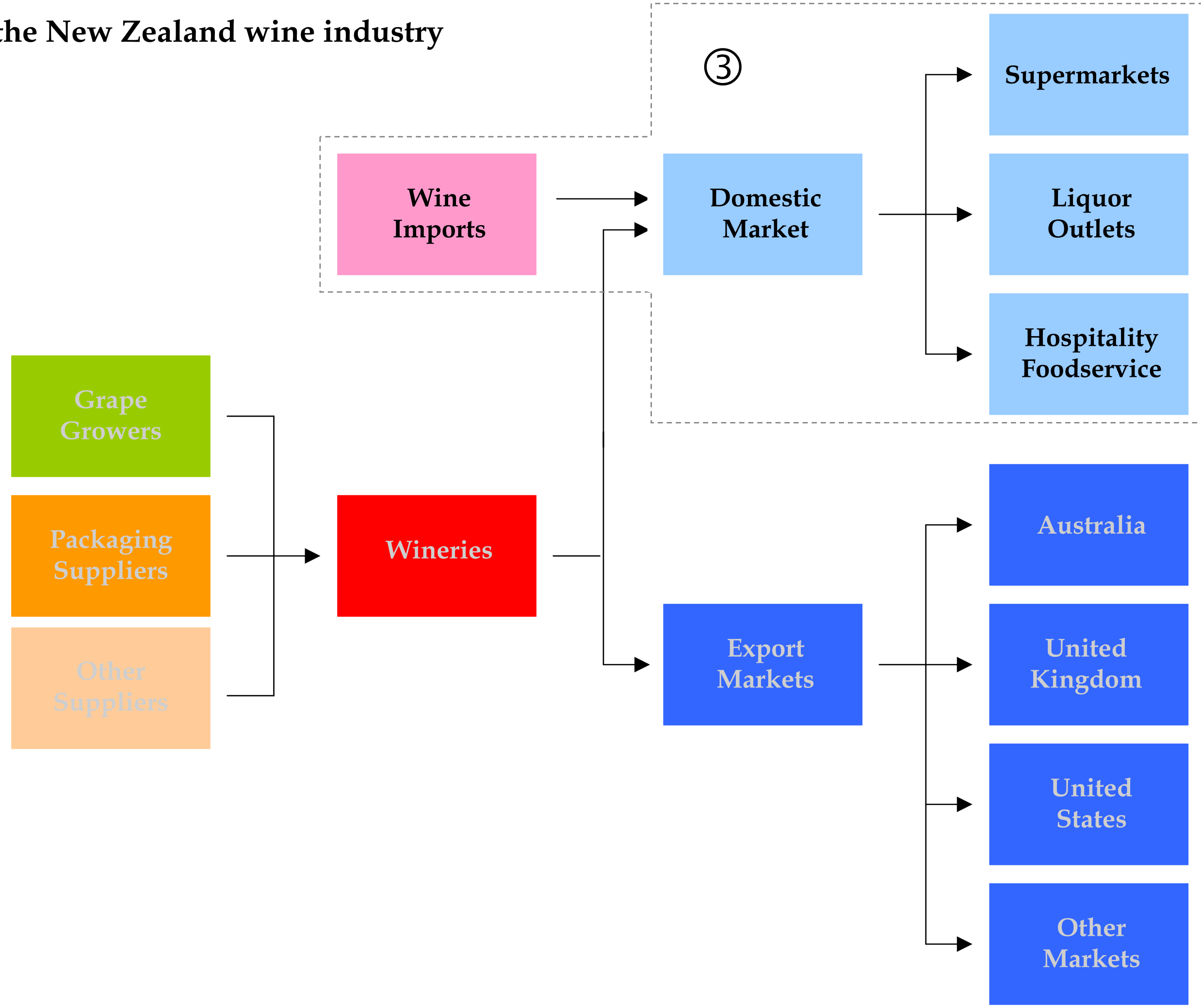
POINT-OF-VIEW: PACIFIC ISLANDS
One interviewee highlighted the strength of New Zealand wine in Pacific Island markets

- **"The Pacific is doing well - we send a lot of wine to Vanuatu, Fiji, Rarotonga - they are really consistent and do quite well. That market is underdone."** *Managing Director and winemaker, Medium-sized company, Marlborough 3*

- **New Zealand sells more wine to Fiji than to France**

3. DOMESTIC NEW ZEALAND WINE MARKET
The third section of this report looks at domestic New Zealand wine market (including wine imports)

Simplified model of the New Zealand wine industry
(2006)



3. DOMESTIC NEW ZEALAND WINE MARKET – KEY TAKEAWAYS
New Zealand has a strong and growing domestic market for wine that acts as a shock-absorber for shifts in the global market

- **New Zealand wine imports have shown strong growth since the mid 1980's. However most of this growth has come from Australia (US$74m in 2005), which, with its hotter climate, produces a complementary range of varieties to New Zealand. Other major wine import sources include France (US$18m), Italy (US$7m), South Africa (US$2m), Chile (US$1m) and Spain (US$1m).**

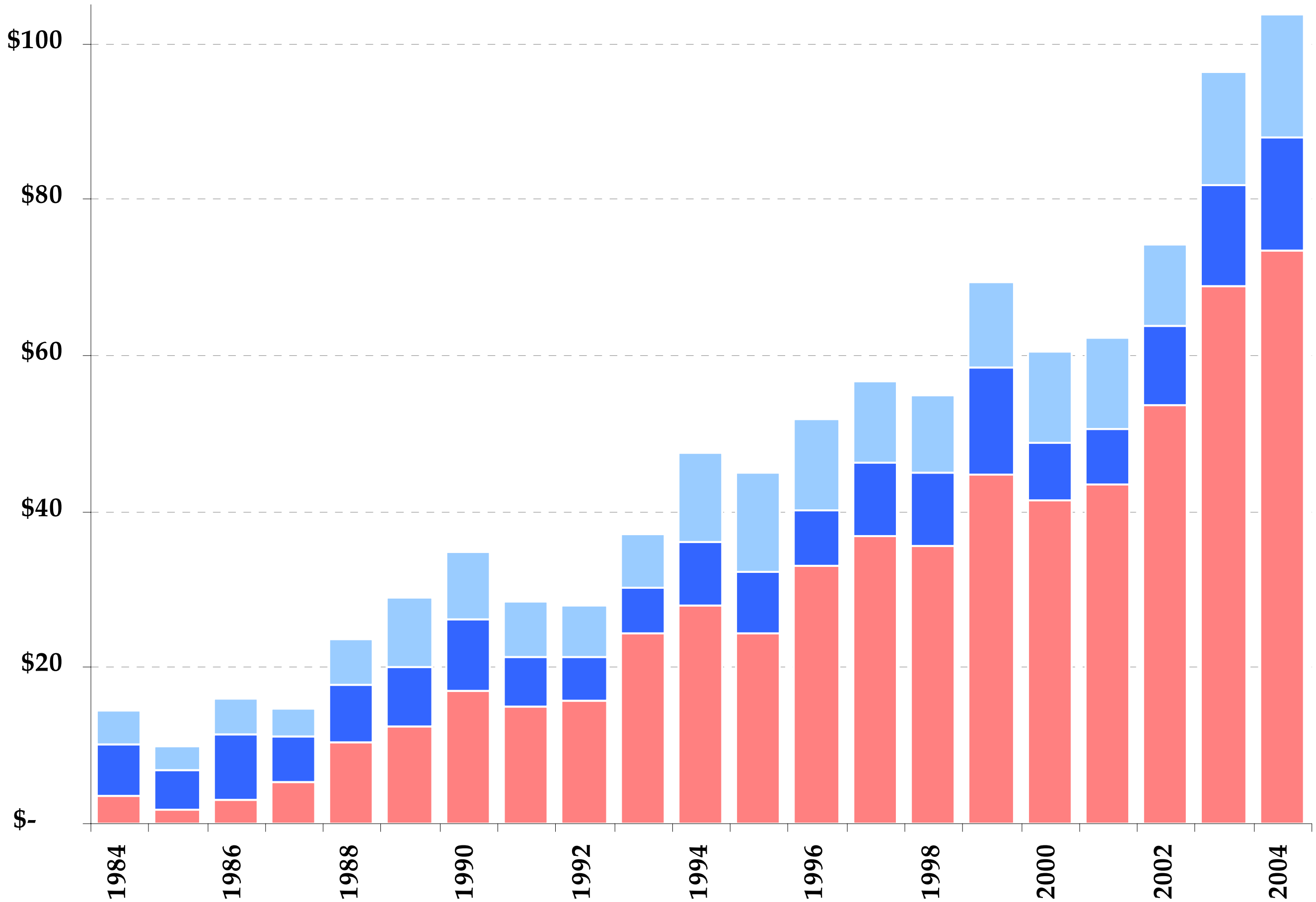
- **New Zealand domestic wine consumption is growing, from 13.9 litres per person in 1990 to almost 20 litres per person in 2005. However, this growth has primarily been driven by lower priced imports substituting for higher priced exports, especially during periods of tight supply. New Zealand has relatively high per capita consumption relative to similar Anglo-Saxon countries with some scope for future growth. While it drinks more than twice as much wine per capita as the United States and Canada, it still drinks 12% less than Australia.**

- **The domestic New Zealand wine industry has three key channels - supermarkets, liquor stores (and other "off-licenses") and hospitality & foodservice ("on-license") - selling 82m lires across 14,000 points-of-purchase. Of these, supermarkets move 56% of domestic market volume (or 46m litres), off-licenses 21% (or 17m litres) and hospitality/foodservice 23% (or 19m litres).**

- **Supermarkets are a large and growing channel for New Zealand wine. The growth of domestic wine volumes is being driven by supermarkets which were first allowed to sell wine in 1989, when deregulation occurred. The New Zealand supermarket industry is concentrated in two groups: Foodstuffs and Woolworths. Wine sales through supermarkets are growing, primarily through increased sales of bottled wine (rather than casks). This sales growth is being driven by consumers paying more per litre and buying more wine. New Zealand supermarkets, like supermarkets anywhere, can be difficult to deal with and focus on driving down prices.**

IMPORTS PRIMARILY FROM AUSTRALIA
New Zealand wine imports are primarily from Australia

New Zealand wine imports by country of origin
(US$m; import value; 1984-2004)

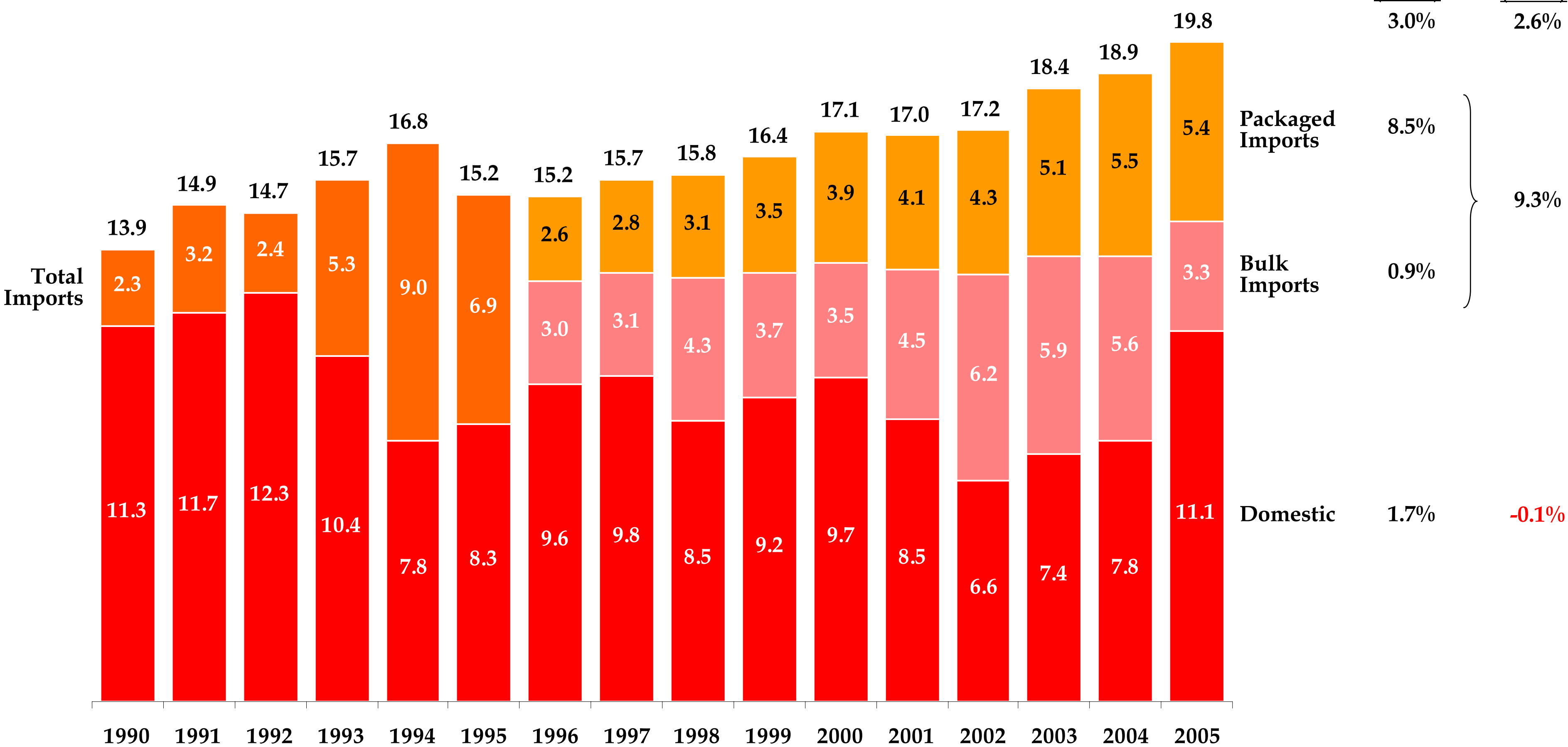


	CAGR (84-04)	CAGR (94-04)
Other	6.8%	3.2%
France	4.0%	5.8%
Australia	16.3%	10.2%

Source: UN Comtrade; Coriolis analysis

GROWING DOMESTIC CONSUMPTION
New Zealand domestic wine consumption is growing, driven primarily by imports

New Zealand wine consumption per capita
(litres per person; 1990-2005)

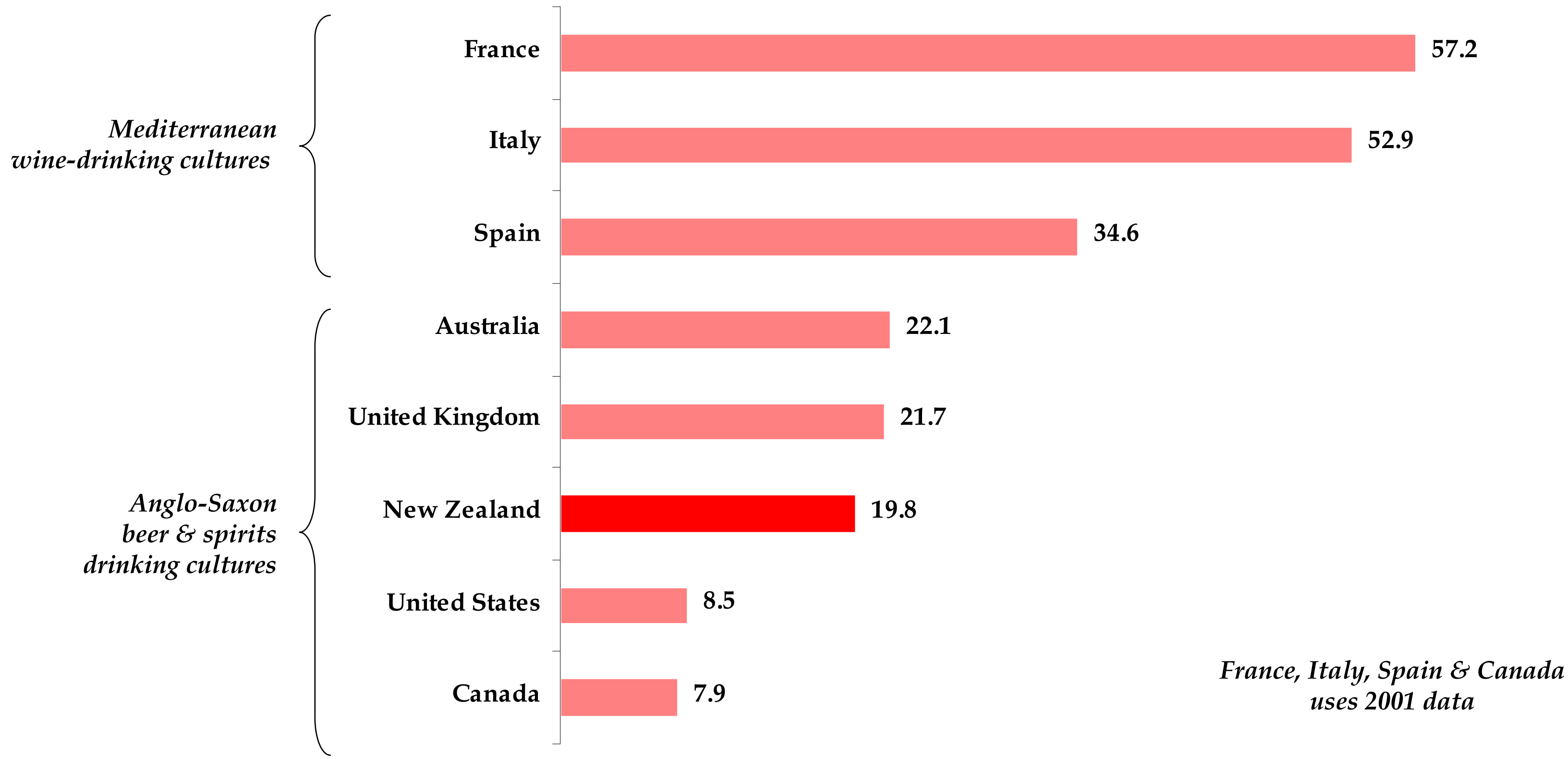


Year	Domestic	Total Imports	Bulk Imports	Packaged Imports	Total
1990	11.3	2.3			13.9
1991	11.7	3.2			14.9
1992	12.3	2.4			14.7
1993	10.4	5.3			15.7
1994	7.8	9.0			16.8
1995	8.3	6.9			15.2
1996	9.6		3.0	2.6	15.2
1997	9.8		3.1	2.8	15.7
1998	8.5		4.3	3.1	15.8
1999	9.2		3.7	3.5	16.4
2000	9.7		3.5	3.9	17.1
2001	8.5		4.5	4.1	17.0
2002	6.6		6.2	4.3	17.2
2003	7.4		5.9	5.1	18.4
2004	7.8		5.6	5.5	18.9
2005	11.1		3.3	5.4	19.8

Note: calculation assumes wine imports are not re-exported; bulk data not available pre-1996; Source: Wine NZ; UN Comtrade; Statistics NZ; Coriolis analysis

LIMITED SCOPE FOR FURTHER GROWTH
New Zealand has relatively high per capita consumption relative to similar Anglo-Saxon countries with some scope for future growth

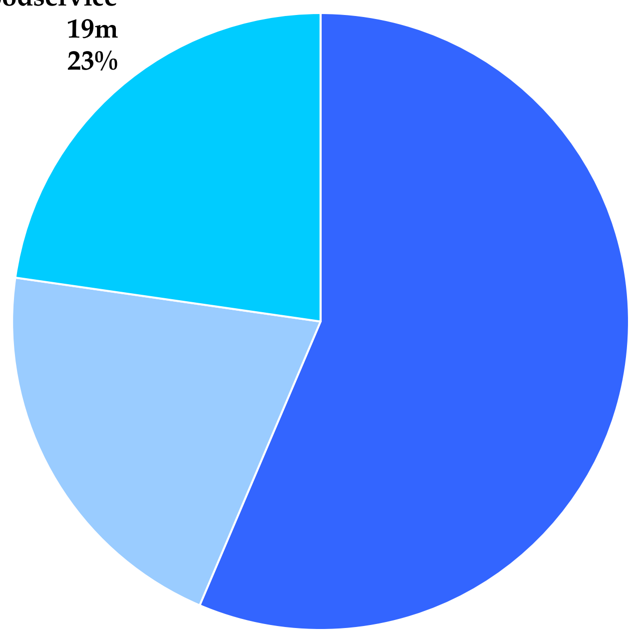
Per capita wine consumption by select countries
(litres per person; 2005, 2004 or 2001)



 Note: See page prior for NZ; Source: Wine Institute (US); Coriolis analysis

THREE KEY CHANNELS
Domestic wine retailing occurs through three key channels

New Zealand domestic wine volume
(litres; m; 2005)



Total = 82m litres

Source: Wine NZ; Nielsen; Coriolis Foodservice in New Zealand report; Coriolis estimates and analysis

DOMESTIC MARKET OVERVIEW

The domestic New Zealand wine industry has three key channels selling 82m lires across 14,000 points-of-purchase

Overview of key channels in the domestic New Zealand wine industry

(2005)

Channel	# of units	Wine Volume (litres; m)	Retail Wine Sales (NZ$; m)	Key Segments
Supermarkets	365	46m	NZ$500m+	Foodstuffs Group (Cooperative) Woolworths Australia
Other Off-license	3,800	17m	NZ$175-200m	Liquor Stores Convenience Stores Other
On-License	10,000+	19m	n/a	Taverns, Bars and Nightclubs Cafés and restaurants Hotels & motels
	14,000+	82m		

Source: Statistics New Zealand, Wine NZ, Coriolis estimates and analysis

POINT-OF-VIEW: DOMESTIC MARKET POTENTIAL
The domestic market was important for most interviewees

- **"New Zealand will never be a low cost producer of wine we have targeted high priced international markets, which has left room for the low cost producers to move into that space. To sell a cheap drinkable red you need reliable heat, reliable sunshine so you can crop the vine heavily and still get good grapes. We can't do that in New Zealand we have low crops because we don't have the sun, therefore the wine is expensive."** *Wine Commentator*

- **"We have an interest in the domestic market. We have increased our share recently. New Zealander's are getting more discerning about what they buy. They no longer buy box wine. Some still buy cheap and cheerful, but some will seek out premium producers. This is in line with peoples aspirations and their enjoyment. It's polarised. At the top end they buy New Zealand wine, so that's where we are. They are purchasing a New Zealand icon."** *Managing Director and Winemaker, Medium-sized Company, Marlborough 7*

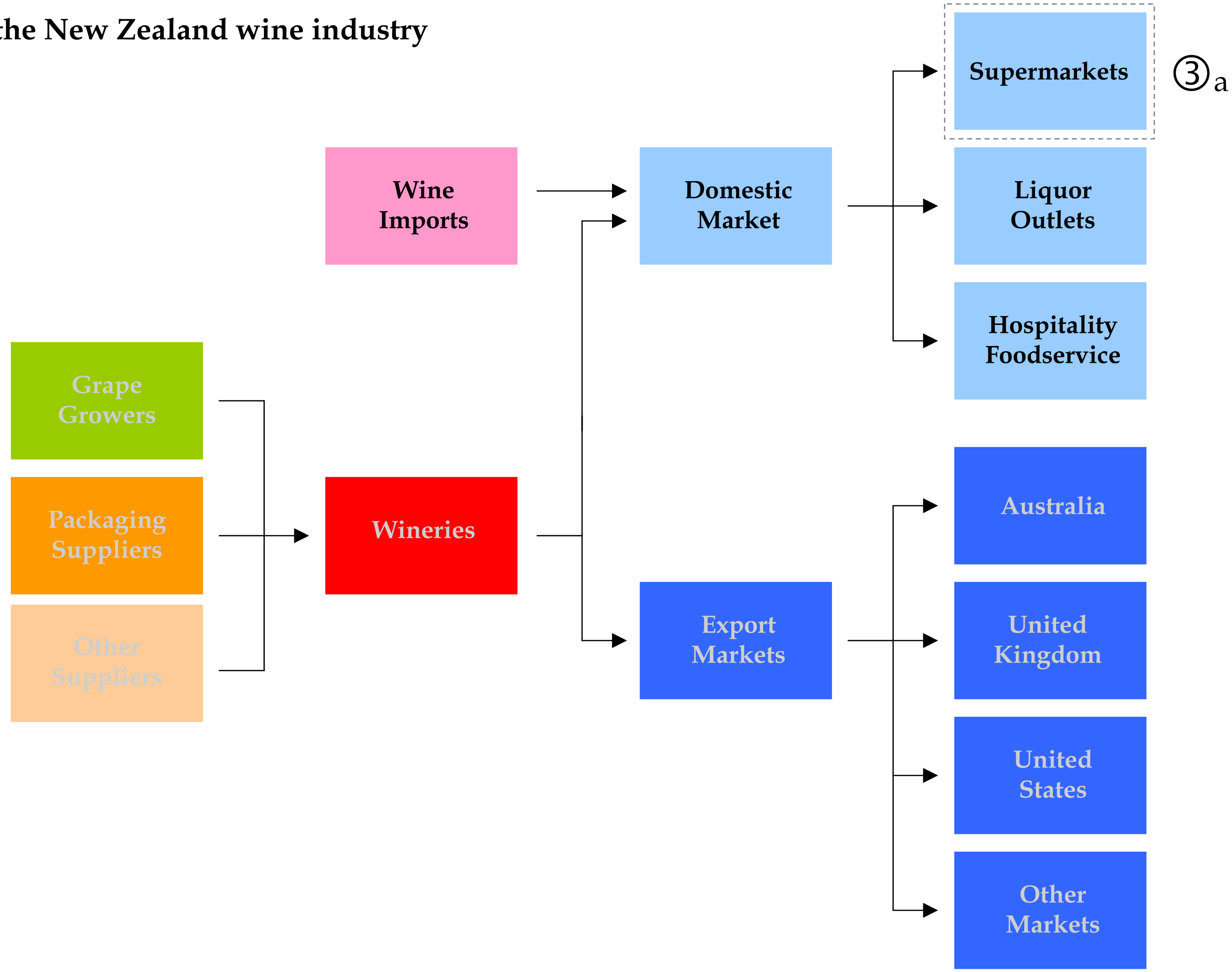
- **"We have had a domestic focus from the word go because it is easy for us to control. I had some industry history which was easier. I developed relationships with the trade people so it was easy to develop. Debt collecting and getting sales is easier domestically. Our growth in grocery has been pretty static we need to address that."** *Managing Director and winemaker, Medium-sized company, Marlborough 3*

- **"I don't understand why we don't have a much bigger campaign for New Zealanders to drink New Zealand wine. We spend a lot of money internationally. When you consider the market share that Australia has here, I don't understand why we don't try and promote ourselves more."** *Managing Director and winemaker, Medium-sized company, Marlborough 3*

- **"While we export 75% domestic is still important. It's still 25% of what we produce. We do a lot on-premise and off-license. We match up with distributors who have very good restaurant trade. Then we aren't fighting in supermarkets. We have better profitability."** *General Manager, Marketing, Medium-sized company, Marlborough 6*

3a. DOMESTIC SUPERMARKETS
Supermarkets are a large and growing channel for New Zealand wine

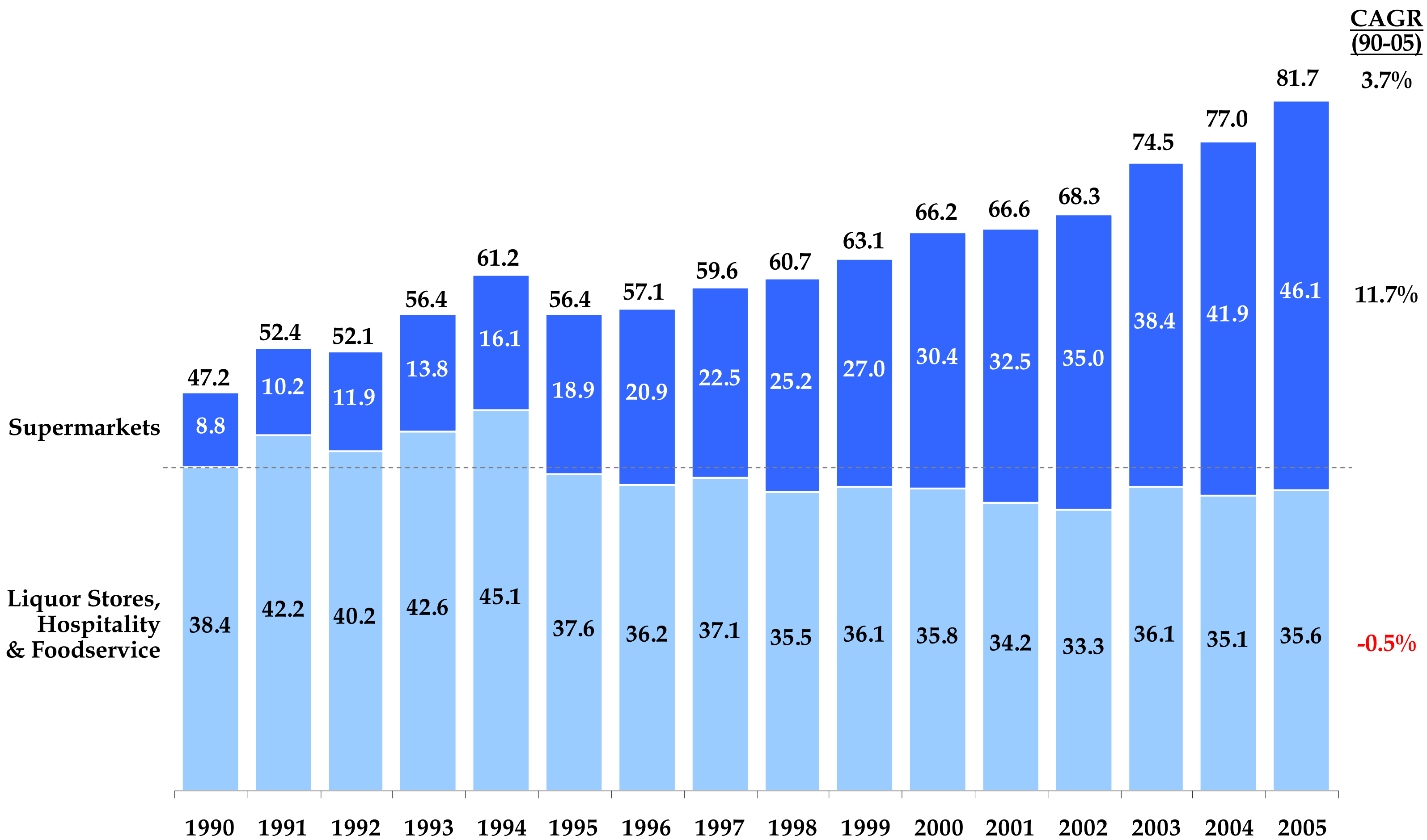
Simplified model of the New Zealand wine industry
(2006)



DOMESTIC VOLUME GROWTH DRIVEN BY SUPERMARKETS

The growth of domestic wine volumes is being driven by supermarkets which were first allowed to sell wine in 1989 when deregulation occurred

New Zealand domestic wine volume
(litres; m; 1990-2005)



Source: Wine NZ; Nielsen (90-03); Aztec (04-05); Coriolis analysis

TWO SUPERMARKET GROUPS
The New Zealand supermarket industry is concentrated in two groups: Foodstuffs and Woolworths

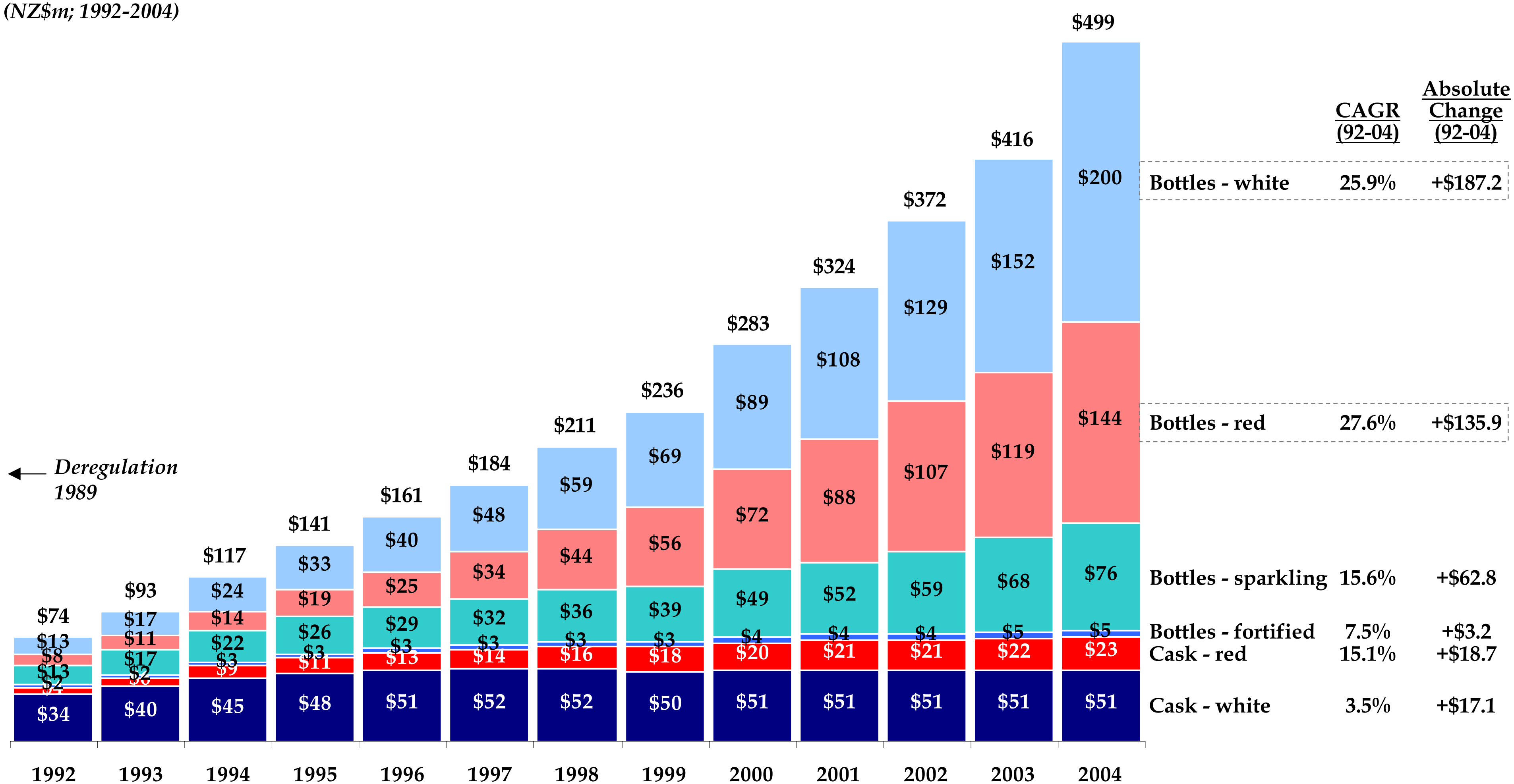
Structure of New Zealand supermarket sector
(various; 2005)

Group	Turnover (NZ$)	Wine Sales (NZ$)	# of stores	Key Store Fascia	Ownership	Notes
FOODSTUFFS Proudly New Zealand	$6b	$275m	171	New World Pak'n Save Write Price Four Square	Cooperative of store owner/operators	– Structured as three divisions: Auckland, Wellington and South Island – Planning to open stand-alone liquor stores (Duffy & Finn's)
'The Fresh Food People' WOOLWORTHS Bringing food to life.	$4.4b (Group A$38b)	$225m	194	Woolworths Foodtown Countdown	Woolworths Australia (publicly listed)	– Woolworths Australia acquired Progressive Enterprises in November 2005 – Planning to open stand-alone liquor stores (Dan Murphy's) – Woolworths is the largest liquor retailer in Australia

Source: Nielsen; various annual reports; various press articles; Coriolis analysis

BOTTLES DRIVING SUPERMARKET SALES GROWTH
Wine sales through supermarkets are growing, primarily through increased sales of bottled wine

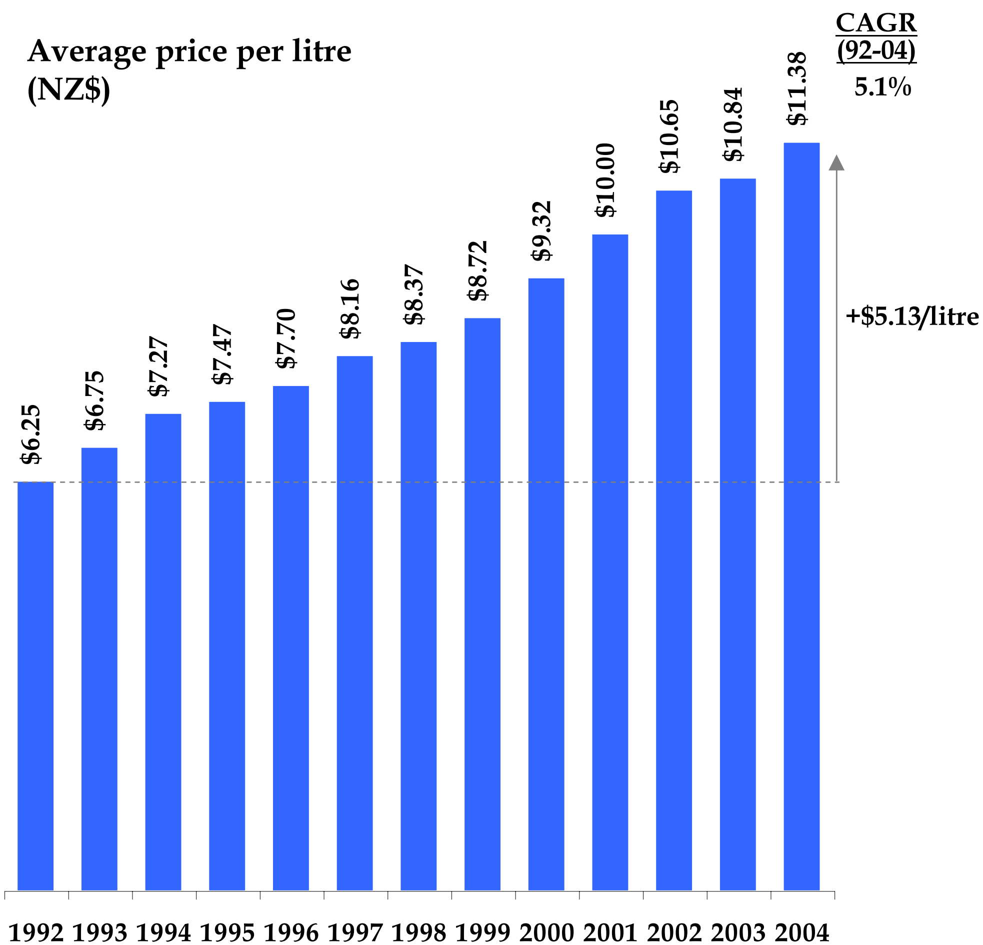
Sales of wine in New Zealand supermarkets by form
(NZ$m; 1992-2004)

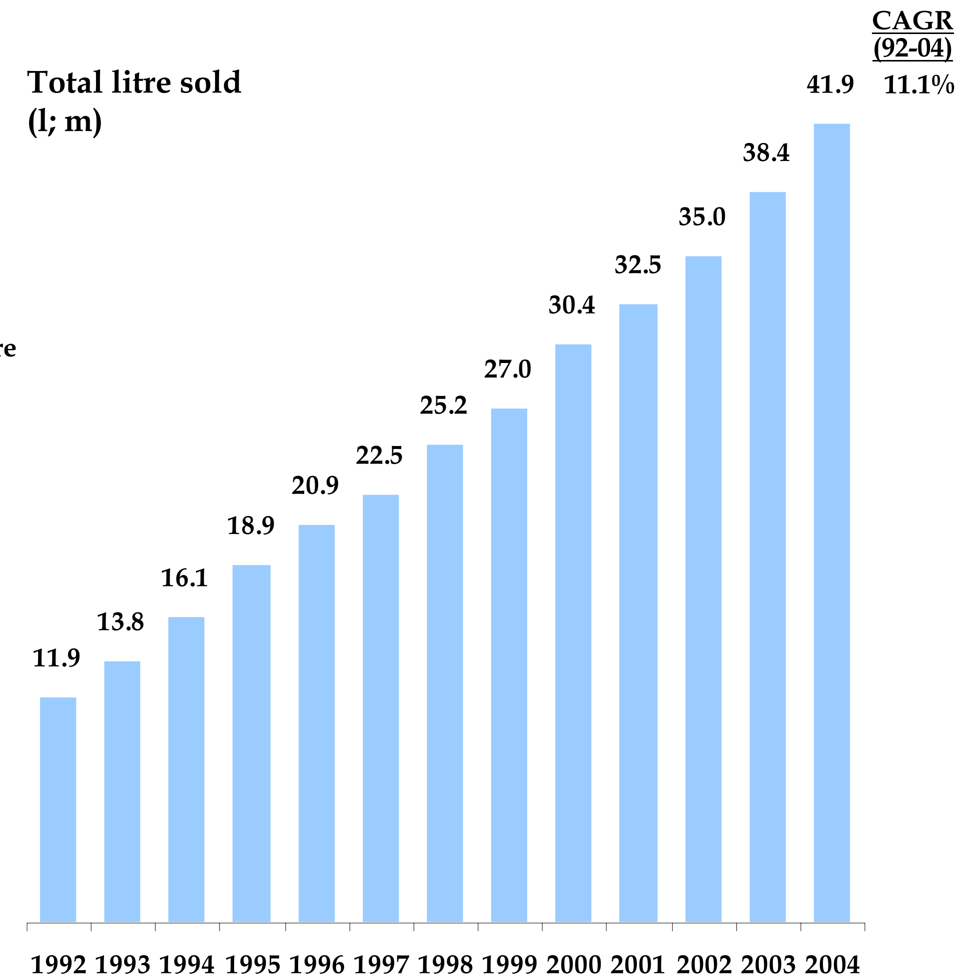


Note: Uses MID data with variable year endings; Source: Nielsen Market Information Digest (MID); Coriolis analysis

MORE WINE AT HIGHER PRICES
This sales growth is being driven by consumers paying more per litre and buying more wine

Components of wine sales growth in New Zealand supermarkets
(1992-2004)





Note: Uses MID data with variable year endings; Source: Nielsen Market Information Digest (MID); Coriolis analysis

POINT-OF-VIEW: SUPERMARKET
New Zealand supermarkets, like supermarkets anywhere, can be difficult to deal with and focus on driving down prices

- **"The supermarkets are supersaturated. I am holding my shelf space. Even having a medal isn't enough to get on the shelves. I build relationships and I get loyalty and that secures my shelf space. If you can sell the wines for them by having a good image and reputation, then that's what they want."** *General Manager, Winemaker and Viticulturalist, Medium-sized company, Marlborough, Hawkes Bay and Central Otago*

- **"We are moving into supermarkets, but we wanted to build up some equity first. We need to tell them that we don't need to be dump-stacked, we don't want to be sold below a certain price point. We are not desperate for sales, our main focus is export."** *General Manager, Marketing, Medium-sized company, Marlborough 6*

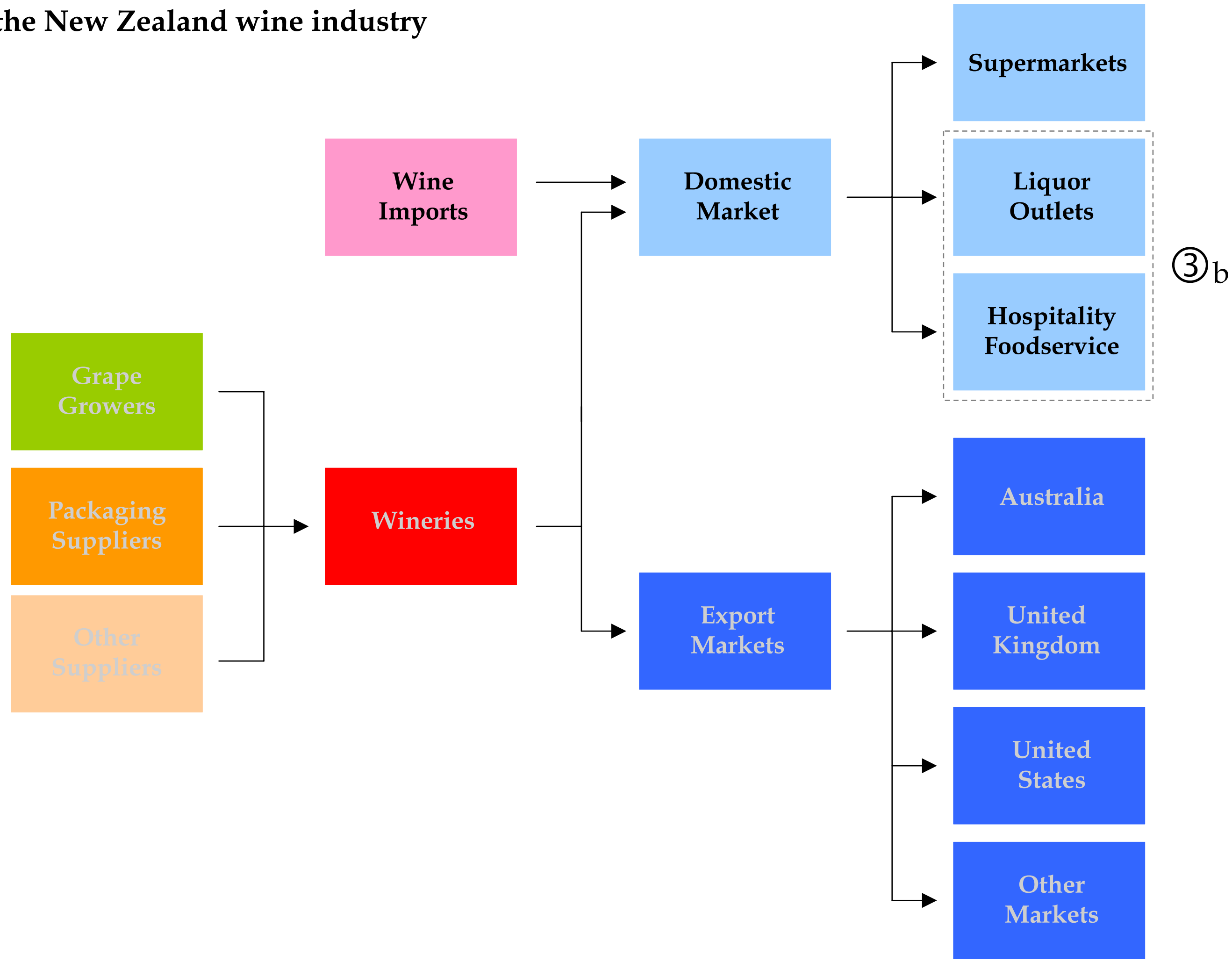
- **"We have two categories and we don't discount one – it goes into grocery but it's never discounted. If people see a cheaper price at the supermarket they will think, why bother."** *Managing Director and winemaker, Medium-sized company, Marlborough 3*

- **"The domestic market is extremely tight with new comers entering all the time, prices are going down. Villa Maria's Cellar selection is down towards $12.95 $13.95 that clearly shows that competition is getting extremely tough. But the market is clawing back from two frosty vintages. New Zealand wine though is still only about 50% of all the wine consumed."** *Wine Commentator*

- **"Supermarkets drive prices down and force decisions. I don't focus our business there, so I ignore it. It would be a scary place to be, they either squeeze you or turn the tap off completely. We need to stay out of it."** *Managing Director and Winemaker, Medium-sized Company, Marlborough 7*

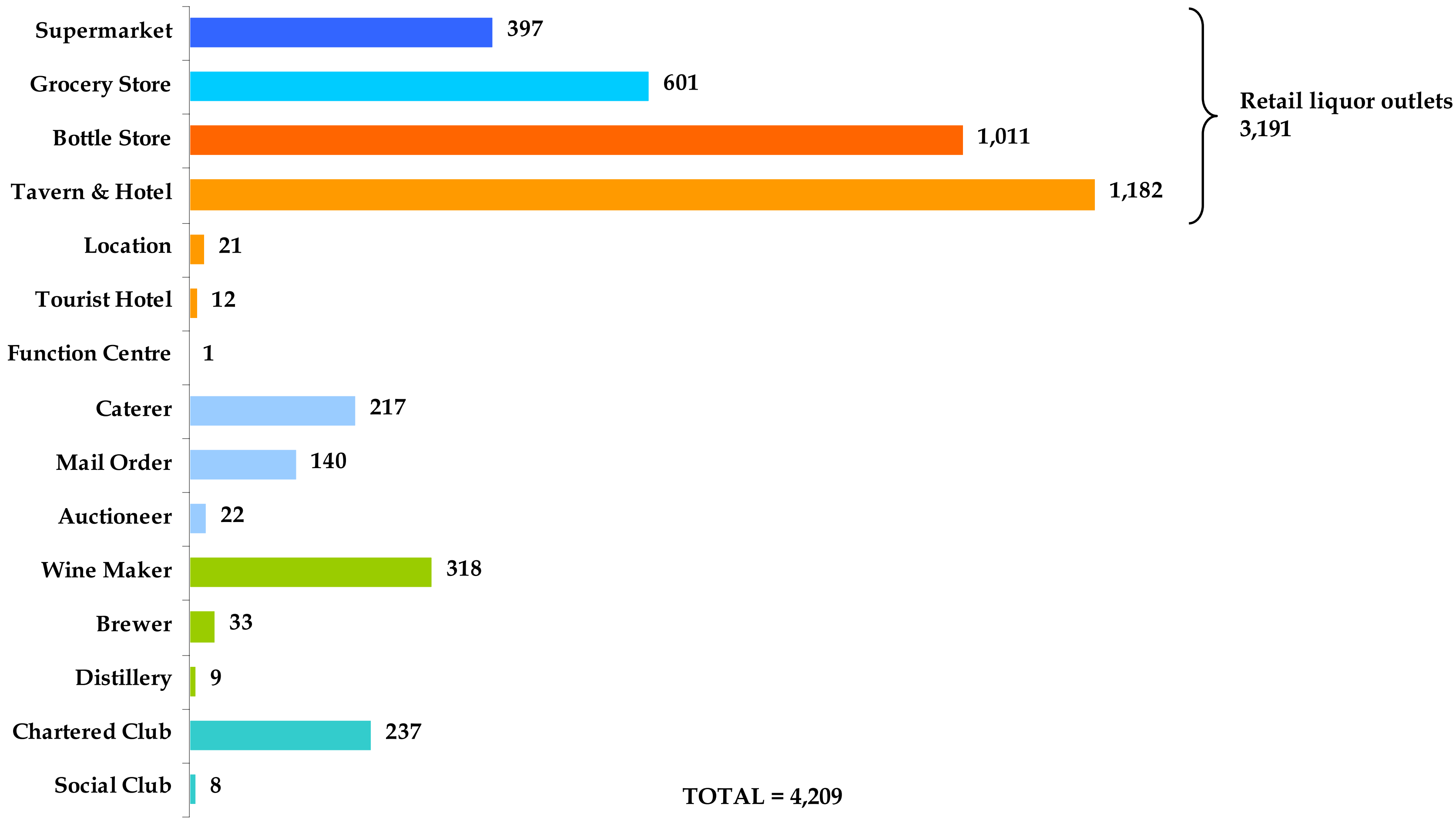
3b. OTHER DOMESTIC CHANNELS
Besides supermarkets, the domestic wine market includes off-licence liquor outlets and the hospitality/foodservice channel (i.e. on-licence)

Simplified model of the New Zealand wine industry
(2006)



OFF-LICENCE HOLDERS BY TYPE
There are 4,209 establishments in New Zealand with an off-licence

Off-licence liquor licence holders by type
(licences; actual; Nov 2003)



Note: 314 complementary off-licence holders not shown; Source: Ministry of Justice; Coriolis analysis

KEY LIQUOR STORE CHAINS
New Zealand has a handful of liquor store chains, the largest of which are controlled by the two major breweries

Structure of New Zealand chain liquor store sector
(various; 2005)

Store Fascia	# of stores	Ownership
Liquor Centre	130	Franchise banner group
Super Liquor	102	Independent banner group controlled by Lion Breweries
Liquorland	80	Franchised by DB Breweries to independent owners
The Mill	41	Simkin family
Liquorking	40	Chain owned by Lion Nathan Breweries
Glengarry	14	Jakicevich family
King Dick's Liquor Mart	6	Waitakere and Portage Licensing Trusts
	413	

Source: various annual reports; various press articles; Coriolis analysis

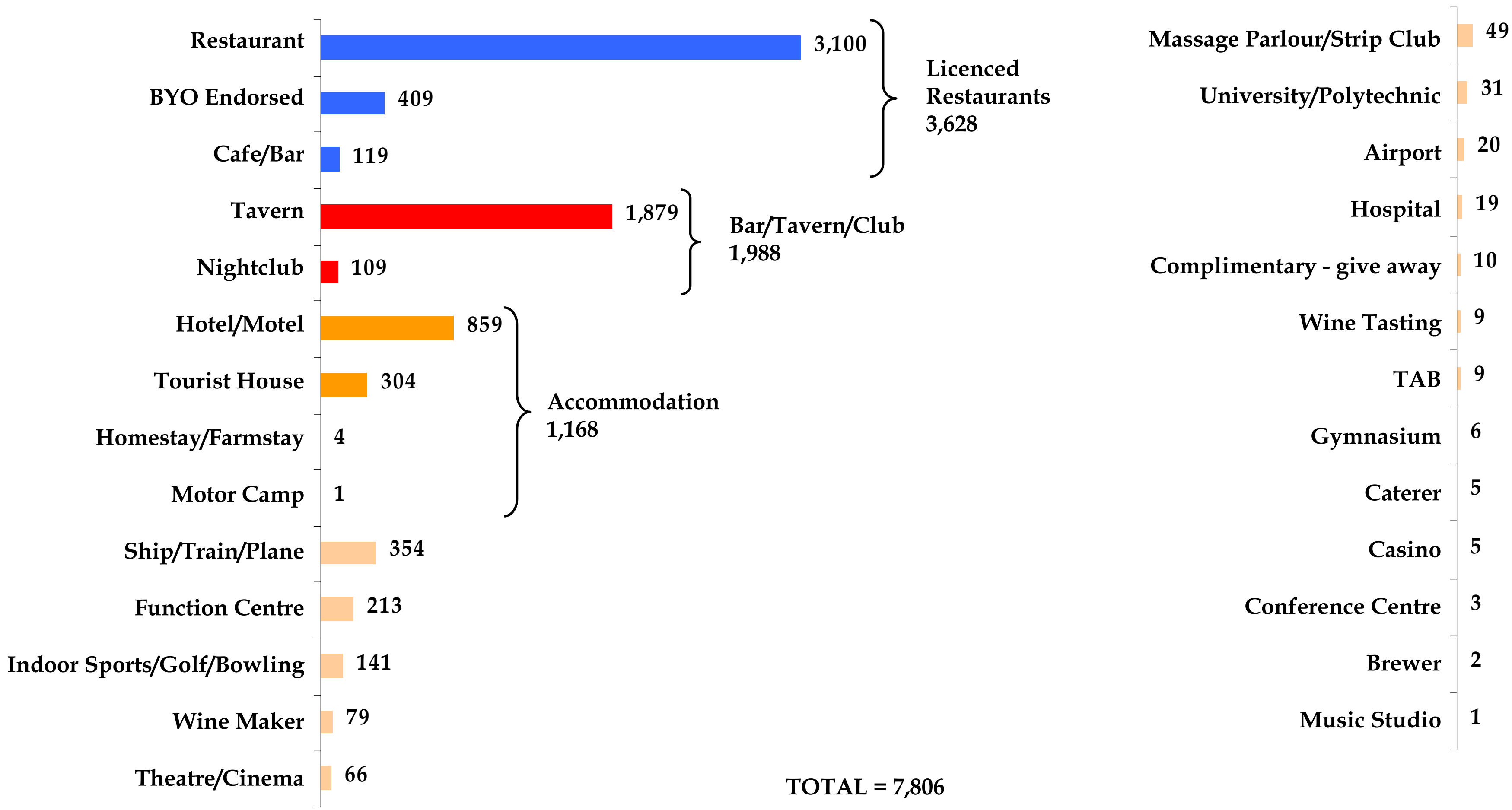
POINT-OF-VIEW: OFF-LICENCE
The domestic off-licence market outside supermarkets was seen by some as having a limited future

- **"Its getting harder and harder to get into the fine wine liquor stores and that is only going to get worse. I think there will be fewer and fewer of them over time."** *Managing Director and winemaker, Medium-sized company, Marlborough 3*

- **"The specialist liquor stores run by truly knowledgeable people, who have weekly tastings, run events and stock interesting wines will always survive. But there a lot of people out there who aren't specialists at all , they just run the stores by piling the beer high and getting in big names and have a convenience store. They are more under threat."** *Wine Commentator*

ON-LICENCE HOLDERS BY BUSINESS TYPE
There are 7,806 establishments in New Zealand with an on-licence

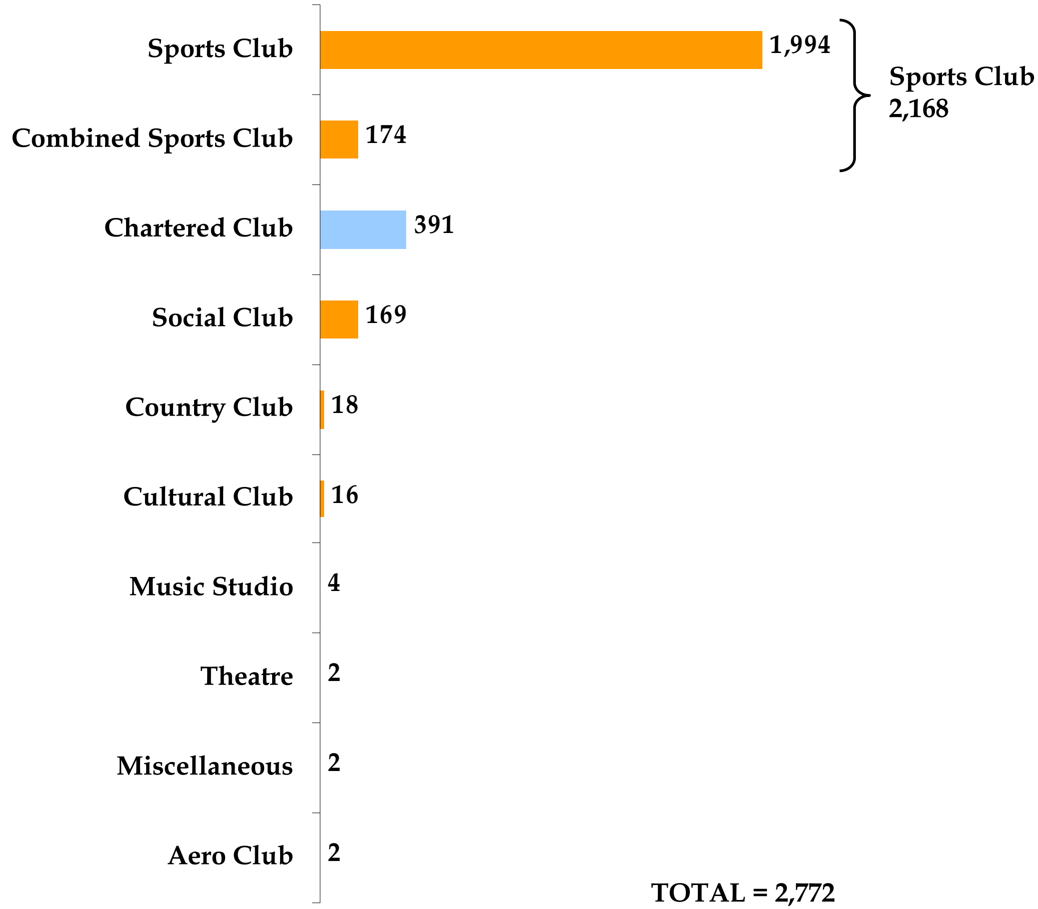
On-licence liquor licence holders by business type
(licences; actual; Nov 2003)



Source: Ministry of Justice; Coriolis analysis

CLUB LICENCE HOLDERS BY TYPE
There are 2,772 establishments in New Zealand with a club licence

Club liquor licence holders by type
(licences; actual; Nov 2003)



 Source: Ministry of Justice; Coriolis analysis

POINT-OF-VIEW: ON-LICENCE
The domestic on-licence market is an important sector to most premium players

- **"On-premise is key for us. It protects us from the price squeezing in the supermarkets. We are about 30% on-premise."** *Winemaker and Winery Manager, Medium-sized company, Marlborough 1*

- **"There are threats with big distribution organisations having a fair amount of clout when it comes to wine lists and buying habits. Buy ten cases and you must also buy twenty cases of this. We have entered into the giving away extras like 40 umbrellas and aprons, which is an additional cost. But, its cost effective at this stage."** *Managing Director and winemaker, Medium-sized company, Marlborough 3*

POINT-OF-VIEW: CELLAR DOOR
Cellar door sales are more important for smaller wineries

- **"Its nice to have a few varieties and wines that you can only get at the cellar door, visitors like to get something different. It's beneficial to do small runs. Only about 4% of our sales are cellar door, but for smaller wineries its a lot more significant."** ***Winemaker and Winery Manager, Medium-sized company, Marlborough 1***

POINT-OF-VIEW: ONLINE
The emerging online wine market was seen as an opportunity by most

- **"'Blackmarket[1]' has done really well, it is seen as a bit of a wine clearance sale house. It's luck of the draw. Their sales will increase."** *Owner and Managing Director, Medium-sized company, Marlborough* 2

- **"Some of Blackmarket's conditions are pretty hard to live with. When you sign up you agree that if the customer doesn't like the product they can send it back. When we did have it people would send it back, so we stayed away from it."** *Managing Director and winemaker, Medium-sized company, Marlborough* 3

- **"Online sites will be more successful as smaller labels find they can't sell their wine."** *General Manager, Winemaker and Viticulturalist, Medium-sized company, Marlborough, Hawkes Bay and Central Otago*

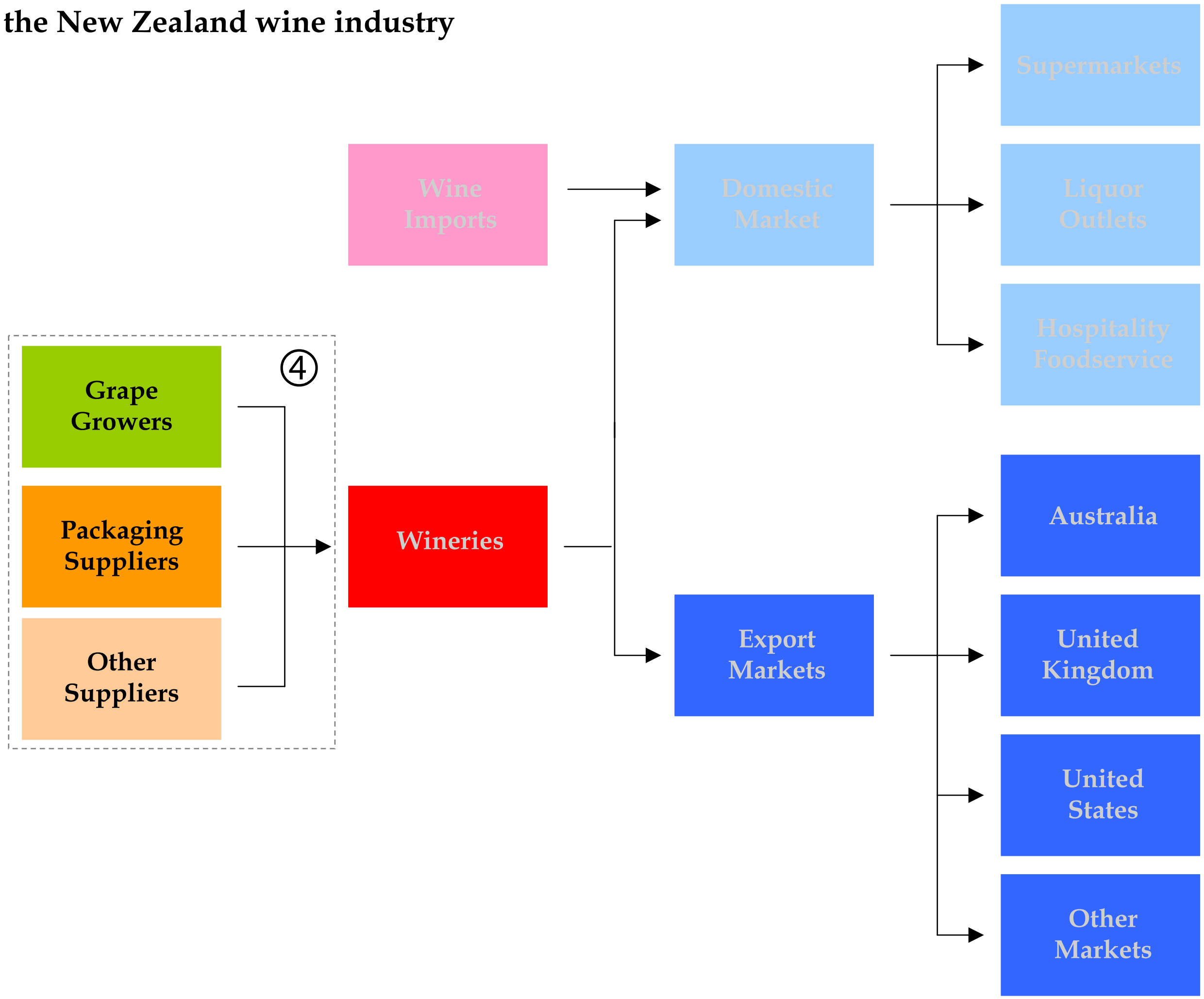
- **"Online is interesting because it is just evolving, it's really growing. We don't market our products under our company because it is not good to be in the supermarket and selling online. It's political. The supermarkets hate it. It used to be that if you sold to supermarkets you would get de-listed by other stores. 'Blackmarket' is growing at something like 350% per year. It's one of the biggest changes that we are seeing in the marketing of wine. Some smaller companies are thinking let's move to being an internet brand. In five years it will be recognised and more brands will be sold through the internet."** *Managing Director, Medium-sized company, Marlborough* 5

- **"We try to avoid online it turns into a bit of a discount bin."** *General Manager, Marketing, Medium-sized company, Marlborough* 6

1. Blackmarket.co.nz – online wine sales

4. SUPPLY
The last section of this report looks at winery raw materials supply

Simplified model of the New Zealand wine industry
(2006)



4. SUPPLY – KEY TAKEAWAYS
New Zealand has a strong supply base for the wine industry

- **There were 1,341 grape vineyard operations in New Zealand in 2005 and the number of growers is increasing rapidly**

- **Having good relationships with contract growers was considered a critical success factor by interviewees and contract growers are an important part of the New Zealand wine industry. However, many wineries are consolidating their grower base.**

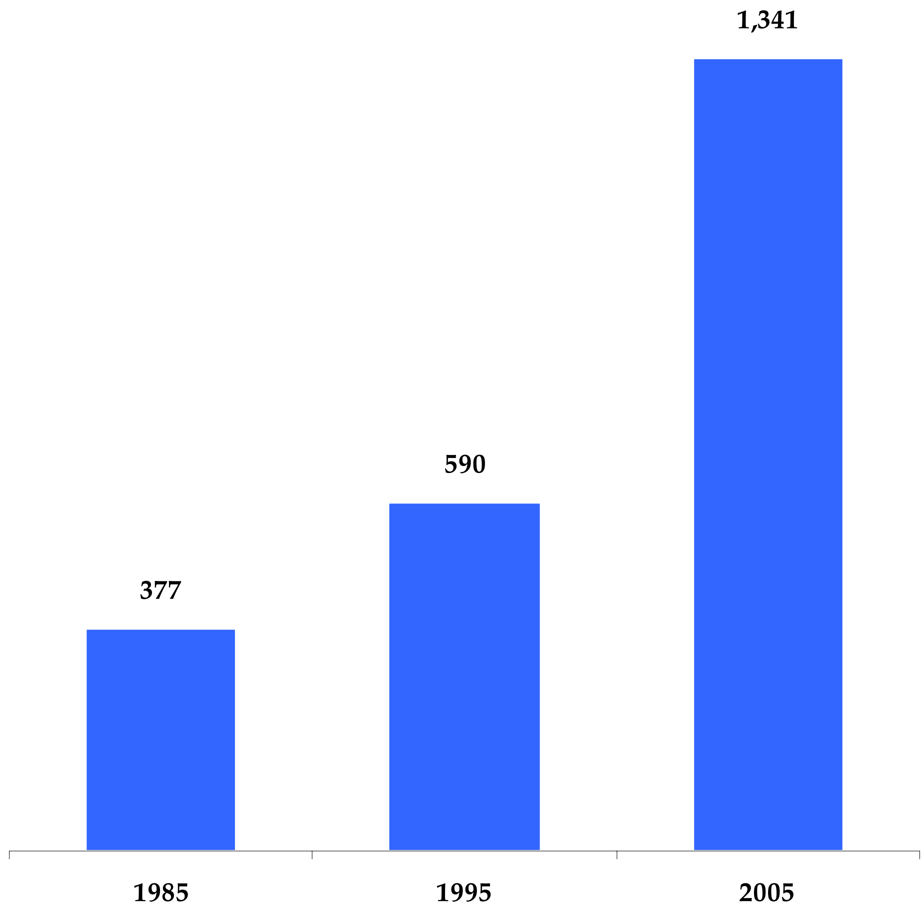
- **Land availability and cost were seen as issues, as was water in some areas.**

- **The most significant packaging innovation in the wine industry has been the introduction of the screwcap. The Screwcap Wine Seal Initiative was developed in 2001 as a result of frustration with the quality of cork seals. In 2005 90% of all wine was bottled under screwcap (up from 34% in 2004).**

GRAPE GROWERS
There were 1,341 grape vineyard operations in New Zealand in 2005 and the number of growers is increasing rapidly

Number of grape vineyard operations
(1985-2005)

Includes grape vineyard operations of wineries



Note: Data includes small number of table grape growers; Source: HortResearch, Statistics New Zealand

POINT-OF-VIEW: CONTRACT GROWERS
Having good relationships with contract growers was considered a critical success factor by interviewees

- **"All our growers are in a 3 kilometer radius and we have been dealing with them for a long time, they are all old residence, all local locals. We are all growing together."** *Managing Director and winemaker, Medium-sized company, Marlborough*

- **"We only have two contract growers both in Marlborough we own all our vineyards. Growers come to us and we say no, we want the sites from the growers that we have. We have been together them for 10 years."** *General Manager, Head Winemaker and Viticulturalist, Medium-sized company, Marlborough, Hawkes Bay and Central Otago*

- **"We don't have problems securing grapes but others I know do. We look after our growers very well, we pay them well and promote it as a win win. Our growers tell other growers that we are good to grow for. Some large companies screw people and don't have good relationships. We give growers 5 cases of wine as part of their deal. Some companies get a bottle of wine at Christmas. We are never short of fruit those others companies are."** *Managing Director, Medium-sized company, Marlborough 5*

- **"We have had some of the same contractors since 1983, it's a real partnership."** *Owner and Managing Director, Medium-sized company, Marlborough 2*

POINT-OF-VIEW: CONTRACT GROWERS
Contract growers are an important part of the New Zealand wine industry

- **"We aren't having problems securing fruit, having growers all over the valley gives us access to all sorts of grapes with different characteristics, we want to capture all the Sauvignon Blanc flavours, tropical fruits, capsicums, citrus. It also helps us manage our risk. If there is frost or bad weather it won't be in all areas."** *Winemaker and winery manager, Medium-sized company, Marlborough 1*

- **"We buy in nearly all our Sauvignon Blanc we want to get the variety of flavour profiles from over the valley and so we can gain volume requirements, and expand and contract along with the market. It also reduces crop failure at any one site if you are spread out. No one would come to us until we built a winery so they can see you are established. Small players will have troubles."** *General Manager, Marketing, Medium-sized company, Marlborough 6*

- **"We are paying a premium price for grapes at the moment."** *Winemaker and winery manager, Medium-sized company, Marlborough 1*

- **"There is a continual increase in price of the grapes, but there still seems to be plenty of grapes available."** *Owner and Managing Director, Medium-sized company, Marlborough 2*

- **"There needs to be a certain amount of oversupply so people can pick and choose the better quality."** *Winemaker and winery manager, Medium-sized company, Marlborough 1*

POINT-OF-VIEW: CONTRACT GROWERS
However, many wineries are consolidating their grower base

- **"When I started here we were 80% contract and 20% our own fruit, when demand really increased and grapes prices really started rocketing up we were over exposed so over the last few years we made a deliberate strategy to invest in vineyards ourselves. We are almost 50/50 and we are happy with that. We used to have nine or ten contract growers and now we have six. We got bigger with a smaller number of growers."** *Winemaker and winery manager, Medium-sized company, Marlborough 1*

POINT-OF-VIEW: LAND
Land availability and cost were seen as issues

- **"There is still a high price for grapes so there is still demand. It will take grape prices to come down before land becomes cheaper. If we wanted to buy land at the moment then it will be pretty difficult to justify, its high. We are paying a premium price for grapes at the moment but it would cost a lot more to buy the land ourselves and invest in the capital. If there is a surplus then we can be more choosey about where we get our grapes from. Our vineyards are now in more remote areas in the extremes. All the key areas are gone."** ***Winemaker and winery manager, Medium-sized company, Marlborough 1***

- **"There may be a problem when all the good land is used, people will move into more marginal land, which will have an effect at some stage. How far does Marlborough stretch?"** ***Managing Director and winemaker, Medium-sized company, Marlborough 3***

- **"Prices will stabilise over the next few years. In some regions and sub-regions prices may fall. Soem spectulators may decide to exit the industry providing opportunities for other. Relatively speaking though prices are cheap compared to international standards."** *Wine Commentator*

- **"As people move into land which is more and more marginal the quality of the fruit that is coming back will be detrimental to the value and position internationally. The cost of production will go up on those sites so they will be less economically viable. We will go through this continued expansion then there will be events – commercial events internationally, like a terrorist attack, or something that leads to oversupply and people will start to reevaluate where the best places to grow grapes are. The value of that land will continue to rise and there will be some lines drawn. The French reached those conclusions over several generations."** ***General Manager, Marketing, Medium-sized company, Marlborough 6***

POINT-OF-VIEW: WATER
Water was also seen as a growing issue in some areas

- **"Water availability is an issue for many regions. Many have put in expensive water schemes like in Canterbury, and Marlborough."** *Wine Commentator*

- **"Running out of land comes just before running out of water. People buy land and start pressuring the council for water. Water is a real issue, the aquifers are not recharging. The south side of the valley is dry, it has a water scheme. People have real concerns. Water is a problem in a lot of areas, not just here."** *General Manager, Marketing, Medium-sized company, Marlborough 6*

- **"Water is a real problem on the south side of the valley the aquifers are not good there the plates have shifted during earthquakes. They have an irrigation scheme 'Southern Valley's Irrigation Scheme' which is paid for by those who use it. Our water supply is really good here and should be protected by low flow restrictions. Water at some stage will be a major problem here. The soil has no water holding capacity."** *Managing Director and winemaker, Medium-sized company, Marlborough 3*

SUPPLIERS - SCREWCAP
New Zealand has seen a huge uptake of screwcaps resulting from work down by the New Zealand Screwcap Wine Seal Initiative

- Towards the end of 1999, results of new cork treatment trials proved disappointing.

- A group of like-minded Riesling producers from Australia's Clare Valley decided to bottle all or part of their wines from the 2000 vintage using screwcap wine seals.

- In February 2001, winemakers from the Marlborough region of New Zealand held a workshop to consider alternatives, and the 'long-skirted screwcap' was identified as the most promising closure to replace cork.

- The Initiative has more than 40 member wineries, representing premium producers from Auckland, Hawkes Bay, Martinborough, Nelson, Marlborough, Canterbury and Central Otago. Both large and small companies are represented.

- Key roles of the Initiative are to:
  - promote the use of screwcaps
  - provide technical education and support to our members regarding the use of screwcap wine seals
  - educate the wine trade, wine press and consumers about the benefits of using screwcaps to seal wine

- The advantages of using the screwcap as a wine seal are:
  - total confidence that you will receive wine in premium condition
  - no bottle variation - each bottle of a given wine will be just as good as the one before
  - elimination of cork taint and similar mould flavours that can contaminate wines
  - dependable cellaring - the elimination of random, premature wine oxidation
  - convenient and user friendly packaging

Source: New Zealand Screwcap Wine Seal Initiative

SUPPLIERS – PACKAGING (VARIOUS)
New Zealand has a strong, innovative and competitive packaging industry serving its wine industry…

Key packaging suppliers
(Early 2006)

Company	Ownership	Products	Brands	Founded	Notes
GlobalCap	GlobalCap NZ & Guala Closures	Screwcap	GlobalCap	2005	NZ business owned by Carter Family 21st plant in global group of 23 plants Supply, Villa Maria, Negotiants, Nobilo, Montana (part of) 75% screwcap market share
Auscap	Auscap (Au)	Screwcaps Metal Closures	Supervin	1975	Recently taken over the ACI wines and spirits closure manufacturing operations, making Auscap the largest manufacturer of metal closures for this industry in Australia. Supply Montana 15% screwcap market share
Esvin Wine Resources	Esvin Wine & Finito Closures	Screwcaps Wine Seals Corks Capsules & Hoods Bottles	-	-	Opened its new $7.7m scewcap factory in Auckland in 2005. 10% screwcap market share
TOPenz	C&E Closures (AU)	Wine seals Plastic stoppers PVC Capsules Hoods	-	1974	Previously agents for GlobalCap C&E Closures is a JV between TOPenz, Carter family and Enoplastic
Amcor NZ	Amcor	Corrugated boxes Glass bottles	VinGuard	-	Amcor is the world's top 3 global packaging companies Invested AU$ 8m in screwcap plant in Au. Amcor Kiwi Packaging – manufacture boxes Multiple operations in NZ

Source: select articles, company websites, industry interviews

SUPPLIERS – PACKAGING (VARIOUS)

New Zealand has a strong, innovative and competitive packaging industry serving its wine industry… *(continued)*

Key packaging suppliers
(Early 2006)

Company	Ownership	Products	Brands	Founded	Notes
Carter & Associates	-	Bottles Barrels Corks Tin capsules Yeasts Filtration units	Amcor Amorim Vinocor Relvas Demptos Francois Freres	-	Import French bottles Distributors and manufacturers Cork and Tin business reducing significantly
ACI Packaging	O-I (USA)	Glasses Seals	-	1922	O-I is the world's largest manufacturers of glass containers Headquartered in Melbourne and operates nine glass container plants Only local producer of bottles
TCL Marketing	UPC Group (Investment Gp)	DGS wine seals	-	1937	Importers
Endeavour Packaging	Endeavour Packaging (NZ)	Glass	-	2001	Importers of European wine bottles
Alcan Packaging Danaflex (NZ)	Alcan Group (Can)	Packaging Labels	-	-	Group is a global leader in aluminum and packaging. Sales of US$20.3b in 2005
Charter Packaging	-	Corrugated shippers Packaging	-	-	Strong in the South Island and are popular with the smaller wineries.
Carter Holt Harvey Packaging	Carter Holt Harvey	Boxes Wine sections	-	-	One of Australasia's largest fibre packaging manufacturers with 15 plants over NZ, Au and Fiji
Visy Plastics Packaging	Salvage Pty Ltd (Au)	Packaging specialists	-	1945	Packaging specialists and closure manufacturers based in Auckland

Source: select articles, company websites, industry interviews

SUPPLIERS - LABELS
The label industry is highly fragmented with many small players

Key packaging suppliers - labels
(Early 2006)

Company	Ownership	Products	Established	Notes
Label and Litho (Well)	Private	Labels	-	-
PanPrint	Panorama Industries	Labels	1983	-
Rapid Label	Blue Star Print Group Tom Sturgess	Labels	-	Sales of $14m Approx 14 wine companies

Source: select articles, company websites, industry interviews

APPENDIX 1 – INVESTMENT CASE STUDIES
The first appendix explores three investment case studies

CASE STUDY #1
Foster's acquisition of Matua Valley

FOSTERS/MATUA – KEY TAKEAWAYS
Foster's acquisition of Matua has delivered strong production and sales growth for Foster's

- In 1996, Foster's was a brewing giant with no wine operations. The group identified an opportunity to increase sales through leveraging its existing brewing strengths into the wine industry. Through a series of acquisitions - including Beringer in the United States and Mildura Blass and Southcorp in Australia - Foster's has grown into one of the largest wine companies in the world in a decade.

- Foster's New Zealand wine acquisitions were part of a strong move by the group into wine. Foster's recognised that to be a major player in the global wine industry and to offer a full range of varieties to customers, it needed a New Zealand wine in its portfolio.
  - "We have great confidence in the international potential of top quality New Zealand wines, particularly in the US. New Zealand's distinctive Sauvignon Blanc and Pinot Noir wines are acclaimed around the world and we can now offer our customers some of the most outstanding examples." *Terry Davis, Managing Director, Berringer Blass, April 2001*

- Foster's entered the New Zealand through three acquisitions: Matua, Hawkesbridge and Ponder Estate. Foster's initially acquired a 51% shareholding in Matua, in conjunction with an agreement to acquire the remainder over a three year period.

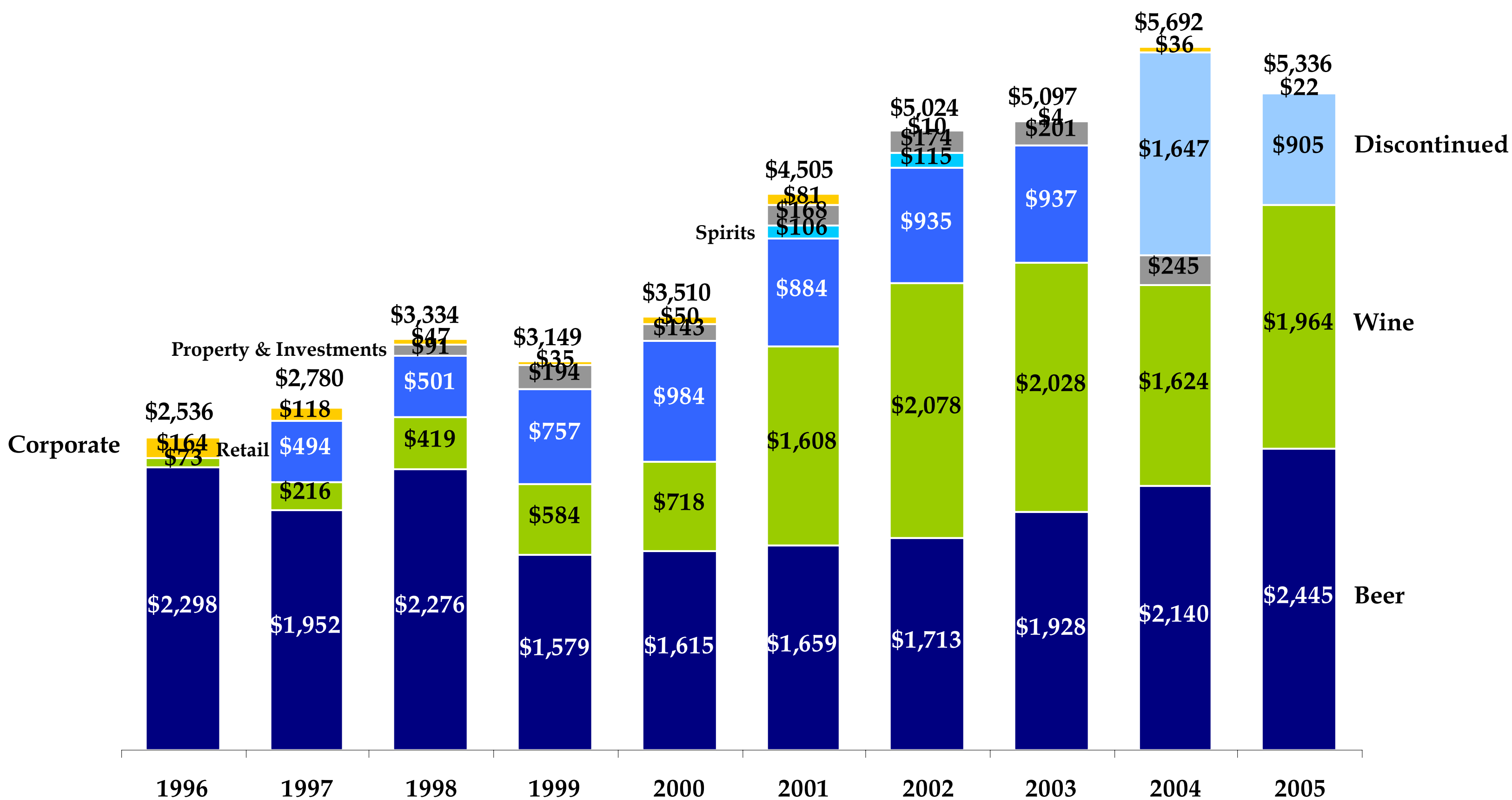
- Foster's invested in the New Zealand wine industry for it's great growth potential, especially in Pinot Noir
  - "The growing appeal of Pinot Noir in America represents a key emerging market opportunity for the Matua Valley Wines range, given that New Zealand is widely acknowledged as one of the few countries to excel with this temperamental grape variety. In the US, Pinot Noir attracts the highest average bottle price (US$10.38) and among the strongest annual sales growth (20%) of all wine varieties." *Foster's press release, April 2001*

- Matua has realised strong production growth – growing production from 135,000 cases to 250,000 cases in four years - through a combination of acquisitions and organic growth. One of the key drivers for the deal was leveraging New Zealand wine through it's existing distribution system.

- Matua has realised strong sales growth, however, the EBIT of the New Zealand operations has declined

PART OF A STRONG MOVE INTO WINE
Foster's New Zealand wine acquisitions were part of a strong move by the group into wine

Foster's Group sales growth by division
(A$m; FY1997-2005)



Note: Excludes abnormals
Source: various Foster's annual reports; Coriolis analysis

THREE MAJOR ACQUISITIONS
Foster's entered the New Zealand through three acquisitions: Matua, Hawkesbridge and Ponder Estate

Foster's acquisitions in New Zealand
(various; 2001-2005)

Action	Date	Price	Production	
51% of Matua Valley Wines	April 2001	NZ$11.2m	135,000 cases	– Top 6 winemaker; exports 35% of production; Matua, Shingle Peak, and Ararimu brands – Acquired 51% share from Margan Family Trust; agreement from Ross & Bill Spence and winemaker Mark Robinson to sell remainder progressively through 2004 – Four wholly owned premium vineyards in Marlborough, Hawke's Bay and Waimauku (77ha) – 100% of a winery and visitor centre 30 minutes from central Auckland (crush capacity of 2000 tonnes a year) – 25% interest in Rapaura Vintners, a contract winery in Marlborough, where Matua Valley Wines' winemakers supervise production of its Marlborough wines.
Hawkesbridge Vineyard	April 2002	NZ$3.4m	10,000 cases	16ha vineyard
Ponder Estate	June 2002	NZ$11.1m	28,000 cases	23ha under vine; 9 additional unplanted ha;
16.3% of Matua Valley Wines	August 2002	NZ$4.3m	-	*as above*
16.3% of Matua Valley Wines	August 2003	NZ$5.2m	-	*as above*
16.3% of Matua Valley Wines	August 2004	NZ$5.7m	-	*as above; achieving 100% control*

Source: various press articles; various company publications & press releases; Coriolis analysis

NEW ZEALAND HAS GREAT GROWTH POTENTIAL
Foster's invested in the New Zealand wine industry for it's great growth potential

- **"Foster's insatiable thirst for growth is still not quenched despite another vineyard acquisition worth $NZ11.2 million ($9.3 million) yesterday. Beringer Blass, the wines division of Australia's largest brewer, acquired 51 per cent of New Zealand's Matua Valley Wines."** *Courier Mail, April 2001*

- **"We have great confidence in the international potential of top quality New Zealand wines, particularly in the US. New Zealand's distinctive Sauvignon Blanc and Pinot Noir wines are acclaimed around the world and we can now offer our customers some of the most outstanding examples. We are delighted that founding winemakers, Ross and Bill Spence, who are highly respected in New Zealand wine circles will continue with us as we develop the market potential of their wines. We're also delighted that Mark Robertson, Matua's chief winemaker, is looking forward to an outstanding 2001 vintage in both yield and quality."** *Terry Davis, Managing Director, Berringer Blass, April 2001*

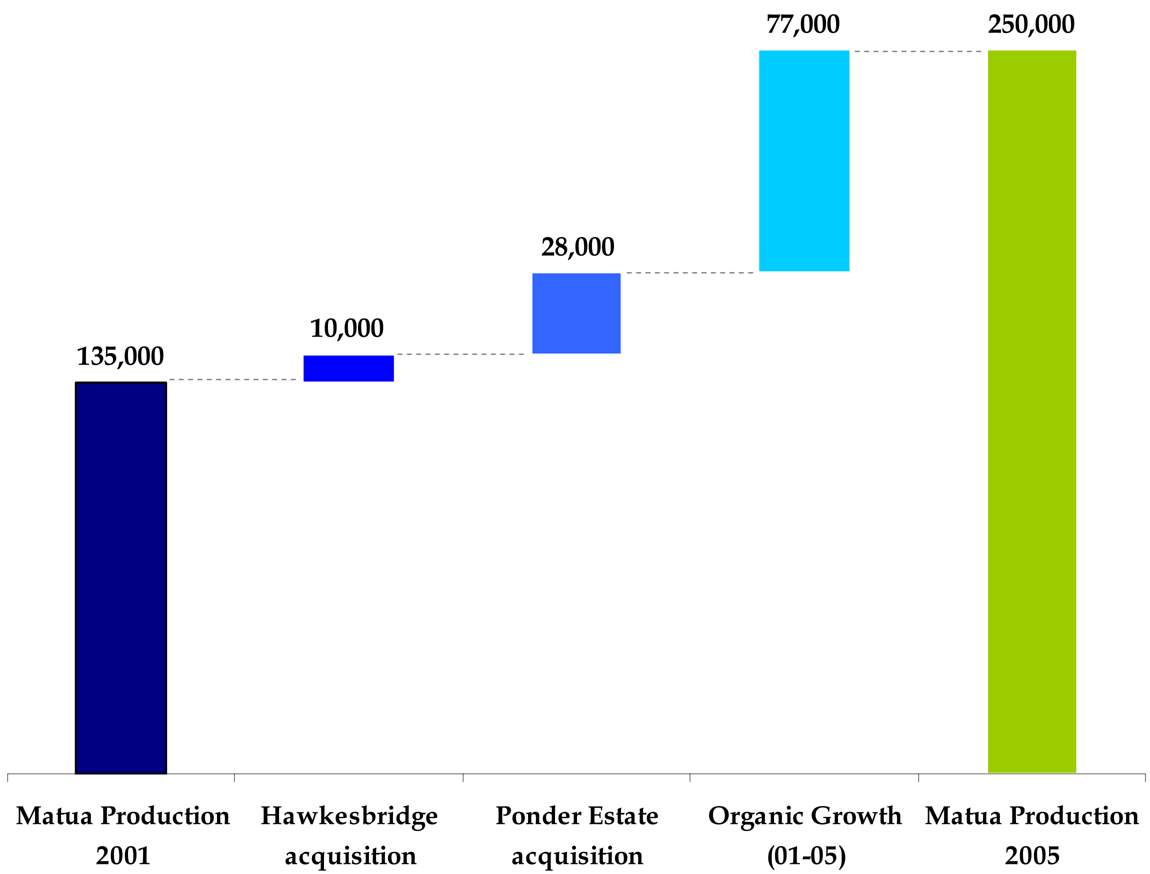
- **"The growing appeal of Pinot Noir in America represents a key emerging market opportunity for the Matua Valley Wines range, given that New Zealand is widely acknowledged as one of the few countries to excel with this temperamental grape variety. In the US, Pinot Noir attracts the highest average bottle price (US$10.38) and among the strongest annual sales growth (20%) of all wine varieties, according to Nielsen foodstore sales data for the 12 months to February 2001. Matua has invested strategically in vineyard development, enabling Beringer Blass to pursue export growth potential. Approximately 50% of its grape intake is sourced from owned vineyards. As its developing vineyards begin yielding, Pinot Noir will double as a proportion of its annual grape intake by 2005. Sauvignon Blanc grapes will continue to account for about one third of the intake."** *Foster's press release, April 2001*

- **"While the Matua Valley deal helps plugs one Beringer Blass' portfolio weakness, [Beringer Blass managing director Terry] Davis said finding suitable targets in other weak spots such as France and Spain might not be so easy. Any acquisition in those markets would have to meet strict criteria… The New Zealand industry would be a key target for Foster's with its low-cost production of premium Sauvignon Blanc and Pinot Noir a driver for its attractiveness. "Plus we know the country viticulturally, we understand the marketplace, we've been there for a number of years so it makes some sense that we have a presence there," Mr Davis said. "** *Australian Associated Press, April 2001*

STRONG PRODUCTION GROWTH

Matua has realised strong production growth through a combination of acquisitions and organic growth

Components of Matua Valley production growth under Fosters
(production; cases; actual; 2001-2005)



Note: Orgainc growth includes production increases for land acquired in acquisitions but not yet productive
Source: various press articles; various company publications & press releases; Coriolis analysis

LEVERAGING DISTRIBUTION A KEY DRIVER
One of the key drivers for the deal was leveraging New Zealand wine through it's existing distribution system

- **"The New Zealand market provides plenty of opportunities with hundreds of small producers, who find it difficult to get international distribution. However, [Beringer Blass managing director Terry] Davis said the Matua Valley acquisition would be around the smallest Foster's would target… Mr Davis said the acquisition would allow Foster's to merge its sales force in New Zealand with Matua's. "Internationally, we'll put it through the Beringer Blass distribution channel," he said…. Mr Davis said it was targeting 10 to 15 per cent growth rates. "It will take us a year to gear up supply," he said. "But they will gain some substantial benefits from being part of the fold." If sales grew according to plans, Foster's would need to buy more grapes or plant more vineyards but Mr Davis noted that 30 per cent of their vineyards were not fully developed. "** *Australian Associated Press, April 2001*

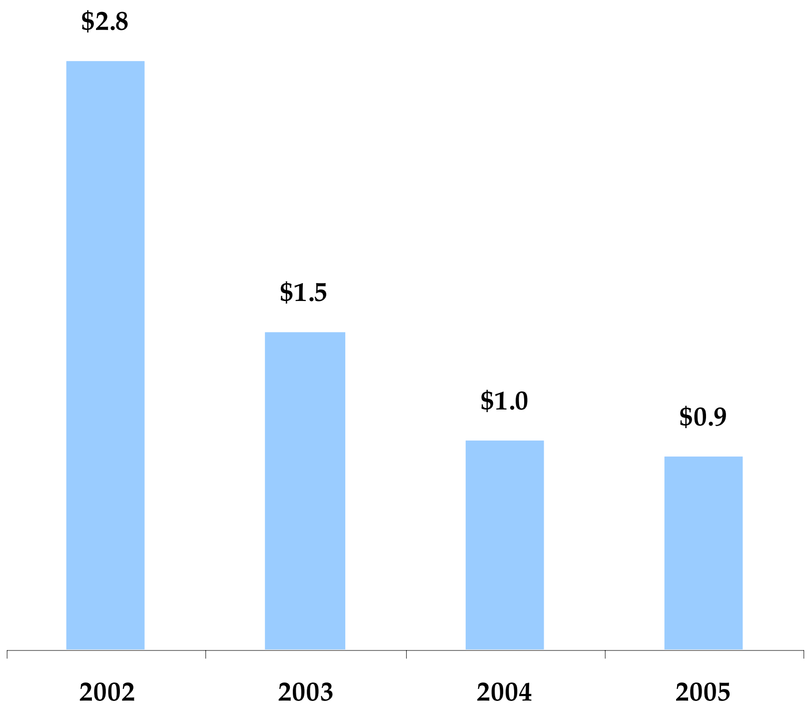
- **"Matua is one of NZ's top six winemakers which exports about 35 per cent of the 135,000 cases it sells each year. Most of the exports are to Australia and Europe, with little to the US where demand for Kiwi wine doubled last year. Foster's yesterday said it would use its significant distribution channels to increase exports of Matua's three major labels - Matua, Ararimu and Shingle Peak - into the US. Beringer Blass's managing director Terry Davis said NZ's top wines, sauvignon blanc and pinot noir, are making significant inroads in the US. NZ's white wine still accounts for about 90 per cent of NZ's US sales, although demand is increasing for pinots, which attract the US's highest average bottle price."** *Courier Mail, April 2001*

- **"With the benefit of our global distribution network and marketing support, we see a great future for boutique, New Zealand ultra-premium wine brands such as Matua, Ararimu and Shingle Peak."** *Terry Davis, Managing Director, Berringer Blass, April 2001*

STRONG PRODUCTION GROWTH
Matua has realised strong sales growth, however, the EBIT of the New Zealand operations has declined

Matua Valley sales growth
(NZ$m; FY2001-2005)

Matua Valley EBIT growth
(NZ$m; 2002-2005)



Note: Matua uses a June year; EBIT will include acquisition charges, changes in corporate overhead charges and changes in transfer pricing; actual 2001 EBIT not available (reportedly $2-3m)
Source: various press articles; various company publications & press releases; Coriolis analysis

CASE STUDY #2
Lion Nathan's acquisition of Wither Hills

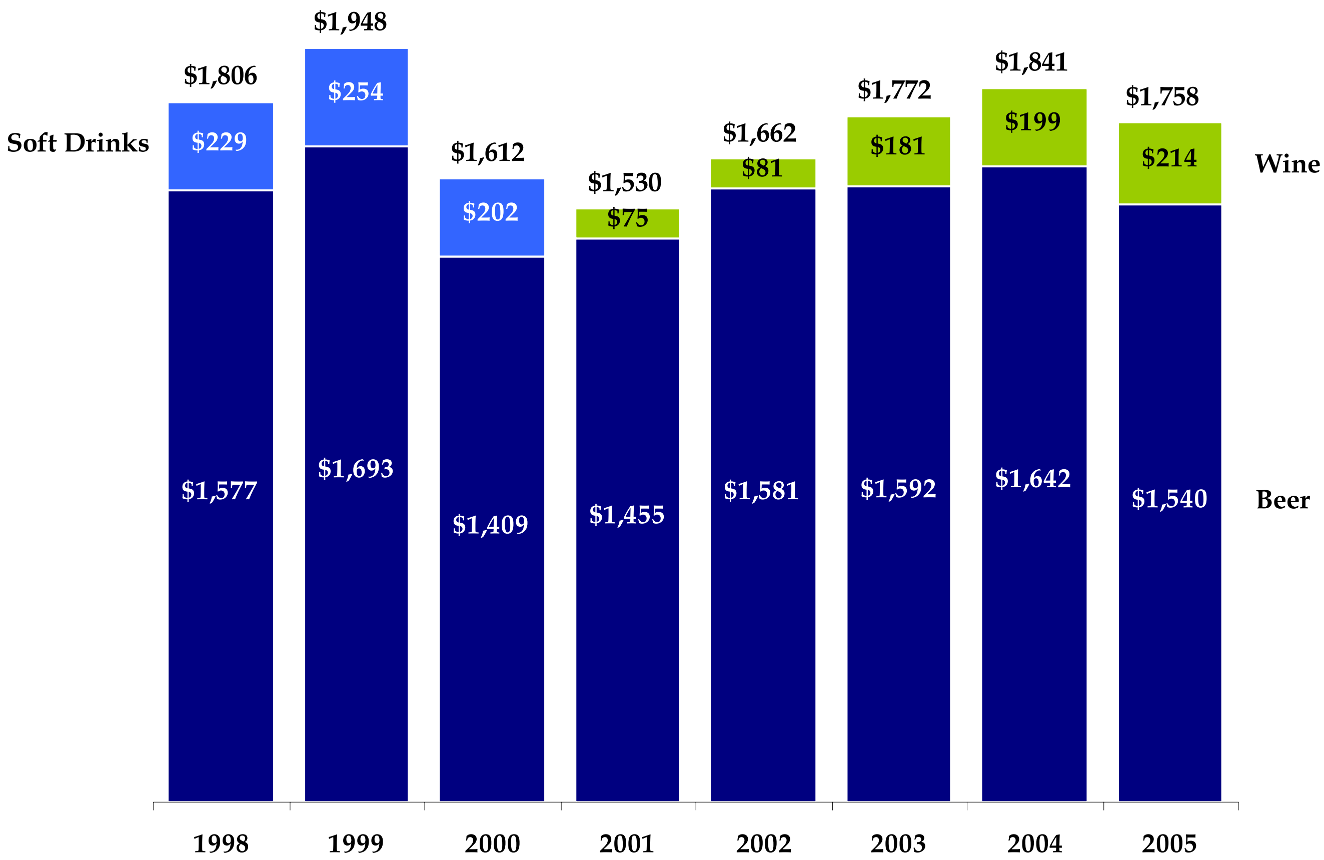
Key Takeaways

LION/WITHER – KEY TAKEAWAYS
Lion Nathan's acquisition of Wither Hills has been a big success for the company

- In May 2000, Lion Nathan took a 28% shareholding in (then listed) Montana, then ultimately lost a highly publicised takeover fight with Allied Domecq for control. Lion Nathan purchased Wither Hills following this battle.
- Lion Nathan acquired Wither Hills in September 2002, as well as significant land and vineyards through a sequence of other transactions.
- Wither Hills is one of New Zealand's most highly awarded wineries, producing, among others, the Wither Hills 2000 Sauvignon Blanc, the most decorated wine in New Zealand's history.
- Wither Hills was founded and run by Chief Winemaker, Brent Marris, and his father, Marlborough pioneer viticulturalist John Marris. Lion kept this existing shareholder management in place under a three year contract which has only expired in May of last year.
  - "Over the years we've had many approaches. One of the most important reasons we decided to accept the Lion Nathan offer was the guarantee that the company would continue to operate the way it is now." *Brent Marris, winemaker, Wither Hills, September 2002*
- Under Lion, Wither Hills has expanded its distribution, especially in Australia through Lion Nathan's existing strong distribution systems. The company has also made a strong push into the United States market.
- Lion Nathan has been willing to invest in Wither Hills to grow the company. Wither Hills wine production has more than tripled under Lion Nathan. In addition, Wither Hills completed an impressive new winery in 2005.
- Wither Hills has been a great success for Lion
  - "Australasian brewer, Lion Nathan, and New Zealand wine company, Wither Hills, have benefited from a takeover. Lion paid $A52 million for Wither Hills in 2002. The wine company, at Marlborough, specialises in sauvignon blanc, which has become very popular… The operation has been expanded and is <u>the best performing business in Lion's wine portfolio</u>." *The Australian, July 2005*

PART OF A MOVE INTO WINE
Foster's New Zealand wine acquisitions were part of a strong move by the group into wine

Lion Nathan Group sales growth by division
(A$m; FY1997-2005)



Note: Excludes abnormals
Source: various Foster's annual reports; Coriolis analysis

SHAREHOLDING IN THEN BATTLE FOR MONTANA
In May 2000, Lion Nathan took a 28% shareholding in (then listed) Montana, then had a highly publicised takeover fight with Allied Domecq for control

- **Initially acquired a 28% shareholding in (then) publicly listed Montana for A$115m in FY2000**

- **"In the past three years, however, Lion Nathan has had some of its wine ambitions blighted by the UK-based Allied Domecq, the world's second-largest wine and spirits company… In early 2001 Lion Nathan was outbid by Allied Domecq in a fierce takeover battle for New Zealand's Montana wine group… As a New Zealand-based company, Lion Nathan must have been particularly galled by its defeat in the tussle for Montana, the colossus of Kiwi winemaking, producing half the wine made in NZ and accounting for half its exports."** *The Newcastle Herald, June 2003*

- **"During the year, Lion Nathan increased its interest in Montana from 28 per cent to 63 per cent. In August, following a protracted takeover contest, it sold its entire stake for $527 million, realising a pre-tax gain of $104.2 million. This gain has been classified as an individually significant item in the accounts. The decision to sell the Montana stake was a demonstration of Lion Nathan's commitment to shareholder value creation. Despite having a low initial entry price, Lion Nathan did not believe that it could create value for shareholders by acquiring the balance at a price in excess of $4.80 per share. This would have taken its average acquisition price above its valuation range of $3.20 to $3.80 and would not have been in the best interests of Lion Nathan or its shareholders."** *Lion Nathan annual report 2001*

LION BATTLED ALLIED DOMECQ FOR MONTANA
Lion Nathan purchased Wither Hills following this battle

- **"Lion Nathan has been searching for a premium quality sauvignon blanc producer in New Zealand since losing a lengthy and nail-biting struggle for the country's biggest wine company, Montana, to Britain's Allied Domecq last year. Allied Domecq paid about $1 billion for Montana."** *Dominion Post, September 2002*

- **"These wines fit comfortably with our existing brands and provide us with an internationally acclaimed Sauvignon Blanc which is a variety currently missing from our portfolio."** *Gordon Cairns, Chief Executive, Lion Nathan, September 2002*

- **"Twelve months after it was rolled in its takeover battle for New Zealand's biggest winemaker, Montana, Lion Nathan has snapped up specialist New Zealand winery Wither Hills for $NZ52 million ($44.2 million)."** *Sydney Morning Herald, September 2002*

- **"In September last year, Lion Nathan made a New Zealand wine takeover that may well prove to be one of the jewels in its crown. At a cost of $50 million, it acquired the Wither Hills winery, vineyards and brands from leading winemaker Brent Marris and his father John. Based in the Wairau Valley in South Island's Marlborough Region, Wither Hills has 182 hectares of established vineyard and suitable land for a further 161 hectares of vines. Its impressively equipped winery is in what used to be John Marris's apple packing warehouse in New Renwick Road, Blenheim, and, when I visited it earlier this year, work was under way on a $1 million upgrade of production facilities. "** *The Newcastle Herald, June 2003*

THREE MAJOR ACQUISITIONS
Lion Nathan acquired Wither Hills in September 2002, as well as significant land and vineyards

Foster's acquisitions in New Zealand
(various; 2001-2005)

Action	Date	Price	Production	
Wither Hills	Sept 2002	NZ$52m	47,000 cases (2001)	– 300ha vineyard in Marlborough (150ha planted) – 70% sauvignon blanc, as well as chardonnay and pinot noir – Had won 52 gold medals and trophies (1994-2002) – Winery with 4,000t capacity – Additional $8m performance bonus possible for management if sales targets achieved over next three years
Six vineyards	Aug 2002	NZ$12.9m	-	6 vineyards; 59ha total; in Blenheim, Marlborough from Ngai Tahu Vineyards Ltd
Land	June 2003	NZ$1.35m	-	8ha of land adjacent to existing vineyard in Blenheim
Land	Nov 2003	NZ$0.6m	-	6.1ha of land adjacent to existing vineyard in Blenheim
25% of Wauhopai River Vineyards	May 2005	NZ$2.25m	n/a	The company has a 60% interest in 258 hectares at Guernsey Road, Blenheim, Marlborough

Source: various press articles; various company publications & press releases; Coriolis analysis

HIGHLY AWARDED
Wither Hills is one of New Zealand's most highly awarded wineries

- **"The company's high quality standards are reflected in the many awards that Wither Hills wines have won, which include:**
  - **2000 Sauvignon Blanc won a total of 10 Trophies and 9 Gold Medals to become the most awarded wine in New Zealand's history. This included winning awards in the Australian cities of Sydney, Melbourne and Tasmania.**
  - **1998 Pinot Noir won Champion Wine of Show at the 1999 Air New Zealand Wine Awards. This success was all the more significant because it was 10 years since a boutique winery had achieved this award and it was also the first time ever a New Zealand Pinot Noir had won.**
  - **2001 Sydney International Top 100 - Wither Hills entered 3 wines and won 4 Trophies and 3 Gold Medals."** *press release, Lion Nathan, Sept 2002*

- **"Wither Hills has maintained high quality across a small product range. Wither Hills 2000 Sauvignon Blanc, for example, is the most decorated wine in New Zealand's history. It has earned 10 trophies and nine gold medals. Wither Hills makes only three wines: sauvignon blanc, chardonnay and pinot noir. Marlborough sauvignon blanc is New Zealand's most-demanded wine in export markets. Pinot noir is our most highly acclaimed red. All three varieties perform with distinction in the Marlborough region. Marris has resisted the temptation to market a second tier of less expensive wines or to expand the range by introducing other grape varieties. I call this the "Cloudy Bay marketing principle." Since 1999, all Wither Hills' wines have been on allocation in every market. That is quite an achievement when you consider that production has increased eight-fold over that period. Demand has been stimulated by the success of Wither Hills in world-wide tastings and by Marris' own high profile in local and export markets."** *Bob Campbell MW, Independent Business Weekly, September 2002*

- **"Although Wither Hills hasn't yet made a big impact on the Australian market, the Marrises made it one of NZ's most high-profile producers with a brilliant show record. My tastings of the wines have left me much impressed. The Wither Hills chardonnays and sauvignon blancs, the 2002 version of which won five stars in my January 1 Uncorked, are splendid. In November last year the Wither Hills 2000 Pinot Noir beat a lineup of 141 top Tasmanian and other Australian cool-climate wines to win the trophy for champion pinot noir at the 2002 Hobart Wine Show. The vibrant, raspberry-flavoured Wither Hills 2001 that I tasted after my Blenheim tour with Ben Glover won a gold medal in the Hobart show."** *The Newcastle Herald, June 2003*

KEEPING MANAGEMENT
Lion kept the existing management in place under a three year contract

- **"Current Chief Winemaker, Brent Marris, will continue to run the business while his father, Marlborough pioneer viticulturalist John Marris, retains responsibility for all viticultural operations."** *press release, Lion Nathan, Sept 2002*

- **"I am also delighted that Brent and John Marris, who have been responsible for building the Wither Hills business, have agreed to remain. This will ensure that the quality of the wine and reputation of the brand is further enhanced as we continue to grow."** *Gordon Cairns, Chief Executive, Lion Nathan, September 2002*

- **"It is understood the Marris family had not contemplated selling before the approach by Lion, whose offer was too good to refuse. Neither Lion nor the Marris family would comment on the deal. But it is understood John and Brent Marris will continue to be involved in the business. The family's involvement in the wine industry began in 1975 when John Marris planted the first contract-grown grapes in the region. He was also instrumental in helping Montana establish its now substantial Marlborough vineyards. His son Brent studied winemaking at Australia's Roseworthy College and went on to become winemaker at Delegats where he helped establish the Wither Hills brand. When he left Delegats in 1997 he bought the brand from the company for a price believed to be $600,000. He then merged this with his parents' grape-growing business and the family expanded into winemaking under the Wither Hills label."** *Sunday Star-Times, September 2002*

- **"Over the years we've had many approaches. One of the most important reasons we decided to accept the Lion Nathan offer was the guarantee that the company would continue to operate the way it is now."** *Brent Marris, winemaker, Wither Hills, September 2002*

- **"Lion has not put in any middle management at Wither Hills, and from the start encouraged the vineyard to keep its identity."** *The Press, August 2003*

LEVERAGING DISTRIBUTION
Under Lion, Wither Hills has expanded its distribution

- **"Lion Nathan's marketing and distribution network was also a big plus for Wither Hills product."** *Dominion Post, September 2002*

- **"In Australia the Wither Hills brand is going from strength to strength because he uses Lion's distribution company, [winemaker, Brent] Marris says."** *Dominion Post, Aug 2003*

- **"Paterno Wines International, today announced that Paterno was appointed as the exclusive U.S. marketing and sales partner for the Lion Nathan Wine Group luxury wine brands. The 20-year agreement goes into effect this year, and includes the following wineries: Argyle (Oregon); Petaluma and St. Hallett (Australia); and Wither Hills (New Zealand)… Paterno Wines International is the leading marketer of luxury wine brands in the United States. With a global portfolio of brands from 27 world-class wine producers, Paterno presently markets more than 35% of imported wine over $14 a bottle sold in America. "** *Paterno Wines press release, May 2003*

- **"Lion Nathan is providing market muscle for a quality winemaker in Marlborough who wants to break into the United States market. Marlborough's high-flying Wither Hills wines make their debut in the United States next month. Winemaker and managing director Brent Marris, who sold the fast-growing business to Lion Nathan nearly a year ago, is expecting his 2003 sauvignon blanc and 2002 pinot noir and chardonnays to do "really well" in New York, New Jersey, and Florida. "I've tested the market and I'm really happy with the styles we've got. It's done well because of the brand focus. It's not a complicated story. It's a true story and in America people love heroes.""** *The Press, Aug 2003*

EXPANSION
Wither Hills completed an impressive new winery in 2005

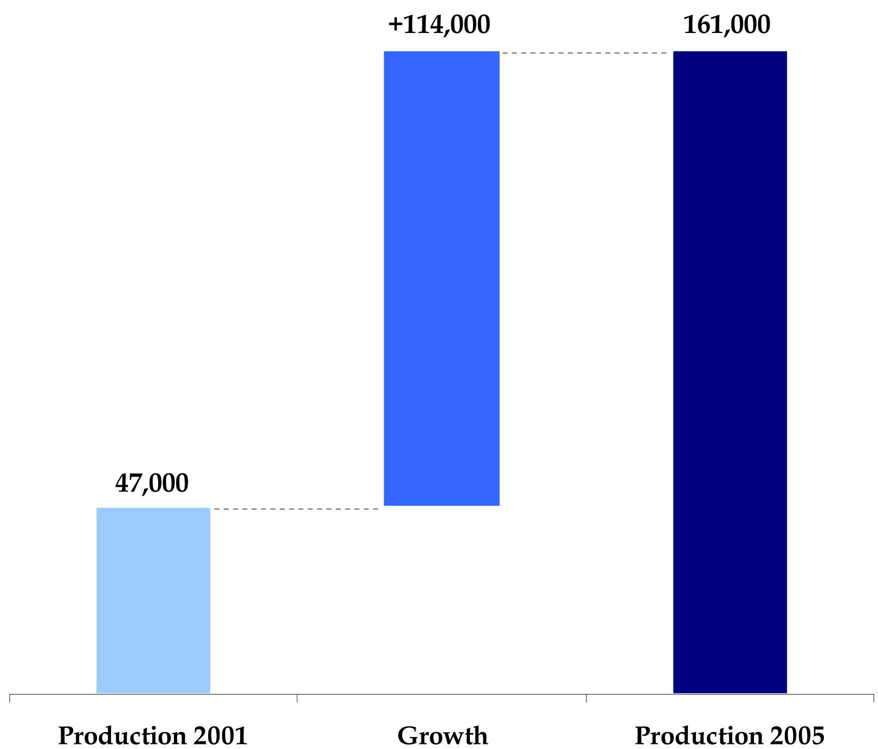
- **"Lion Nathan also is spending more than $2 million on a swish new cellar door, visitors' centre and tasting rooms that will be covered by landscaped slopes a la Parliament House, Canberra."** *The Newcastle Herald, June 2003*

- **"Wither Hills Vineyards, Marlborough, officially opened its new tasting room and cellar recently with a grand soiree kicked-off by Lion Nathan chairman Geoff Ricketts. The building is the realisation of a dream for Brent Marris, of Wither Hills. Guests at the swanky lunch included the president of Kirin Breweries of Japan, the Lion Nathan board and the Mayor of Marlborough. The lucky guests wined and dined on a menu prepared by multi-award-winning Wellington chef Mark Limacher, of Roxburgh Bistro and Cafe Bastille, with the lunch featuring gourmet produce from the Marlborough province. Combining an elegant tasting room and dining pavilion the building has a central tower topped with a room providing a view of the Wairau Valley. Other features include a state-of-the-art boardroom, a cellar dining room and an expansive elevated deck, with views both of the Wither Hills and north over the valley."** *The Press, March 2005*

- **"The environment, wine-making and even the windswept British Isles have all come together in a winery design that can only be described as incredible… Backed up against the tawny hills that it so closely resembles, Lion Nathan's Wither Hills Winery seems both striking and awe-inspiring. But as you leave the carpark to take the journey through tussock and bark and enter the huge oak doors, you are automatically put at ease by the warm earthy atmosphere here. This is a feeling that general manager and company co-founder Brent Marris has worked hard to create. Six years of inspiration, thought and planning has come together within the winery and the result is a tribute to the Marris family's hard work. Stone, bark, wood and tussock repeat the natural elements of the winery's surroundings. The stairs lead up from ground level to the front door, the height adding to the presence of the building. What you don't expect to find when you have walked up the stairs flanked by tussock and bark, is a courtyard of lush green lawn, framed by tiles and a small outer channel filled with pebbles."** *Marlborough Express, July 2005*

STRONG PRODUCTION INCREASE
Wither Hills wine production has more than tripled under Lion Nathan

Wither Hills production growth under Lion Nathan
(production; cases; actual; 2001-2005)



Note: Orgainc growth includes production increases for land acquired in acquisitions but not yet productive
Source: various press articles; various company publications & press releases; Coriolis analysis

SUCCESS
Wither Hills has been a great success for Lion

- **"Australasian brewer, Lion Nathan, and New Zealand wine company, Wither Hills, have benefited from a takeover. Lion paid $A52 million for Wither Hills in 2002. The wine company, at Marlborough, specialises in sauvignon blanc, which has become very popular… The operation has been expanded and is <u>the best performing business in Lion's wine portfolio</u>."** *The Australian, July 2005*

- **"The highlights were we saw a very positive performance in our Wither Hills business… Moving now to wines and spirits, mixed bag that we've added up to steady progress in stormy seas… The real highlights revolve around the New Zealand businesses, so Wither Hills has performed exceptionally well, strong demand for that brand particularly in Australia and the UK… In terms of our marketing focus, you can expect us to increase our focus on Wither Hills."** *Rob Murray, CEO, Lion Nathan, Investment Market Briefing, Nov 2005*

- **"The only pressure we're under is to deliver more of the same quality. We can't supply enough. We have quality vineyards, quality in the winery, and a resulting quality in our wine."** *Brent Marris, winemaker, Wither Hills, August 2003*

- **"We are particularly pleased that we are seeing strong growth in volumes for our higher value wines, particularly for the… Wither Hills brand."** *Peter Cowan, MD Wine Group, Lion Nathan, July 2004*

- **"Lion Nathan Ltd announced that its intake for… Marlborough based Wither Hills in New Zealand was up 71 per cent to 2,605 tonnes."** *Australian Company News, July 2004*

- **"The prestigious Decanter magazine has just published their list of "The World's 50 Best Value Reds" and Wither Hills Marlborough Pinot Noir is the only New Zealand wine to feature… With the recent announcement of the Trophy for Best Pinot Noir at the Royal Easter Show Wine Awards, Best Pinot Noir Trophy at the Royal Perth Wine Show and the listing in Matthew Jukes "The Wine List 2006", describing the Wither Hills Marlborough Pinot Noir 2004 as "Shiny Plums, wild cherries, Turkish Delight and a Bentley Continental Flying Spur all rolled into one.", Wither Hills Pinot Noir 2004 is the latest in a series of wines that are clearly world class."** *Wither Hills press release, April 2006*

CASE STUDY #3
LVMH acquisition of Cloudy Bay

LVMH
MOËT HENNESSY. LOUIS VUITTON

CLOUDY BAY

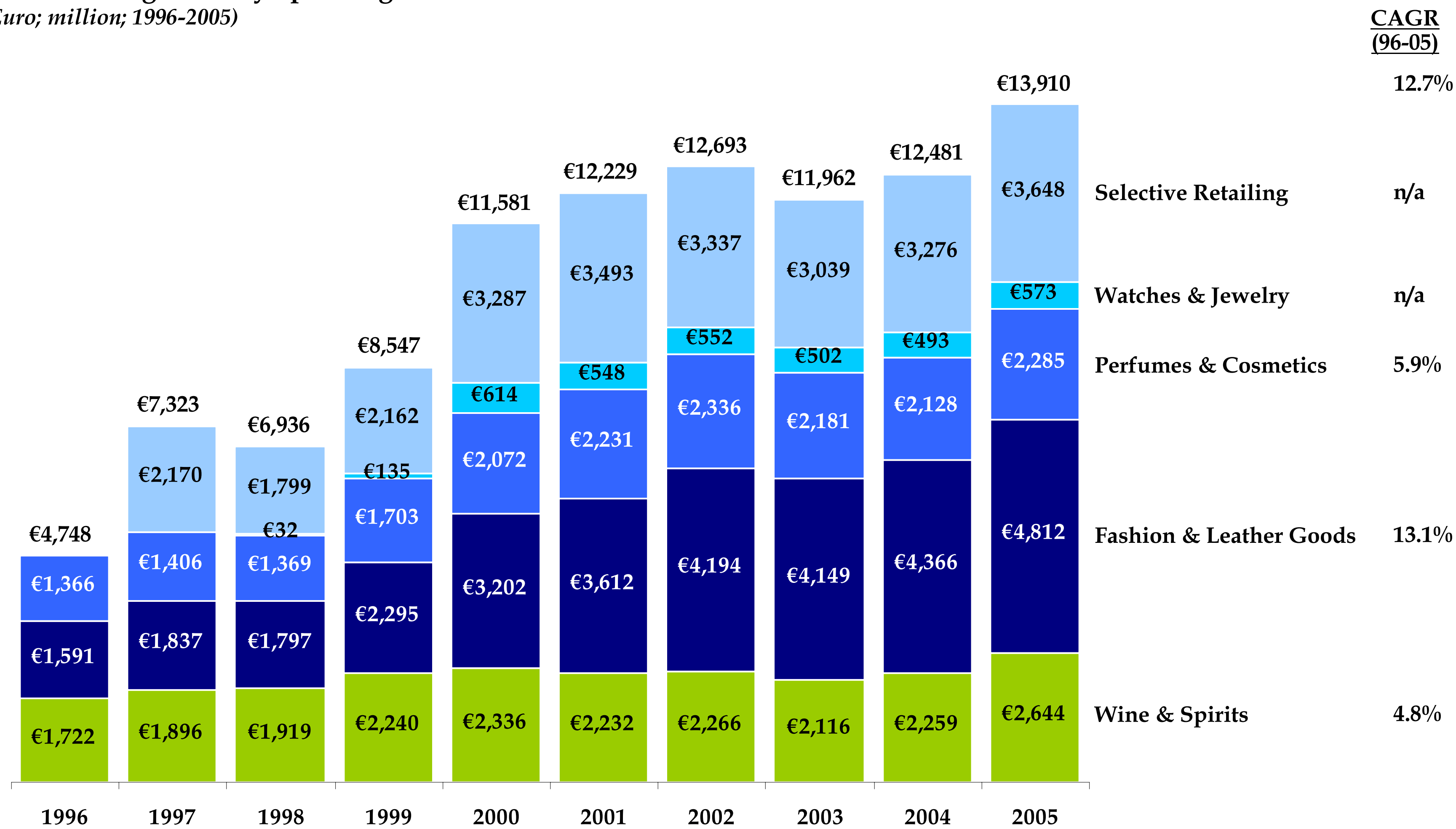
LVMH/CLOUDY BAY – KEY TAKEAWAYS

LVMH's acquired the legendary Cloudy Bay in 1990 and spent the last fifteen years making the brand even stronger

- LVMH is today strong in premium wine and spirits – with a number of powerful global brands – but wine and spirits it isn't a strong growth driver for the total company
- Cloudy Bay's twenty year history spans the development of New Zealand's modern, export-oriented wine industry.
- New Zealand's iconic wine was founded by an Australian Winemaker, David Hohnen after he tried a New Zealand Sauvignon Blanc in 1983. Hohnen hired Winemaker Kevin Judd to be his New Zealand winemaker. Judd continues as Cloudy Bay's winemaker to this day.
- Cloudy Bay immediately received huge critical success and set the benchmark for New Zealand Sauvignon Blanc
  - "The best example of this varietal I have ever tasted from New Zealand." *Robert Parker, Wine Critic*
  - "Like hearing Glenn Gould play the Goldberg variation, or seeing Niki Lauda at full tilt." *Mark Shields, Wine Writer, Sun Herald*
  - "From a standing start, Marlborough has burst forth as a premier wine region… Early expansion was due to one grape variety – Sauvignon Blanc – which is best exemplified by the runaway success of Cloudy Bay… In 1985, Cloudy Bay defined the archetypal New Zealand Sauvignon Blanc and became an international celebrity. Fruit sweetness countered with tangy gooseberries set the benchmark… Winemaker Kevin Judd's style has been copied across New Zealand and Australia but it still sets the pace. There is virtually nothing that Cloudy Bay does not do well." Wines of the World (DK) 2004
- Veuve Cliquot (later part of LVMH) acquired 70% of Cloudy Bay in 1990 and has reinvested in growth since then.
- Cloudy Bay continues to deliver on strong sales and profit growth for LVMH, with sales growing at 8.7% and operating profit before tax growing at 7.6% over the past six years. Cloudy Bay also delivers LVMH great operating profit margins of around 40%.

STRONG IN WINE
LVMH is today strong in premium wine and spirits – with a number of powerful global brands - but it isn't a strong growth driver for the total company

LVMH sales growth by operating division
(Euro; million; 1996-2005)



Note: Includes other and corporate in total given but data not charted; Source: various press articles; various company publications & press releases; Coriolis analysis

TIMELINE
Cloudy Bay's twenty year history spans the development of New Zealand's modern, export-oriented wine industry

Cloudy Bay historical timeline since founding
(1984-2005)

1984
Australian David Hohnen tries his first New Zeland wine and starts Cloudy Bay

1985
Cloudy Bay releases its debut Marlborough Sauvignon Blanc, winning awards in the UK and Australia

1990
Veuve Clicquot buys 70% shareholding in Cloudy Bay

1995

2000

2005
Producing 125,000 cases annually

FOUNDED BY AN AUSTRALIAN WINEMAKER
New Zealand's iconic wine was founded by an Australian

- **The company was founded by Australian David Hohnen, owner of Cape Mentelle in the Margaret River region of Western Australia. Hohnen has first tasted New Zealand wine when a party of four New Zealand wine makers visited his winery in 1983.**

- **"I had my '82 Semillon/Sauvignon Blanc in the barrel and said: "Get a load of this." They said: "If you think that's herbaceous, see what we've got in the car." Penfolds 1983 Sauvignon Blanc from Marlborough just blew me away. It was a bit sweet, but it had the fruit characters that we would never get in Australia."** Davis Hohnen, founder, Cloudy Bay

- **"Why was the first 1985 Sauvignon Blanc such a roaring worldwide success? 'It all came together,' said [winemaker Kevin] Judd. 'We had a simple name, attractive label and a distribution system in Australia. The flovour of Marlborough Sauvignon Blanc obviously had wide appeal."** *Wine Atlas of New Zealand*

HUGE CRITICAL SUCCESS
Cloudy Bay immediately received huge critical success

- **"The best example of this varietal I have ever tasted from New Zealand."** *Robert Parker, Wine Critic*

- **"Like hearing Glenn Gould play the Goldberg variation, or seeing Niki Lauda at full tilt."** *Mark Shields, Wine Writer, Sun Herald*

- **"Why was the first 1985 Sauvignon Blanc such a roaring worldwide success? 'It all came together,' said [winemaker Kevin] Judd. 'We had a simple name, attractive label and a distribution system in Australia. The flovour of Marlborough Sauvignon Blanc obviously had wide appeal."** *Wine Atlas of New Zealand*

- **"From a standing start, Marlborough has burst forth as a premier wine region… Early expansion was due to one grape variety – Sauvignon Blanc – which is best exemplified by the runaway success of Cloudy Bay… In 1985, Cloudy Bay defined the archetypal New Zealand Sauvignon Blanc and became an international celebrity. Fruit sweetness countered with tangy gooseberries set the benchmark… Winemaker Kevin Judd's style has been copied across New Zealand and Australia but it still sets the pace. There is virtually nothing that Cloudy Bay does not do well." Wines of the World (DK) 2004**

- **"Surprisingly, for a wine company that has been so successful, Cloudy Bay has only been an occasional entrant in wine shows. Its 1985 and 1986 Sauvignon Blanc wine won gold medals in the Air New Zealand Export Wine Awards held in association with Decanter Magazine and the Wine Institute of New Zealand in London. The Cloudy Bay 1985 Sauvignon Blanc topped a major comparative tasting of 66 of the best French Sauvignon Blanc wines from Sancerre and Pouilly Fume in the Loire Valley conducted by the British wine magazine 'Wine.'"** *The NZ Wine Industry Review, Dana, 2005*

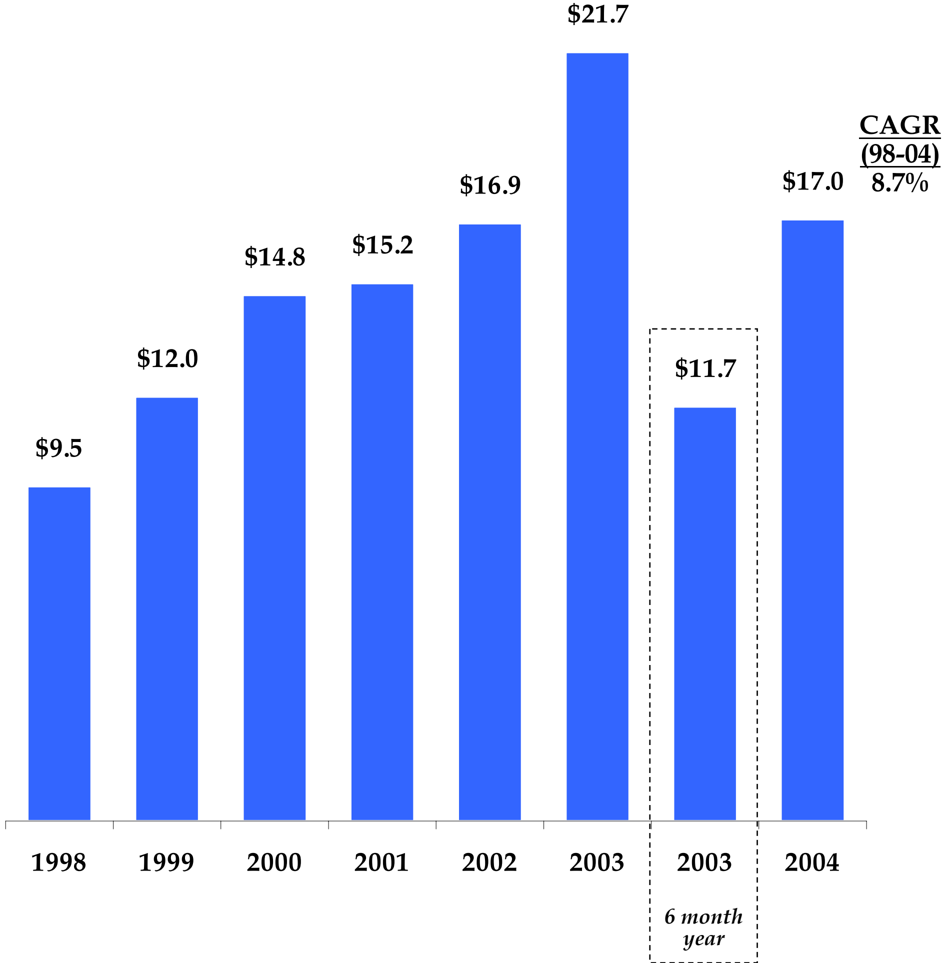
VEUVE CLICQUOT ACQUIRES CLOUDY BAY
Veuve Cliquot acquired 70% of Cloudy Bay in 1990 and has reinvested in growth

- **In 1990, the French champagne company Veuve Clicquot Ponsardin (VCP) bought a 70% shareholding in the company**
- **Achieving growth through investment**
  - **Producing around 125,000 cases annually from 2000t of grapes.**
  - **Cloudy Bay owns 140 ha as well as having contract growers**

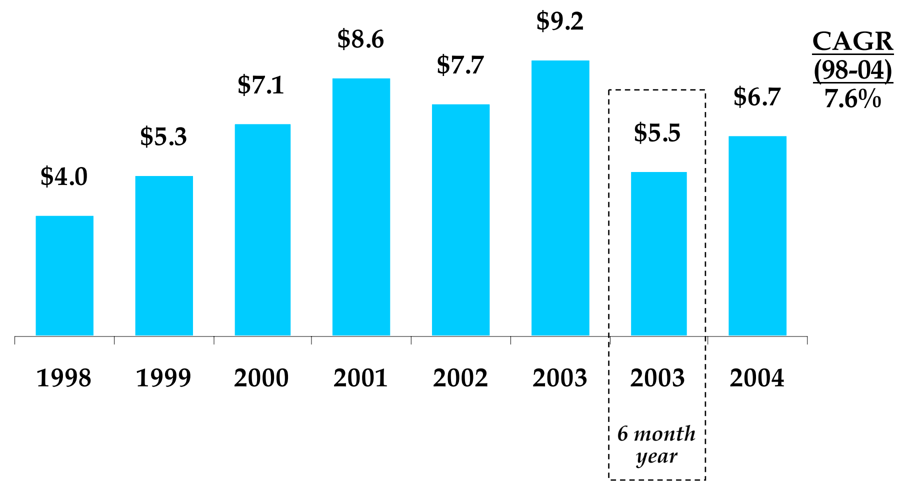
- **"Still wines such as...Cloudy Bay in New Zealand continued to gain momentum and expanded their distribution on international markets."** *LVMH Annual Report 2005*

STRONG GROWTH
Cloudy Bay continues to deliver on strong sales and profit growth for LVMH

Cloudy Bay (NZ) sales growth
(NZ$m; 1998-2004)



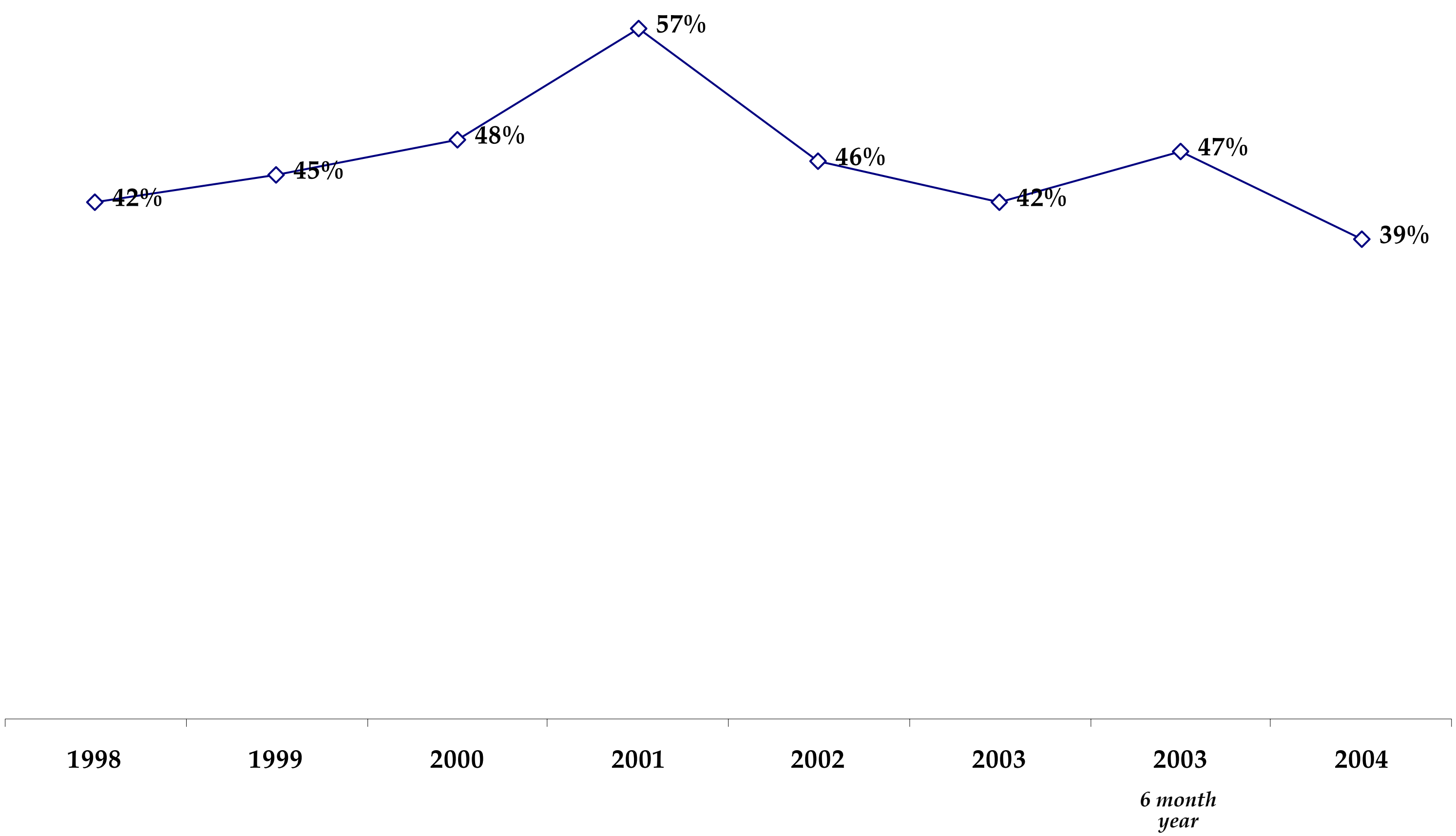
Cloudy Bay (NZ) Operating Profit (OPBT) growth
(NZ$m; 1998-2004)



Note: 2005 data not yet available; Source: company reports; Coriolis analysis

GREAT OPERATING PROFIT MARGINS
Cloudy Bay also delivers LVMH great operating profit margins of around 40%

Cloudy Bay (NZ) Operating Profit (OPBT) as a percent of sales
(NZ$m; 1998-2004)



Note: 2005 data not yet available; Source: company reports; Coriolis analysis

APPENDIX 2 – PROFILES OF MAJOR NEW ZEALAND WINERIES

This appendix briefly profiles 64 of the largest New Zealand wineries

LARGE (OVER 2M LITRES)
There are five large wineries in New Zealand

Profile of New Zealand wineries with annual production volume over 2m litres
(various; 2005)

Company	Production &Turnover	Ownership	Brands	Established	Winemaker	Location
Montana	$461.1m 50,000t	Pernod-Ricard (public; France)	Montana Corbans Church Road Stoneleigh Jackman Ridge	1936	Various	Gisborne Marlborough Auckland Hawkes Bay 25-30% of NZ production area
Framingham Wine	$5.2m	Pernod-Ricard (public; France)	Framingham Tylers Stream	1994	Andrew Hedley	Marlborough
Nobilo Wine Group	$120.1m	Constellation Brands (public; NYSE)	Nobilo Selaks Drylands Icon Fernleaf Monkey Bay White Cloud	1943	Various	Hawkes Bay Marlborough Huapai
Kim Crawford	$28.0m	Vincor International (public; Canada)	Kim Crawford	1999	Kim Crawford	Marlborough Hawkes Bay
Matua	$23.0m 250,000c	Foster's Group (public; Australia)	Matua Valley Shingle Peak	1974	Mark Robertson	Marlborough Hawkes Bay Others
Villa Maria	n/a	Fistonich family (private; NZ)	Villa Maria Esk Valley Vidal Estate	1949	Alistair Maling	Marlborough Hawkes Bay Auckland
Delegat's	$58m 582,000c	Delegat family & public	Oyster Bay Delegat's	1947	Michael Ivicevich	Marlborough Auckland

Currently merging

Note: Nobilo includes National Liquor Distributors; Source: various published articles; various company websites; Wine Atlas of NZ; Dana report 2005; interviews; NZ Companies Office; Coriolis analysis

MEDIUM (200K TO 2M LITRES)
There are also another group of medium sized wineries in New Zealand…

Profile of New Zealand wineries with annual production volume of 200k to 2m litres
(various; 2005)

Company	Production &Turnover	Ownership	Brands	Established	Winemaker	Location
Ager Sectus	n/a	Various	Crossroads Talisman	1990	Matthew Mitchell	Hawkes Bay Marlborough
Allan Scott	75,000c	Scott family	Allan Scott	1993	Allan Scott	Marlborough
Babich Wines	n/a	Babich family	Babich The Patriarch Irongate	1916	Adam Hazeldine	Henderson Hawkes Bay Marlborough
C J Pask	50,000c	Pask family, others	C.J.Pask Roy's Hill Gimblett Road Declaration	1985	Kate Radburnd	Hawkes Bay
Cloudy Bay	$16.9m 125,000c	LVMH/Veuve Cliquot	Cloudy Bay Pelorus Te Koko	1985	Kevin Judd Eveline Fraser	Marlborough 1,200t annual crush; 140ha + contract
Coopers Creek	110,000c	Hendry family, others	Coopers Creek	1980	Simon Nunns	Kumeu and Hawkes Bay; Marlborough contract
Craggy Range	$12.3m	Peabody family, others	Craggy Range Others	1987	Steve Smith	Hawkes Bay and Marlborough 2,700t
The Crossings	$2.5m (03) 17,000c+	Various	The Crossings	1996	George Elworthy	Marlborough
Forrest Estate	50,000c	Forrest family	Forrest Estate Cornerstone	1988	David Knappstein	Marlborough, Hawkes Bay & Bannockburn

MEDIUM (200K TO 2M LITRES)
There are also another group of medium sized wineries in New Zealand…(continued)

Profile of New Zealand wineries with annual production volume of 200k to 2m litres
(various; 2005)

Company	Production &Turnover	Ownership	Brands	Established	Winemaker	Location
Framingham Wine	50,000c $5.2m	Pernod-Ricard (public; France)	Framingham	1994	Andrew Hedley	Marlborough
Giesen Wine	180,000c+	Giesen family	Giesen	1981	Andrew Blake	Canterbury Marlborough
Highfield Estate	16,000c $4.2m	Yokoi family	Highfield	1989	Alistair Soper	Marlborough
Hunter’s Wines	60,000c	Hunter family	Hunter’s	1983	Gary Duke	Marlborough
Isabel Estate	20,000c	Tiller family	Isabel	1982	Patricia Miranda	Marlborough
Jackson Estate	40,000+	Stichbury family	Jackson Estate	1988	Mike Paterson	Marlborough; 2000t
Lake Chalice	36,000c	various	Lake Chalice	1989	Matt Thomson	Marlborough
Lawson’s Dry Hills	50,000c $3.8m	Lawson family, Evill family	Lawson’s Dry Hills	1992	Marcus Wright	Marlborough
Mills Reef	80,000c	Preston family, others	Mills Reef	1989	Paddy Preston	Hawkes Bay
Mission Estate	80,000c+	Marist Holdings (Society of Mary)	Mission Estate	1851	Paul Mooney	Hawkes Bay
Morton Estate	200,000c	Coney family	Morton Estate	1978	Evan Ward Chris Archer	Hawkes Bay Marlborough
Mount Riley	65,000c	Buchanan family, others	Mount Riley	1973	Bill Hennessy	Marlborough

Source: various published articles; various company websites; Wine Atlas of NZ; Dana report 2005; NZ Companies Office; interviews; Coriolis analysis

MEDIUM (200K TO 2M LITRES)
There are also another group of medium sized wineries in New Zealand…(continued)

Profile of New Zealand wineries with annual production volume of 200k to 2m litres
(various; 2005)

Company	Production &Turnover	Ownership	Brands	Established	Winemaker	Location
Mud House	100,000+	Joslin family	Mud House Le Grys	1995	Matt Thomson	Marlborough; 1,200t (2004)
Nautilus	80,000c	Yalumba (Australia; private)	Nautilus	1989	Clive Jones	Marlborough
Ngatarawa Wines	n/a	Corban family	Ngatarawa	1981	Alwyn Corban	Hawkes Bay
Palliser Estate	\$5.6m 50,000c	Various	Palliser Estate	1984	Allan Johnson	Wairarapa
Pegasus Bay	n/a	Donaldson family	Pegasus Bay Main Divide	1985	Matthew Donaldson	Waipara
Sacred Hill	\$22.7m	Mason family, others	Sacred Hill Whitecliff	1982	Tony Bish	Hawkes Bay
Saint Clair	200,000c	Ibbotson family	Saint Clair Vicar's Choice Pioneer Block	1978/1994	Matt Thomson	Marlborough
Seifried Estate	70,000c+	Seifried family	Seifried Old Coach Road Redwood Valley	1973	Chris Seifried	Nelson
Sherwood Estate	40,000c	Sherwood family	Sherwood Estate Clearwater Stratum	1986	Dayne Sherwood	Canterbury / Waipara
Sileni Estates	40,000c+	Avery family, others	Sileni	1997	Grant Edmonds	Hawkes Bay

Source: various published articles; various company websites; Wine Atlas of NZ; Dana report 2005; NZ Companies Office; interviews; Coriolis analysis

MEDIUM (200K TO 2M LITRES)
There are also another group of medium sized wineries in New Zealand…(continued)

Profile of New Zealand wineries with annual production volume of 200k to 2m litres
(various; 2005)

Company	Production &Turnover	Ownership	Brands	Established	Winemaker	Location
Spencer Hill	n/a	Jones family	Spencer Hill Tasman Bay Mariner Goose Bay	1992	Philip Jones	Nelson
Spy Valley	80,000c	Johnson family, others	Spy Valley	1993/2000	Ant Mackenzie	Marlborough
St Helena	n/a	Mundy family	St Helena	1978	Robin Mundy	Canterbury
Te Mata Estate	45,000c	Buck family, others	Te Mata Woodthorpe Rymer's Change	1890	Peter Cowley	Hawkes Bay
Trinity Hill	$3.7m 35,000c	Various	Trinity Hill	1993	Warren Gibson	Hawkes Bay
Vavasour Wines / Goldwater Estate	40,000++	Investment fund	Dashwood Redwood Pass Goldwater	1985	Glenn Thomas	Marlborough, Hawkes Bay and Waihiki
Wairau River Wines	60,000c	Rose family	Wairau River	1978	Allan McWilliams	Marlborough
Whitehaven Wine	200,000c	White family, EJ Gallo (USA), others	Whitehaven	1994	Simon Waghorn	Marlborough 2,500t (200k cases)
Wither Hills	$15.8m 200,000c	Lion Nathan (Australia; public)	Wither Hills	1978	Brent Marris	Marlborough

Source: various published articles; various company websites; Wine Atlas of NZ; Dana report 2005; NZ Companies Office; interviews; Coriolis analysis

EMERGING MEDIUM SIZE WINERIES
There was also a group of emerging new medium-to-small sized wineries…

Profile of New Zealand emerging medium sized wineries
(various; 2005)

Company	Production &Turnover	Ownership	Brands	Established	Winemaker	Location
Amisfield Wines	60ha	Robert Hay; others	Amisfield	1999	Jeff Sinnott	Central Otago
Canterbury House	56,000c 700t+	Lloyd family; others	Canterbury House		Alan McCorkindale	Canterbury/Waipara
Cellier Le Brun	21,000c	Resene Paints; others	Daniel Le Brun	1980	Mark Inglis	
Chard Farm	30,000c	Hay family	Chard Farm	1987	Rob Hay	Central Otago
Gibbston Valley	15,000c 60ha	Mike Stone (US); others	Gibbston Valley	1981/1990	Grant Taylor	Central Otago
Grove Mill	2,236t	NZ Listed	Grove Mill Sanctuary	1988	David Pearce	Marlborough
Kemblefield Estate Winery	45,000c	John Kemble and Kaar Field	Kemblefield	1992	John Kemble	Hawkes Bay
Martinborough Vineyard Estates	200t	Various	Martinborough Vineyard	1980	Clair Mulholland	Wairarapa
Matariki Wines	580t	O'Connor family	Matariki	1981/1997	Greg Foster	Hawkes Bay
Mt Difficulty	45ha	4 vineyard JV	Mt Difficulty	1998	Matt Dicey	Central Otago
Omaka Springs	40,000c+	Jensen family	Omaka Springs Dog Rock	1989	Ian Marchant	Marlborough
Peregrine Wines	25,000c	Greg Hay; others	Peregrine	1998	Peter Bartle	Central Otago
Rockburn Wines	>25,000c 41ha	Bunton family	Rockburn	1992	Rudi Bauer	Central Otago

Source: various published articles; various company websites; Wine Atlas of NZ; Dana report 2005; NZ Companies Office; interviews; Coriolis analysis

EMERGING MEDIUM SIZE WINERIES
There was also a group of emerging new medium-to-small sized wineries… (continued)

Profile of New Zealand emerging medium sized wineries
(various; 2005)

Company	Production &Turnover	Ownership	Brands	Established	Winemaker	Location
Te Awa Winery	20,000c	US Investors	Te Awa Longlands	1992	Jenny Dobson	Hawkes Bay
Te Kairanga Wines	25,000c	Various	Te Kairanga	1983	Peter Caldwell	Wairarapa/Martinborough
Tohu Wines	28,000c+	Maori interests	Tohu	1998	Simon Waghorn	Gisborne Marlborough
Waimea Estate	30,000c	Bolitho family	Waimea Estates	1993	Michael Brown	Nelson
Waipara Hills	>35,000c	Various	Waipara Hills	2001	Fiona Buchanan; consultant Alan McCorkindale	Canterbury/Waipara
Wollaston Estate	5,000c+	Woollaston family; Glenn Schaeffer (US)	Wollaston Estate	1993/2000	Andrew Sutherland	Nelson

Source: various published articles; various company websites; Wine Atlas of NZ; Dana report 2005; NZ Companies Office; interviews; Coriolis analysis

APPENDIX 3 – RECENT AWARDS RECEIVED BY NEW ZEALAND WINES
This appendix highlights recent awards received by the New Zealand wine industry

POINT-OF-VIEW: WINE AWARDS
Wine awards were seen as necessary to create a point-of-difference, especially for new wineries

- **"Any new company has to win awards if you don't win awards you have no point of difference."** *Managing Director, Medium-sized company, Marlborough 5*
- **"Awards give you credibility and potential contact with distributors. Distributors will start contacting you. It's hard to get that success when you are small. Some companies whole philosophy and marketing plan and its wine making is about making wine shows. They enter 120 wines at a show we enter 12. They put there good wine aside for the shows. If all the big companies did this it would make a complete mockery of it. It's hard to get awards against this."** *Managing Director, Medium-sized company, Marlborough 5*
- **"Some companies use awards as their marketing strategy. They enter as many competitions as possible."** *Managing Director and winemaker, Medium-sized company, Marlborough 3*

DOMESTIC AWARDS – 2005 AIR NEW ZEALAND
The following wines won trophies at the Air New Zealand wine awards in 2005

2005 Air New Zealand Wine Awards	Wine	Trophy Awards
	Kim Crawford SP Marlborough Sauvignon Blanc, Spitfire 2005	Air New Zealand Champion Wine of the Show Trophy
	Unison Vineyard Ltd Syrah 2004	Bell Gully Reserve Wine of the Show Trophy
	Kim Crawford SP Marlborough Sauvignon Blanc, Spitfire 2005	Esvin Champion Sauvignon Blanc Trophy
	Villa Maria Estate Reserve Marlborough Chardonnay 2003	O-I New Zealand Champion Chardonnay Trophy
	Palliser Estate Methode Traditionelle 2001	Nissan NZ Limited Champion Sparkling Wine Trophy
	Villa Maria Estate Reserve Pinot Noir 2004	Air Sea Global Champion Pinot Noir Trophy
	Allan Scott Wines & Estates Ltd Gewurztraminer 2005	Label and Litho Champion Gewurztraminer Trophy
	Lawson's Dry Hills Pinot Gris 2005	Dish magazine Champion Pinot Gris Trophy
	Coopers Creek Vineyard Marlborough Riesling 2005	AMPM Marketing Limited Champion Riesling Trophy
	Coopers Creek Vineyard Gisborne Viognier 2005	BDO Spicers Champion Other White Varieties Trophy
	Canterbury House Noble Riesling 2004	Marlborough Bottling Company Champion Medium Sweet or Sweet Wine Trophy
	Esk Valley Estate Black Label Merlot/Malbec/Rose 2005	Hort Research Champion Rose or Blush Trophy
	Villa Maria Estate Reserve Merlot 2002	Huka Lodge Champion Merlot Trophy
	Capricorn Wines Red Rock Gravel Pit Red 2004	Fruitfed Supplies Champion Merlot Predominant Blend Trophy
	Morton Estate White Label Hawkes Bay Chardonnay 2002	New World Champion Open White Wine Trophy
	Newton Forrest Cornerstone Cabernet/Merlot/ Malbec 2002	Carter & Associates Champion Cabernet Sauvignon or Predominant Blend Trophy
	Unison Vineyard Ltd Syrah 2004	Business World Travel Champion Syrah Trophy
	Capricorn Wines Red Rock Gravel Pit Red 2004	Sunday Star Times Champion Open Red Wine Trophy

Note: Trophy and Gold awards only; Source: Wine New Zealand

DOMESTIC AWARDS – 2005 AIR NEW ZEALAND
The following wines won gold medals at the Air New Zealand wine awards in 2005

2005 - Air New Zealand Wine Awards - Gold Awards

Hunters Wines Miru Miru 2002
Palliser Estate Methode Traditionelle 2001
Allan Scott Wines & Estates Ltd Gewurztraminer 2005
Corbans Private Bin Hawke's Bay Gewurztraminer 2004
Hunters Wines Gewurztraminer 2005
Lawson's Dry Hills Gewurztraminer 2004
Villa Maria Estate Cellar Selection Gewurztraminer 2005
Astrolabe Wines Ltd Pinot Gris 2005
Kathy Lynskey Wines Ltd Single Vineyard Pinot Gris 2005
Lawson's Dry Hills Pinot Gris 2005
Triplebank Awatere Valley Pinot Gris 2005
Villa Maria Estate Single Vineyard Seddon Pinot Gris 2005
Delta Marlborough Riesling 2005
Hunter's Stoneburn Marlborough Riesling 2004
Kahurangi Estate Heaphy Series Moutere Riesling 2004
Coopers Creek Vineyard Marlborough Riesling 2005
Forrest Estate Dry Riesling 2002
Grove Mill Marlborough Riesling 2004
Hunters Wines Riesling 2004
Soljans Wines Riesling 2005
Villa Maria Estate Cellar Selection Riesling 2004
Villa Maria Estate Cellar Selection Seddon Riesling 2002
Astrolabe Wines Ltd Marlborough Sauvignon Blanc 2005
Blind River Wines Ltd Sauvignon Blanc 2005
Ponder Vineyard Marlborough Sauvignon Blanc 2005
Coopers Creek Vineyard Marlborough Sauvignon Blanc 2005
Gunn Estate Skippers Pool Sauvignon Blanc 2005
Jules Taylor Wines Sauvignon Blanc 2005
Kim Crawford SP Marlborough Sauvignon Blanc, Spitfire 2005
Matua Valley Paretai Sauvignon Blanc 2005
Mt Olympus Tuatara Bay Sauvignon Blanc 2005
Mudhouse Winery White Swan Sauvignon Blanc 2005
Saint Clair Estate Wines Marlborough Sauvignon Blanc 2005
Saint Clair Estate Wines Pioneer Block 1 Sauvignon Blanc 2005
Saint Clair Estate Wines Pioneer Block 2 Sauvignon Blanc 2005
Tohu Wines Ltd Mugwi Sauvignon Blanc 2005
Waipara Hills Wine Estates Marlborough Sauvignon Blanc 2005
Wairau River Wines Sauvignon Blanc 2005
Whitehaven Whites Bay Sauvignon Blanc 2005
C J Pask Winery Reserve Chardonnay 2004
Cape Campbell Reserve Limited Edition Chardonnay 2004
Esk Valley Estate Reserve Chardonnay 2004
Gunn Estate Skeetfield Chardonnay 2004
Highfield Estate (1991) Limited Marlborough Chardonnay 2002
Kemblefield The Distinction Chardonnay 2004
Kim Crawford Tietjen Gisborne Chardonnay 2005
Landmark Estate Wines Ltd Chardonnay (Earls) 2004
Montana Terrior Stuart Block Gisborne Chardonnay (Patutahi) 2004
Montana Terroir Waihirere Gisborne Chardonnay (Ormond) 2004
Morton Estate White Label Hawkes Bay Chardonnay 2002
Mudhouse Winery White Swan Chardonnay 2004
Northrow Chardonnay 2004
Saint Clair Estate Wines Omaka Reserve Chardonnay 2003
Summerhouse Chardonnay 2004
Vidal Wines Reserve Hawkes Bay Chardonnay 2004

Note: Trophy and Gold awards only; Source: Wine New Zealand

DOMESTIC AWARDS – 2005 AIR NEW ZEALAND
The following wines won gold medals at the Air New Zealand wine awards in 2005… (continued)

2005 - Air New Zealand Wine Awards - Gold Awards

Villa Maria Estate Reserve Barrique Fermented Chardonnay 2004
Villa Maria Estate Reserve Marlborough Chardonnay 2003
Villa Maria Estate Reserve Marlborough Chardonnay 2004
Villa Maria Estate Single Vineyard Waldron Chardonnay 2004
W5 Chardonnay 2004
Wither Hills Chardonnay 2003
Cooper's Creek Limited Release Gisborne Viognier 2005
Coopers Creek Vineyard Gisborne Viognier 2005
Canterbury House Noble Riesling 2004
Villa Maria Estate Reserve Noble Riesling 2004
Esk Valley Estate Black Label Merlot/Malbec/Rose 2005
Capricorn Wines Struggler's Flat Pinot Noir 2004
Fairhall Downs Estate Wines Pinot Noir 2004
Fairmont Estate Block One Pinot Noir 2004
Mount Riley Winemakers Selection Pinot Noir 2004
Northrow Pinot Noir 2003
Palliser Estate Pinot Noir 2004
Terrace Heights Estate THE Pinot Noir 2004
Vidal Wines Estate Marlborough Pinot Noir 2004
Villa Maria Estate Cellar Selection Pinot Noir 2004
Villa Maria Estate Reserve Pinot Noir 2004
Villa Maria Estate Single Vineyard Taylors Pass Pinot Noir 2004
Waipara Springs Pinot Noir Reserve 2003
Capricorn Wines One Tree Merlot 2004
Mills Reef Elspeth Merlot 2004
Villa Maria Estate Private Bin Merlot 2004
Villa Maria Estate Reserve Merlot 2002
Capricorn Wines Red Rock Gravel Pit Red 2004
Esk Valley Estate Black Label Merlot/Cabernet Sauvignon/Malbec 2004
Karikari Estate Merlot Malbec Cabernet 2004
Matua Valley Ararimu Merlot/Syrah/Cabernet Sauvignon 2002
Mills Reef Reserve Merlot Cabernet Syrah 2001
Mills Reef Reserve Merlot Malbec 2004
Vidal Wines Reserve Hawkes Bay Merlot/Cabernet Sauvignon 2002
Vidal Wines Reserve Hawkes Bay Merlot/Cabernet Sauvignon 2000
Kingsley Estate Gimblett Road Reserve 2004
Mission Estate Winery Reserve Cabernet Sauvignon 2004
Newton Forrest Cornerstone Cabernet/Merlot/Malbec 2002
Bridge Pa Vineyard Hawke's Bay Syrah 2004
Capricorn Wines Red Rock The Underarm Syrah 2003
Unison Vineyard Ltd Syrah 2004

Note: Trophy and Gold awards only; Source: Wine New Zealand

DOMESTIC AWARDS – 2004 AIR NEW ZEALAND
The following wines won trophies medals at the Air New Zealand wine awards in 2004

2004 Air New Zealand Wine Awards	Wine	Trophy Awards
	Villa Maria Reserve Pinot Noir 2003	Air New Zealand Champion Wine Of The Show Trophy
	Villa Maria Single Vineyard Keltern Chardonnay 2003	Bell Gully Reserve Wine of the Show Trophy
	Cardmember Paradox Marlborough Methode Traditionnelle	New World Champion Sparkling Wine Trophy
	Villa Maria Reserve Gewurztraminer 2004	P&O Nedlloyd Champion Gewurztraminer Trophy
	Villa Maria Cellar Selection Seddon Riesling 2002	AMPM Marketing Champion Riesling Trophy
	Martinborough Vineyards Burnt Spur Martinborough Pinot Gris 2004	Air Sea Global Champion Pinot Gris Trophy
		Esvin Wine Resources Champion Sauvignon Blanc Trophy
	Amor-bendall Sauvignon Blanc 2004	ACI Glass Packaging New Zealand Champion Chardonnay Trophy
	Villa Maria Single Vineyard Keltern Chardonnay 2003	Nissan New Zealand Ltd Champion Open White Wine Trophy
	Astrolabe Sauvignon Blanc 2004	Bayleys Realty Group Champion Other White Varieties Trophy
	Trinity Hill New Wave Viognier 2004	Distinguished Vineyards Champion Export White Wine Trophy
	Hunter's Rose 2004	HortResearch Champion Rose or Blush Trophy
	Villa Maria Reserve Pinot Noir 2003	Cospak New Zealand Champion Pinot Noir Trophy
	Villa Maria Reserve Merlot 2002	Huka Lodge Champion Merlot Trophy
	Passage Rock Syrah 2003	Business World Travel Champion Syrah Trophy
	Esk Valley Reserve Merlot Malbec Cabernet Sauvignon 2002	Carter & Associates Champion Cabernet Sauvignon and/or Merlot Predominant Blend Trophy
	Mt Difficulty Roaring Meg Pinot Noir 2003	Herald on Sunday Champion Open Red Wine Trophy
	Villa Maria Single Vineyard Omahu Malbec 2002	BDO Spicers Champion Other Red Varieties Trophy
	Forrest Estate Botrytised Riesling 2004	Marlborough Bottling Company Champion Medium Sweet or Sweet Wine Trophy

Note: Trophy and Gold awards only; Source: Wine New Zealand

DOMESTIC AWARDS – 2003 AIR NEW ZEALAND
The following wines won trophies medals at the Air New Zealand wine awards in 2003

2003 Air New Zealand Wine Awards	Wine	Trophy Awards
	Akarua Pinot Noir 2002	Air New Zealand Champion Wine Of The Show Trophy
	Vidal Estate Soler Syrah 2002	Bell Gully Reserve Wine Of The Show Trophy
	Morton Estate Premium Brut	NZ House & Garden Champion Sparkling Wine Trophy
	Spy Valley Gewurztraminer 2003	P&O Nedlloyd Champion Gewurztraminer Trophy
	Sacred Hill Cairnbrae The Stones Sauvignon Blanc 2003	Esvin Wine Resources Champion Sauvignon Blanc Trophy
	Saint Clair Marlborough Riesling 2002	Sunday Star Times Champion Riesling Trophy
	Lawson's Dry Hills Pinot Gris 2003	Air Sea Global Champion Pinot Gris Trophy
	Highfield Marlborough Sauvignon Blanc 2003	ACI Glass Packaging New Zealand Commercial White Wine
	Akarua Pinot Noir 2002	Cospak New Zealand Champion Pinot Noir Trophy
	Villa Maria Single Vineyard Keltern Chardonnay 2002	ACI Glass Packaging New Zealand Champion Chardonnay Trophy
	Villa Maria Reserve Merlot 2001	Huka Lodge Champion Merlot Trophy
	Vidal Estate Soler Syrah 2002	Business World Travel Champion Syrah Trophy
	Spy Valley Pinot Noir 2002	Carter Holt Harvey Packaging Champion Commercial Red Wine Trophy
	Trinity Hill Gimblett Road Cabernet Sauvignon Merlot 2001	Carter & Associates Champion Cabernet Sauvignon And/Or Merlot Predominant Blend Trophy
	Schubert Cabernet Sauvignon 2001	Williams & Kettle/Fruitfed Supplies Champion Cabernet Sauvignon Trophy
	Mills Reef Elspeth Malbec 2002	BDO Spicers Champion Other Red Varieties Trophy
	Kim Crawford Reka Riesling 2002	Marlborough Bottling Company Champion Medium Sweet Or Sweet Wine Trophy

Note: Trophy and Gold awards only; Source: Wine New Zealand

DOMESTIC AWARDS – 2002 AIR NEW ZEALAND
The following wines won trophies medals at the Air New Zealand wine awards in 2002

2002 Air New Zealand Wine Award	Wine	Trophy Awards
	Villa Maria Reserve Pinot Noir 2001	Air New Zealand Champion Wine Of The Show Trophy
	Saint Clair Omaka Reserve Chardonnay 2001	Bell Gully Reserve Wine Of The Show Trophy
	Cellier Le Brun Daniel Le Brun Blanc De Blanc 1996	NZ House & Garden Champion Sparkling Wine Trophy
	Te Whare Ra Duke Of Marlborough Gewurztraminer 2002	P&O Nedlloyd Champion Gewurztraminer Trophy
	Palliser Estate Sauvignon Blanc 2002	Esvin Wine Resources Champion Sauvignon Blanc Trophy
	Westbrook Marlborough Riesling 2002	Scott Automation Ltd Champion Riesling Trophy
	Alan Mccorkindale Waipara Valley Pinot Gris 2002	Air Sea Global Champion Pinot Gris Trophy
	Saint Clair Omaka Reserve Chardonnay 2001	ACI Glass Packaging New Zealand Champion Chardonnay
	Villa Maria Reserve Pinot Noir 2001	Cospak New Zealand Champion Pinot Noir Trophy
	Te Kairanga Syrah 2001	Business World Travel Champion Syrah Trophy
	Saint Clair Rapaura Reserve Merlot 2001	Huka Lodge Champion Merlot Trophy
	Esk Valley Reserve Merlot/Cabernet/Malbec 2000	Carter & Associates Champion Cabernet Sauvignon And/Or Merlot Predominant Blend Trophy
	Mills Reef Elspeth Malbec 2001	BDO Spicers Champion Other Red Varieties Trophy
	Villa Maria Reserve Noble Riesling 2001	HortResearch Champion Medium Sweet or Sweet Wine
	Palliser Estate Sauvignon Blanc 2002	ACI Glass Packaging New Zealand Commercial White Wine
	Saint Clair Rapaura Reserve Merlot 2001	Schenker New Zealand Champion Commercial Red Wine Trophy

Note: Trophy and Gold awards only; Source: Wine New Zealand

INTERNATIONAL AWARDS – 2006 SYDNEY
The following wines won awards at the Sydney International Wine Competition in 2006

2006 Sydney International Wine Competition	Wine	Trophy Awards
	Morton Estate Private Reserve Chardonnay 2002	The John Marris Perpetual Trophy - "Best Non-Aust. Wine" (except Champion or Reserve Champion)
	Morton Estate Private Reserve Chardonnay 2002	SIWC Perpetual Trophy - "Best Fuller Bodied Dry"
	Peregrine Pinot Noir 2004	Air Sea Global Perpetual Trophy - "Best Pinot Noir of Competition"
	Stoneleigh Marlborough Chardonnay 2004	Kemeny's Perpetual Trophy - "Best Value Dry White Table Wine of Competition"

2006 Sydney International Wine Competition	Top 100 Gold Awards

Allan Scott Marlborough Riesling 2005
Allan Scott Marlborough Riesling 2004
Vynfields Classic Riesling 2004
Wither Hills Vineyards Marlborough Sauvignon Blanc 2005
Allan Scott Marlborough Sauvignon Blanc 2005
Clifford Bay Estate Sauvignon Blanc 2005
Mud House White Swan Sauvignon Blanc 2005
Southbank Estate Marlborough Sauvignon Blanc 2005
Sacred Hill Marlborough Vineyards Sauvignon Blanc 2005
Church Road Reserve Hawke's Bay Chardonnay 2004
Triplebank Awatere Valley Pinot Gris 2005
Morton Estate Private Reserve Chardonnay 2002
Gunn Estate Skeetfield Chardonnay 2004
Wither Hills Vineyards Marlborough Chardonnay 2004
Gibbston Valley Blanc De Pinot Noir 2005
Peregrine Pinot Noir 2004
Peregrine Pinot Noir 2003
Hunters Marlborough Pinot Noir 2004
Amisfield Pinot Noir 2004
Waipara Springs Reserve Pinot Noir 2003
Mud House Black Swan Pinot Noir 2003
Struggler' Flat Martinborough Pinot Noir 2004
Mission Estate Winery Reserve Syrah 2004
Villa Maria Estate Single Vineyard Omahu Gravels
Manuka Grove Durif 2003
Villa Maria Estate Reserve Noble Riesling 2003

Note: Trophy and Gold awards only; Source: Wine New Zealand, Competition Websites, Winesofnz.com

INTERNATIONAL AWARDS – 2005 LONDON & JAPAN
The following wines won awards in London and Japan in 2005

2005	Country	Wine	Award
2005 International Wine Challenge London	UK	St Clair Doctors Creek Marlborough Pinot Noir 2003	International Pinot Noir trophy
		Sileni Estates Cellar Selection Marlborough Sauvignon Blanc 2004	International Sauv. Blanc trophy
		Cable Bay Auckland Chardonnay 2002	Gold
		Trinity Hill Gimblett Road Hawkes Bay Chardonnay 2002	Gold
		Sileni Estates The Lodge Hawkes Bay Chardonnay 2004 Sileni	Gold
		Estates Cellar Selection Hawkes Bay Sauvignon Blanc 2004	Gold
		Jackson Estate Marlborough Sauvignon Blanc 2004	Gold
		Mudhouse Marlborough Sauvignon Blanc 2004	Gold
		St Clair Doctors Creek Marlborough Pinot Noir 2003* Mount	Gold
		Difficulty Central Otago Pinot Noir 2003 Capricorn Wine Wild Rock	Gold
		Wairarapa Pinot Noir 2004	Gold
		Wither Hills Marlborough Pinot Noir 2003 - Clifford Bay Single	Gold
		Vineyard Marlborough Pinot Noir 2003 Montana Estates	Gold
		Marlborough Pinot Noir 2003	Gold
		Sacred Hill Brokenstone Hawkes Bay Merlot 2002	Gold
		Villa Maria Reserve Hawkes Bay Merlot 2002	Gold
		Vidal Estate Hawkes Bay Syrah 2003	Gold
2005 Japan Wine Challenge	JAP	Wither Hills Marlborough Pinot Noir 2003	Trophy Best New World Red
		Sileni Cellar Selection Semillon Sauvignon Blanc 2004	Gold
		Babich The Patriarch Cabernet Sauvignon /Merlot 2002	Gold
		Villa Maria Cellar Selection Sauvignon Blanc 2004	Gold
		Villa Maria Reserve Cabernet/Merlot 2002	Gold
		Wither Hills Marlborough Pinot Noir 2003	Gold
		Wither Hills Marlborough Sauvignon Blanc 2004	Gold
		Waipara Downs Chardonnay 2004	Gold
		Thornbury Marlborough Pinot Noir 2003	Gold
		Clos Henri Sauvignon 2004	Gold

Note: Trophy and Gold awards only; Source: Wine New Zealand, Competition Websites, Winesofnz.com

INTERNATIONAL AWARDS – 2005 SYDNEY
The following wines won awards at the Sydney International Wine Competition in 2005

2005 Sydney International Wine Awards	AUS	Wine	Award
		Morton Estate Blanc De Blanc Methode Traditionnelle 1999	Top 100 – Gold
		Deutz Marlborough Blanc De Blanc 1999	Top 100 - Gold
		Spy Valley Gewurztraminer 2004	Top 100 - Gold
		Villa Maria Private Bin Riesling 2004	Top 100 - Gold
		Le Grys Sauvignon Blanc 2004	Top 100 - Gold
		Cape Campbell Sauvignon Blanc 2004	Top 100 - Gold
		Sileni Estates Cellar Selection Sauvignon Blanc 2004	Top 100 - Gold
		Montana Marlborough Sauvignon Blanc 2004	Top 100 - Gold
		Villa Maria Reserve Marlborough Chardonnay 2003	Top 100 - Gold
		Lawson's Dry Hills Sauvignon Blanc 2004	Top 100 - Gold
		Amor-bendall Limited Edition Sauvignon Blanc 2004	Top 100 - Gold
		Trinity Hill Gimblett Gravels Viognier 2004	Top 100 - Gold
		Matua Valley Paretai Sauvignon Blanc 2004	Top 100 - Gold
		Esk Valley Reserve Chardonnay 2003	Top 100 - Gold
		Matua Valley Judd Estate Chardonnay 2003	Top 100 - Gold
		Villa Maria Cellar Selection Sauvignon Blanc 2004	Top 100 - Gold
		Villa Maria Single Vineyard Taylors Pass Sauvignon Blanc 2003	Top 100 - Gold
		Gibbston Valley Wines Blanc De Pinot Noir 2004	Top 100 – Gold
		Sacred Hill White Cabernet 2004	Top 100 – Gold
		Villa Maria Reserve Pinot Noir 2002	Top 100 – Gold
		Highfield Marlborough Pinot Noir 2002	Top 100 – Gold
		Villa Maria Reserve Pinot Noir 2003	Top 100 – Gold
		Waipara Hills Botrytis Riesling 2003	Top 100 – Gold
		Forrest Estate Botrytis Riesling 2003	Top 100 – Gold

Note: Trophy and Gold awards only; Source: Wine New Zealand, Competition Websites, Winesofnz.com

INTERNATIONAL AWARDS
The following wines won international awards at select international shows in 2004

2004 Competitions	Country	Wine	Award
UK Decanter World Wine Awards 2004	UK	Gravitas Chardonnay (Oaked) 2003	Silver
France Citadelles Du Vin 2004	FRA	Gravitas Chardonnay (Oaked) 2003	Excellence Trophy
		Gravitas Chardonnay (Oaked) 2003	Prestige Trophy
		Gravitas Sauvignon Blanc 2003	Citadelles Trophy
		Gravitas Sauvignon Blanc 2003	Trophy For Best NZ Wine
Russian International Wine & Spirits Competition 2004	RUS	Gravitas Sauvignon Blanc 2003	Gold
Sydney International Wine Competition 2004	AUS	Giesen Marlborough Canterbury Riesling 2003	Top 100 – Gold
		Spy Valley Marlborough Gewurztraminer 2003	Top 100 - Gold
		Fairhall Downs Marlborough Sauvignon Blanc 2003	Top 100 - Gold
		Vidal Estate, Estate Sauvignon Blanc 2003	Top 100 - Gold
		Stoneleigh Rapaura Series Pinot Gris 2003	Top 100 - Gold
		Villa Maria Estate Private Bin Sauvignon Blanc 2003	Top 100 - Gold
		Highfield Marlborough Sauvignon Blanc 2002	Top 100 - Gold
		Sacred Hill Barrel Fermented Chardonnay 2002	Top 100 - Gold
		Montana Reserve Marlborough Chardonnay 2002	Top 100 - Gold
		Villa Maria Estate Reserve Marlborough Chardonnay 2002	Top 100 - Gold
		Gibbston Valley Pinot Noir 2002	Top 100 - Gold
		Gibbston Valley Reserve Pinot Noir 2002	Top 100 - Gold
		Peregrine Pinot Noir 2002	Top 100 - Gold
		Brookfields Hillside Syrah 2002	Top 100 - Gold
		Esk Valley Estate Black Label Merlot 2002	Top 100 - Gold
		Villa Maria Estate Reserve Merlot 2001	Top 100 - Gold
		Wither Hills Marlborough Noble Riesling 2001	Top 100 - Gold

Note: Trophy and Gold awards only; Source: Wine New Zealand, Competition Websites, Winesofnz.com

INTERNATIONAL AWARDS
The following wines won international awards at select international shows in 2004

2004 UK International Wine & Spirits Competition	UK	Wine	Award
		Vidal Reserve Hawkes Bay Chardonnay 2002	Gold
		Vavasour Chardonnay 2002	Gold
		Spy Valley Marlborough Riesling 2003	Gold
		Carrick Sauvignon Blanc 2003	Gold
		Gravitas Sauvignon Blanc 2003	Gold
		Villa Maria Cellar Selection Marlborough Sauvignon Blanc 2003	Gold

Note: Trophy and Gold awards only; Source: Wine New Zealand, Competition Websites, Winesofnz.com

INTERNATIONAL AWARDS
The following wines won international awards at select international shows in 2003

2003 Competition	Country	Wine	Award
London International Wine Trade Fair Competition 2003	UK	Sherwood Estate Reserve Riesling Waipara 2002	Gold
London International Wine Challenge 2003	UK	Morton Estate Stone Creek Sauvignon Blanc	Best Sauvignon Blanc Trophy
Japan International Wine Challenge 2003	JAP	Gravitas Chardonnay (Oaked) 2002 Gravitas Sauvignon Blanc 2002	Gold Gold

Note: Trophy and Gold awards only; Source: Wine New Zealand, Competition Websites, Winesofnz.com

INTERNATIONAL AWARDS
The following wines won international awards at select international shows in 2003

2003 Competition	Country	Wine	Award
Sydney International Wine Competition 2003	AUS	Clearview Reserve Chardonnay 2001	Trophy re Best Fuller Bodied Dry White Table Wine
		Waimea Estates Nelson Classic Riesling 2002	Top100 – Gold
		Waipara Hills Riesling 2002	Top100 – Gold
		Mills Reef Reserve Gewurztraminer 2002	Top100 – Gold
		Clifford Bay Marlborough Sauvignon Blanc 2002	Top100 – Gold
		Hunter's Marlborough Sauvignon Blanc 2002	Top100 – Gold
		Matariki Hawkes Bay Reserve Chardonnay 2000	Top100 – Gold
		Saint Clair Marlborough Sauvignon Blanc 2002	Top100 – Gold
		Saints Marlborough Sauvignon Blanc 2002	Top100 – Gold
		Saint Clair Wairau Reserve Sauvignon Blanc 2002	Top100 – Gold
		Kaimira Estate Nelson Sauvignon Blanc 2002	Top100 – Gold
		Greenhough Nelson Sauvignon Blanc 2002	Top100 – Gold
		Kim Crawford "Flowers" Marlborough Sauvignon Blanc 2002	Top100 – Gold
		Stoneleigh Marlborough Sauvignon Blanc 2002	Top100 – Gold
		Clearview Estate Reserve Chardonnay Hawkes Bay 2001	Top100 – Gold
		Whitehaven Marlborough Sauvignon Blanc 2002	Top100 – Gold
		Te Kairanga Pinot Noir Reserve 2001	Top100 – Gold
		Gibbston Valley Central Otago Pinot Noir 2001	Top100 – Gold
		Cairnbrae Marlborough Pinot Noir 2001	Top100 – Gold
		Mud House Black Swan Pinot Noir Reserve 2001	Top100 – Gold
		Black Estate Waipara Pinot Noir 2001	Top100 – Gold
		Martinborough Vineyard Pinot Noir 2001	Top100 – Gold
		Matua Valley Wairarapa Pinot Noir 2001	Top100 – Gold
		Thornbury Marlborough Pinot Noir 2001	Top100 – Gold
		Matariki Reserve Cabernet Sauvignon 2000	Top100 – Gold
		Babich Winemakers Reserve Pinotage 2001	Top100 – Gold
		Spy Valley Marlborough Merlot 2001	Top100 – Gold
		Wither Hills Marlborough Noble Riesling 2001	Top100 – Gold

Note: Trophy and Gold awards only; Source: Wine New Zealand, Competition Websites, Winesofnz.com

INTER INTERNATIONAL AWARDS
The following wines won international awards at select international shows in 2002

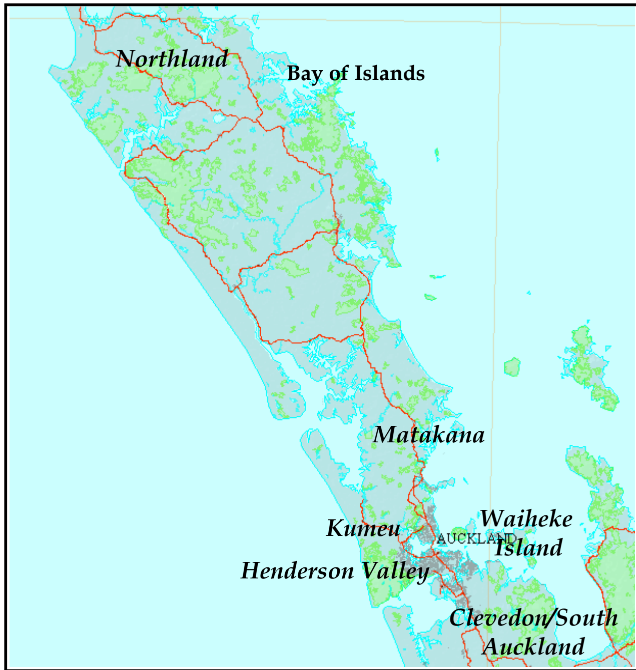
2002 Competition	Country	Wine	Award
International Wine Challenge 2002	UK	Gibbston Valley Reserve Pinot Noir 2001	Gold
		Stoneleigh Rapaura Series Pinot Noir 2000	Gold
		Mount Riley Seventeen Valley Pinot Noir 2000	Gold
		Palliser Estate Pinot Noir 2000	Gold
		Villa Maria Reserve Chardonnay 2001	Gold
		Villa Maria Reserve Clifford Bay Sauvignon Blanc 2001	Gold
Sydney International Top 100 Competition 2002	AUS	Allan Scott Marlborough Riesling 2001	Top100 – Gold
		Saint Clair Marlborough Riesling 2001	Top100 – Gold
		Waimea Estates Sauvignon Blanc 2001	Top100 – Gold
		Terrace Road Marlborough Sauvignon Blanc 2001	Top100 – Gold
		Fairhall Downs Sauvignon Blanc 2001	Top100 – Gold
		Saint Clair Marlborough Sauvignon Blanc 2001	Top100 – Gold
		Shingle Peak Sauvignon Blanc 2001	Top100 – Gold
		Drylands Sauvignon Blanc 2001	Top100 – Gold
		Hunter's Marlborough Sauvignon Blanc 2001	Top100 – Gold
		Kim Crawford Boyszone Vineyard Marlb. Pinot Gris 2001	Top100 – Gold
		Montana Reserve Marlborough Chardonnay 2000	Top100 – Gold
		Tasman Bay Marlborough Chardonnay 2000	Top100 – Gold
		2000 Kumeu River Kumeu Chardonnay	Top100 – Gold
		Villa Maria Cellar Selection Hawkes Bay Chardonnay 2000	Top100 – Gold
		Gibbston Valley Wines Blanc De Pinot Noir 2001	Top100 – Gold
		Martinborough Vineyard Pinot Noir 2000	Top100 – Gold
		Palliser Estate Pinot Noir 2000	Top100 – Gold
		Highfield Pinot Noir 2000	Top100 – Gold
		Villa Maria Reserve Noble Riesling 2000	Top100 – Gold

Note: Trophy and Gold awards only; Source: Wine New Zealand, Competition Websites, Winesofnz.com

APPENDIX 4 – PROFILES OF MAJOR NEW ZEALAND WINE REGIONS

This appendix provides brief profiles of New Zealand's major wine regions

AUCKLAND/NORTHLAND PROFILE



Subregions

Northland

Matakana/Mahurangi

Kumeu/Huapai

Henderson Valley

Clevedon/South Auckland

Waiheke Island

Regional Statistics

# Wineries:	100
CAGR (92-05):	3.2%
Hectares:	514
CAGR (92-05):	6.3%
% total:	2.4%
Production (tonnes):	1,131
CAGR (92-05):	-0.4%
% total:	0.8%
Price per tonne:	$1,702.06

Environment

Soils: shallow clays over hard, silty-clay sub-soils or sandy loams

Climate: Subtropical, high rainfall and humidity

Temperature:	20°C
Rainfall:	Henderson - 1,342mm
Frost days:	Leigh - 0, Henderson - 9
GDD:	1,404 - 1,662°C

Major Wineries

Montana	Babich
Villa Maria	Delegat's
Nobilo	Coopers Creek
Matua Valley	Stonyridge

Key Varieties (% producing hectares)

Chardonnay	22%
Merlot	20%
Cab Sauvignon	17%
Other	41%

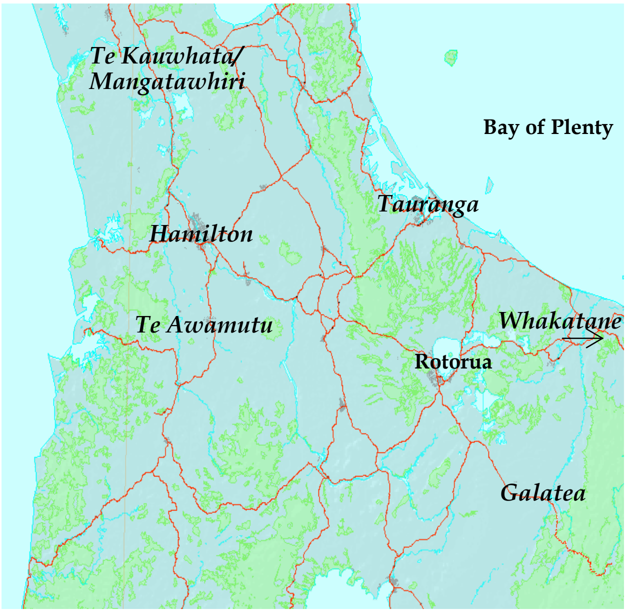
Vintage Quality Ratings

	1997	1998	1999	2000	2001	2002	2003	2004	2005
White	◑	●	●	●	◑	●	◑	●	●
Red	◑	●	●	●	◑	●	◑	●	●

Note: Data for 2005 unless otherwise stated, Temperature = Mean annual temperature, warmest month, GDD = growing degree days, Oct-Apr, above 10°C, Source: various NZW Statistical Annuals, New Zealand Grape Growers Council, Industry Interviews, Michael Coopers Buyers Guide (for ratings), Coriolis analysis

○ *below average* ◑ *average* ● *above average*

WAIKATO/BAY OF PLENTY PROFILE



Subregions

Te Kauwhata/Mangatawhiri

Te Awamutu/Hamilton

Tauranga/Whakatane

Galatea

Regional Statistics

# Wineries:	17
CAGR (92-05):	5.0%
Hectares:	148
CAGR (92-05):	0.7%
% total:	0.7%
Production (tonnes):	210
CAGR (92-05):	5.4%
% total:	0.2%
Price per tonne:	$3,437.87

Environment

Soils: heavy loam over clay subsoil; BOP chiefly volcanic loam

Climate: moderately warm, with high; sunshine hours, humidity and rainfall

Temperature:	19.1^{O}C
Rainfall:	Waik. – 1,198, BOP 1,178mm
Frost days:	10
GDD:	1,395^{O}C

Major Wineries

Morton Estate

Mills Reef

Key Varieties (% producing hectares)

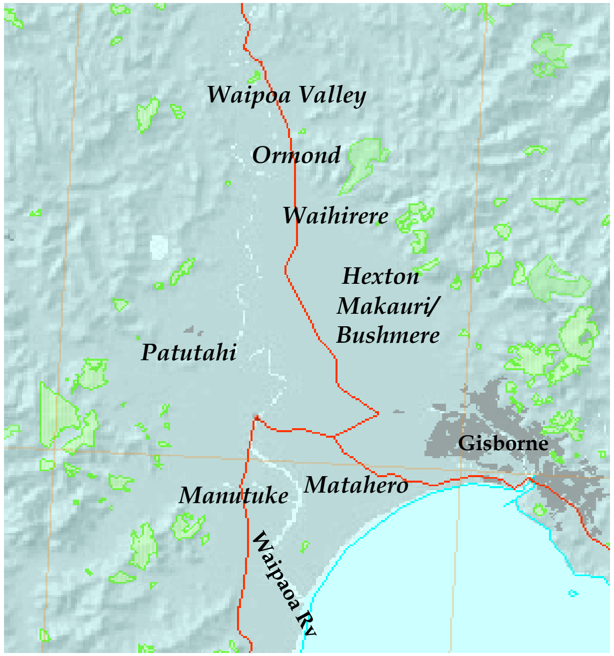
Chardonnay	15%
Cab Sauvignon	13%
Sauvignon blanc	10%
Other	62%

Vintage Quality Ratings

	1997	1998	1999	2000	2001	2002	2003	2004	2005
White	◑	◑	◑	●	◑	◑	○	○	●
Red	◑	●	●	●	◑	◑	○	○	◑

Note: Data for 2005 unless otherwise stated, Temperature = Mean annual temperature, warmest month, GDD = growing degree days, Oct-Apr, above 10ºC, Source: various NZW Statistical Annuals, New Zealand Grape Growers Council, Industry Interviews, Michael Coopers Buyers Guide (for ratings), Coriolis analysis ○ *below average* ◑ *average* ● *above average*

GISBORNE PROFILE



Subregions

Patutahi	Waipoa Valley
Ormond/Hexton	Makauri/Bushmere
Manutuke	Waihirere
Matawhero	

Regional Statistics

# Wineries:	19
CAGR (92-05):	8.0%
Hectares:	1,890
CAGR (92-05):	1.8%
% total:	9.0%
Production (tonnes):	22,493
CAGR (92-05):	1.1%
% total:	16.1%
Price per tonne:	$942.73

Environment

Soils: Alluvial loams over sandy or volcanic sub-soils of moderate fertility

Climate: High sunshine hours warm temperatures, cool sea breezes

Temperature:	19.2°C
Rainfall:	Gisborne – 905mm
Frost days:	Gisborne -5, Manutuke - 10
GDD:	1,379 - 1,468°C

Major Wineries

Montana

Key Varieties (% producing hectares)

Chardonnay	59%
Merlot	6%
Muscat	6%
Other	62%

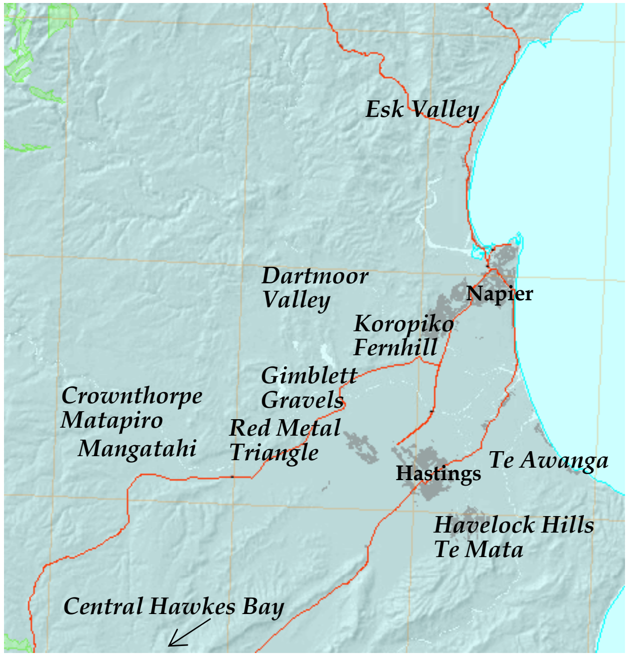
Vintage Quality Ratings

	1997	1998	1999	2000	2001	2002	2003	2004	2005
White	◑	◑	◑	●	◑	◑	◑	◑	◑
Red	◑	●	●	●	◑	◑	◑	●	◑

Note: Data for 2005 unless otherwise stated, Temperature = Mean annual temperature, warmest month, GDD = growing degree days, Oct-Apr, above 10°C, Source: various NZW Statistical Annuals, New Zealand Grape Growers Council, Industry Interviews, Michael Coopers Buyers Guide (for ratings), Coriolis analysis

○ *below average* ◑ *average* ● *above average*

HAWKE'S BAY PROFILE



Subregions

Esk Valley	Red Metal Triangle
Dartmoor Valley	Havelock Hills/Te Mata
Mangatahi	Te Awanga
Koropiko/Fernhill	Central Hawkes Bay
Crownthorpe/Matapiro	
Gimblett Gravels	

Regional Statistics

# Wineries:	62
CAGR (92-05):	8.7%
Hectares:	4,249
CAGR (92-05):	7.9%
% total:	20.2%
Production (tonnes):	28,098
CAGR (92-05):	5.4%
% total:	20.2%
Price per tonne:	$1,458.38

Environment

Soils: wide range of soils; majority alluvial floodplain soils of moderate fertility

Climate: High sunshine hours, warm summer dry autumn, frosts prone

Temperature:	18.5°C
Rainfall:	Napier – 741mm
Frost days:	Hastings - 21, Havelock - 36
GDD:	1,270°C

Major Wineries

Church Road	Mission
Kim Crawford	Sacred Hill
Esk Valley	Trinity Hill
CJ Pask	Vidal

Key Varieties (% producing hectares)

Merlot	26%
Chardonnay	25%
Sauvignon blanc	12%
Other	37%

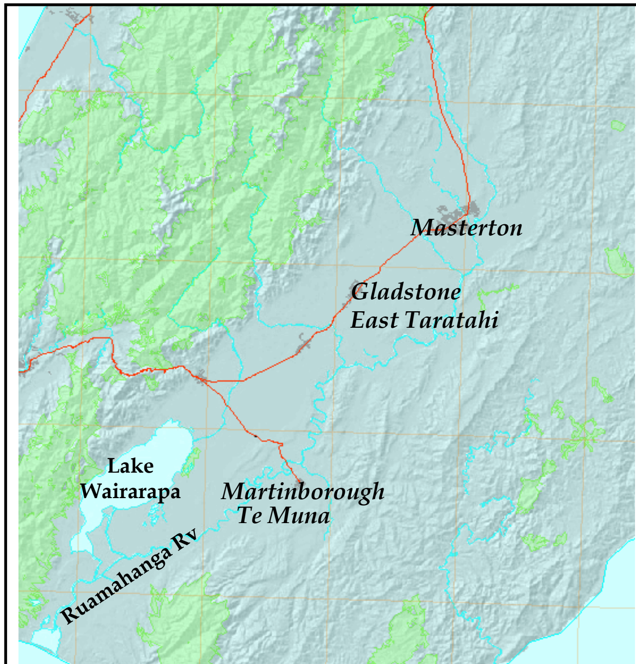
Vintage Quality Ratings

	1997	1998	1999	2000	2001	2002	2003	2004	2005
White	●	●	●	●	◑	●	◑	●	◑
Red	◑	●	●	●	◑	●	◑	●	◑

Note: Data for 2005 unless otherwise stated, Temperature = Mean annual temperature, warmest month, GDD = growing degree days, Oct-Apr, above 10°C, Source: various NZW Statistical Annuals, New Zealand Grape Growers Council, Industry Interviews, Michael Coopers Buyers Guide (for ratings), Coriolis analysis

○ *below average* ◑ *average* ● *above average*

WAIRARAPA PROFILE



Subregions

Martinborough

Te Muna

South Martinborough

Masterton

Gladstone/East Taratahi

Regional Statistics

# Wineries:	54
CAGR (92-05):	8.8%
Hectares:	779
CAGR (92-05):	12.9%
% total:	3.7%
Production (tonnes):	1,649
CAGR (92-05):	14.6%
% total:	1.2%
Price per tonne:	$2,819.79

Environment

Soils: Free draining shallow loams with gravelly sub-soils

Climate: Warm summer temps., and cool dryish autumns, strong winds and frosts

Temperature:	18.4^{o}C
Rainfall:	Martinborough - 728mm
Frost days:	Martinborough -18
GDD:	1,081, - 1,189^{o}C

Major Wineries

Palliser

Ata Rangi

Martinborough Vineyard

Key Varieties (% producing hectares)

Pinot Noir	58%
Sauvignon blanc	19%
Chardonnay	10%
Other	13%

Vintage Quality Ratings

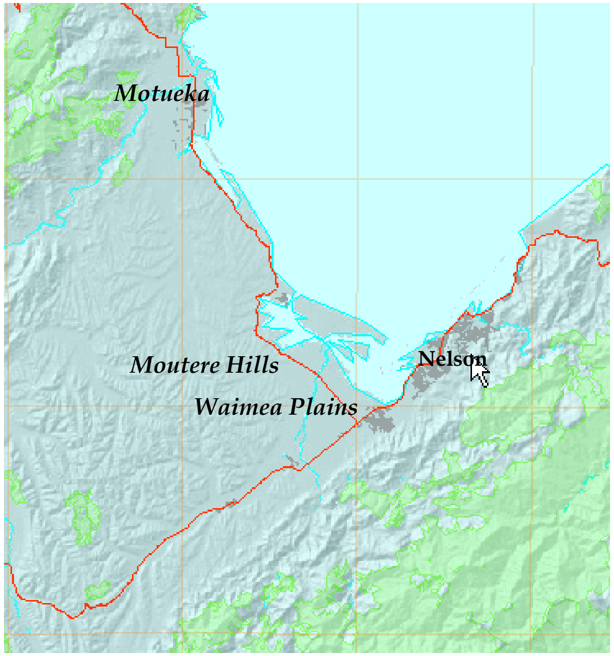
	1997	1998	1999	2000	2001	2002	2003	2004	2005
White	●	●	●	●	●	●	●	◑	○
Red	●	●	●	●	●	●	●	◑	○

CORIOLIS RESEARCH

Note: Data for 2005 unless otherwise stated, Temperature = Mean annual temperature, warmest month, GDD = growing degree days, Oct-Apr, above 10^{o}C, Source: various NZW Statistical Annuals, New Zealand Grape Growers Council, Industry Interviews, Michael Coopers Buyers Guide (for ratings), Coriolis analysis

○ *below average* ◑ *average* ● *above average*

NELSON PROFILE



Subregions

Waimea Plains

Moutere Hills

Motueka

Regional Statistics

# Wineries:	29
CAGR (92-05):	10.4%
Hectares:	646
CAGR (92-05):	19.0%
% total:	3.1%
Production (tonnes):	2,454
CAGR (92-05):	19.3%
% total:	1.8%
Price per tonne:	$1,836.99

Environment

Soils: Alluvial loam over Plains, otherwise clay loams and gravels over clay sub-soil

Climate: Very high sunshine hours hot summers, cold winters, close to sea

Temperature:	Appleby 17.8^{O}C
Rainfall:	Nelson – 932mm
Frost days:	Appleby - 21
GDD:	1,129 - 1,175^{O}C

Major Wineries

Seifried

Waimea Estates

Key Varieties (% producing hectares)

Sauvignon blanc	38%
Pinot Noir	22%
Chardonnay	21%
Other	19%

Vintage Quality Ratings

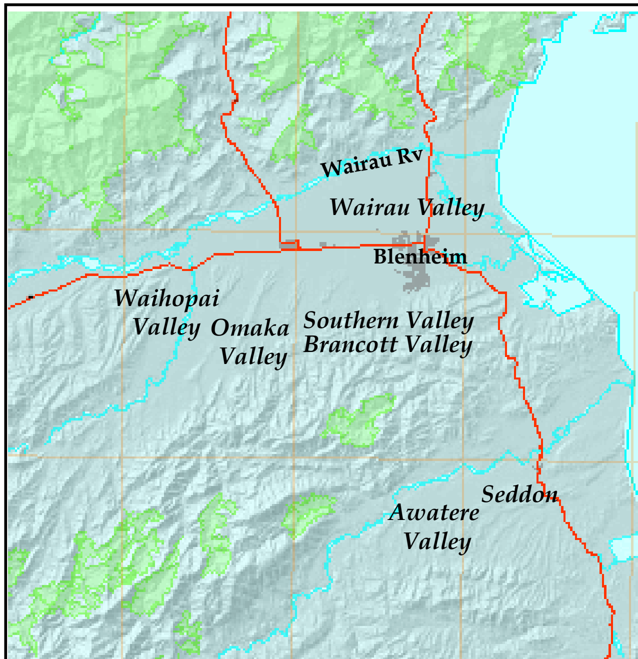
	1997	1998	1999	2000	2001	2002	2003	2004	2005
White	●	●	●	●	●	●	◑	◑	◑
Red	●	●	●	●	●	●	●	◑	◑

CORIOLIS RESEARCH

Note: Data for 2005 unless otherwise stated, Temperature = Mean annual temperature, warmest month, GDD = growing degree days, Oct-Apr, above 10^{o}C, Source: various NZW Statistical Annuals, New Zealand Grape Growers Council, Industry Interviews, Michael Coopers Buyers Guide (for ratings), Coriolis analysis

○ below average ◑ average ● above average

MARLBOROUGH PROFILE



Subregions

Wairau Valley
Awatere Valley
Seddon
Southern Valley /Brancott Valley
Omaka Valley
Waihopai Valley

Regional Statistics

# Wineries:	101
CAGR (92-05):	17.1%
Hectares:	9,944
CAGR (92-05):	13.6%
% total:	47.3%
Production (tonnes):	81,034
CAGR (92-05):	12.4%
% total:	58.1%
Price per tonne:	$2,201.47

Environment

Soils: Free draining alluvial loams over gravelly sub-soil, overall very variable

Climate: Very high sunshine hours, cool nights long growing season

Temperature:	17.8°C
Rainfall:	Blenheim – 696mm
Frost days:	Blenh. - 38, Wither Hills - 23
GDD:	1,127 - 1,218°C

Major Wineries

Montana	Wairau River
Saint Clair	Grove Mill
Cloudy Bay	Oyster Bay
Hunter's	Wither Hills

Key Varieties (% producing hectares)

Sauvignon blanc	62%
Pinot Noir	14%
Chardonnay	12%
Other	12%

Vintage Quality Ratings

	1997	1998	1999	2000	2001	2002	2003	2004	2005
White	●	◑	●	●	●	◑	◑	●	◑
Red	◑	●	●	●	●	●	◑	◑	◑

Note: Data for 2005 unless otherwise stated, Temperature = Mean annual temperature, warmest month, GDD = growing degree days, Oct-Apr, above 10°C, Source: various NZW Statistical Annuals, New Zealand Grape Growers Council, Industry Interviews, Michael Coopers Buyers Guide (for ratings), Coriolis analysis

○ *below average* ◑ *average* ● *above average*

CANTERBURY PROFILE

Regional Statistics

# Wineries:	50
CAGR (92-05):	8.2%
Hectares:	853
CAGR (92-05):	13.7%
% total:	4.1%
Production (tonnes):	895
CAGR (92-05):	10.9%
% total:	0.6%
Price per tonne:	$1,925.59

Environment

Soils: Free draining silty loams overlying river gravels

Climate: high sunshine, warm dry summers, long dry autumns, cold winters and frosts

Temperature:	Waipara -17.8, Linc. – 16.8^{O}C
Rainfall:	CHCH – 606mm
Frost days:	Waipara - 35, Lincoln - 36
GDD:	973 - 1,117^{O}C

Subregions

Canterbury Plains

Waipara Valley

Banks Peninsula

Major Wineries

Giesen

Pegasus Bay

St Helena

Waipara Springs

Key Varieties (% producing hectares)

Pinot Noir	33%
Riesling	31%
Chardonnay	14%
Other	22%

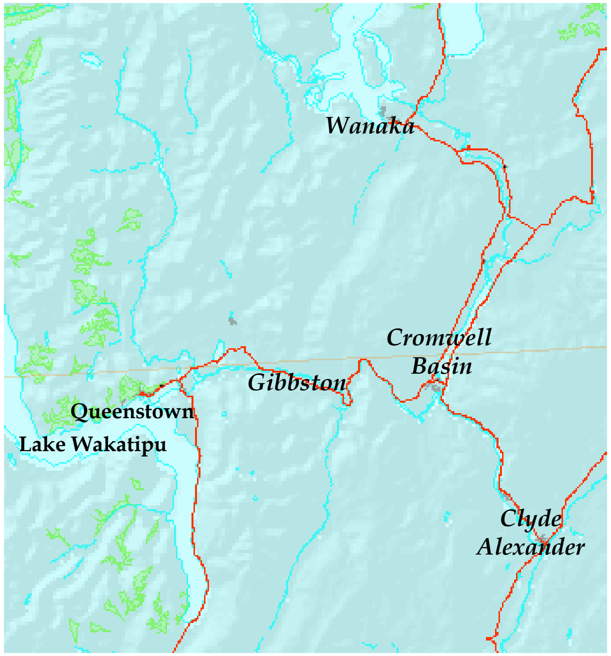
Vintage Quality Ratings

	1997	1998	1999	2000	2001	2002	2003	2004	2005
White	●	●	●	●	●	●	◑	◑	◑
Red	●	●	●	●	●	●	●	◑	◑

Note: Data for 2005 unless otherwise stated, Temperature = Mean annual temperature, warmest month, GDD = growing degree days, Oct-Apr, above 10°C, Source: various NZW Statistical Annuals, New Zealand Grape Growers Council, Industry Interviews, Michael Coopers Buyers Guide (for ratings), Coriolis analysis

○ *below average* ◑ *average* ● *above average*

CENTRAL OTAGO PROFILE



Subregions

Cromwell Basin

Gibbston

Clyde/Alexander

Wanaka

Regional Statistics

# Wineries:	82
CAGR (92-05):	22.3%
Hectares:	978
CAGR (92-05):	32.6%
% total:	4.7%
Production (tonnes):	1,441
CAGR (92-05):	26.1%
% total:	1.0%
Price per tonne:	$3,454.04

Environment

Soils: Mostly loess or alluvial deposits, vary from sands to silt loam and schist rock

Climate: hot summers, cold winters, significant diurnal temps. High frost danger

Temperature:	Alex – 16.6, Cromwell - 17.7^{O}C
Rainfall:	Qtn – 997, Cromwell - 479
Frost days:	Alex. - 107, Cromwell - 85
GDD:	910 - 989^{O}C

Major Wineries

Peregrine

Gibbston Valley

Mt Difficulty

Key Varieties (% producing hectares)

Pinot Noir	77%
Pinot Gris	7%
Chardonnay	6%
Other	10%

Vintage Quality Ratings

	1997	1998	1999	2000	2001	2002	2003	2004	2005
White	◑	●	●	◑	●	●	◑	○	◑
Red	●	●	●	◑	●	●	◑	◑	◑

Note: Data for 2005 unless otherwise stated, Temperature = Mean annual temperature, warmest month, GDD = growing degree days, Oct-Apr, above 10^{o}C, Source: various NZW Statistical Annuals, New Zealand Grape Growers Council, Industry Interviews, Michael Coopers Buyers Guide (for ratings), Coriolis analysis

○ *below average* ◑ *average* ● *above average*

APPENDIX 5 – RECENT INTERNATIONAL LAND INVESTMENT ACTIVITY
This appendix profiles international investments in land for wine in 2005

RECENT OVERSEAS LAND INVESTMENT ACTIVITY
The following investments were made in land for wine in 2005…

Profile of Overseas Investment in New Zealand wine grape land (various; 2005)

Date	Buyer	Countires	Seller	Area	Hectares	Consideration	Notes
Nov 2005	Nobilo Wine Gp	USA	Stuart Leslie	Marlborough	91.3	N/A	New vineyard development
Oct 2005	Ohsawa Kogyo Co.	JAP	Craggy Range Vineyards	Hawkes Bay	43.1	$1.6m	Land; planning to develop a vineyard, winery and restaurant
Sept 2005	Merrilea Vineyards	USA	Glenbeigh Vineyards	Marlborough	16.2	$0.17m	New vineyard development
Sept 2005	Stirling McArthur	UK	Winder Trust (UK)	Otago	443	$1.47m	Development and sale of vineyard allotments
Sept 2005	Nobilo Wine Gp	USA	Boundary Creek Estate	Marlborough	25.8	$3.9m	Planted vineyards
Sept 2005	Nobilo Wine Gp	USA	Block 3 & Wainui Farm Vineyard	Marlborough	26.4	$3.4m	Planted vineyards
Aug 2005	Catalina Sounds	AUS	A & R Henderson	Marlborough	36.3	$1.5m	Propose to develop vineyard
Jul 2005	Sandler Family Trust	HK	BM Harte	Hawke's Bay	6.7	$0.5m	Plant vines, grocers and tourist accommodation
Jul 2005	Sandler Family Trust	HK	West Quay Holdings	Hawke's Bay	6.3	$1.6m	Plant vines
Jun 2005	Allied Domecq	UK	RS Blick	Marlborough	8.1	$1.0	Planted vineyards

Source: Overseas Investment Office; Coriolis analysis

RECENT OVERSEAS LAND INVESTMENT ACTIVITY
The following investments were made in land for wine in 2005… (continued)

Profile of Overseas Investment in New Zealand wine grape land (various; 2005)

Date	Buyer	Countries	Seller	Area	Hectares	Consideration	Notes
Jun 2005	GP Taggart	UK	Central Otago Pinot Noir Estates	Otago	11.8	$0.5m	Development of vineyard for sale
Jun 2005	Stirling McArthur	UK	Central Otago Pinot Noir Estates	Otago	42.1	$2.9m	Development of vineyard for sale
May 2005	Vladi & Fellmann	LUX/GER	KJ Prain & Fulton	Marlborough	8.0	$2.6m	Established Vineyard and homestay
May 2005	Lion Nathan	JAP/AUS	Kiwi Vineyard	Marlborough	258	$2.25m	25% interest in Waihopai River Vineyard which owns 60% 258ha vineyard development
May 2005	Allied Domecq	UK	AM Beverley	Nelson	30.0	$4.7m	Established Vineyard
May 2005	Morton Estate	CAN	IL & AH Souness	Marlborough	44.8	$0.8m	For vineyard development
Apr 2005	Pear Tree Vineyard	AUS/NZ	GW & J Sorenson	Marlborough	21.3	$1.1m	For vineyard development
Feb 2005	PC Bell	UK	DH Harley	Hastings	9.0	$1.6m	Lifestyle vineyard unit of 1.5ha
Feb 2005	Allied Domecq	UK	Giesen Wines	Marlborough	28.2	$5.6m	Established vineyard

Source: Overseas Investment Office; Coriolis analysis

APPENDIX 6 – RESEARCH AND EDUCATIONAL SUPPORT FOR INDUSTRY
This appendix profiles the research and educational support available for the industry

ENVIRONMENTAL ISSUES
While New Zealand winegrowers face a number of environmental issues, none pose a major threat or are unique to the country

Grape growing Environmental Issues
(2006)

Factor	Issue
Pests	– Relatively pest free due to stringent border control – Spider Mite and Leafroller in South island – Mealy bug issue in the north island – Birds issue for most regions – Phylloxera – control by grafting resistant root stock
Diseases	– Botrytis (rot) & mildews largest isssue – natural biological control agent developed – Bacteria Agrobacterium causes Crown gall – Fungus Eutypa Lata causes Dead arm – Soil born diseases include; Verticillium wilt and Armillaria root rot – Bunch stem necrosis
Frost	– Late spring frosts issue in most regions – irrigation, windmills and helicopters used

Source: MAF, HortResearch

SUSTAINABLE WINEGROWING NEW ZEALAND (SWNZ)
The New Zealand wine industry wants to maintain its stunning unspoilt landscape image

"Our wine is sold throughout the world as 'The Riches of a Clean, Green Land'. Being able to certify them as having been produced sustainably, is fundamental to substantiating our industry claim." *SWNZ*

Sustainable Winegrowing New Zealand (SWNZ) provide a "best practice" model of environmental practices in the vineyard and winery. The wine industry member work towards improving all aspects of their performance in terms of environmental, social and economic sustainability in both the vineyard and the winery.

Accreditation is awarded to a large number of New Zealand's vineyards and wineries

POINT-OF-VIEW: RESEARCH
Interviewees felt New Zealand had strong wine and vineyard research and research capabilities

- **"There have been huge advances in viticulture management, in terms of water use and canopy management."** *Winemaker and winery manager, Medium-sized company, Marlborough 1*

- **"The more you can learn about the thing that is giving you your bread and butter the better your chances of improving and getting more out of it."** *Owner and Managing Director, Medium-sized company, Marlborough 2*

- **"Most of the change and developments have been at the vineyard level. But most of it is tweaking."** *Owner and Managing Director, Medium-sized company, Marlborough 2*

- **"The Government has put a lot of money into the Marlborough Research Institute, money from our levies goes into research. It's good to see that sort of research."** *General Manager, Marketing, Medium-sized company, Marlborough 6*

- **"Innovation is coming from viticulture management, through the vineyard and technology in the vineyard. There is a better understanding pf the land through thermal imaging and mapping. Planning irrigation and planting strategies based upon the information received from them. The aim is to get even canopy growth. If you have fantastic grapes you can make fantastic wine, it's simple. If you have average grapes its hard to make fantastic wine. There is some innovation in wine making. There are yeast trials which have some advances to make."** *General Manager, Marketing, Medium-sized company, Marlborough 6*

KEY R&D DEVELOPMENTS
New Zealand winegrowers has recently developed an innovative treatment for Botrytis

Organisation	Summary	Description
New Zealand Wine Growers[1]	**Development of BOTRY-Zen[2]**	**– Botrytis is a major fungal grape disease which causes considerable crop losses and premature harvesting; the control of which leads to the majority of chemical resides in NZ Wine. – BOTRY-Zen a biological control agent (accredited for use with organic production) – BOTRY-Zen is a spore of a non-pathogenic fungus which competes for the same ecological niche as botrytis**

1. Joint venture between HortResearch, NZWine and Zenith Technology Corporation Limited (Zentech); 2. Botry-Zen is both the publicly listed company name and product name;
Source: NZ Wine R&D Strategic Plan 2005, BotryZen LTd website,

R&D - RESEARCH INSTITUTES
A number of Crown Research Institutes research the wine industry

Organisation	Ownership	Projects
HortResearch	CRI[1]	Sensory and consumer science – identifying smells/flavour cursors in Sauvignon Blanc Water – amount and timing of irrigation for optimal use of available water for crops Water Management - Water requirements for grapes Analytical services - Fungicide detection in wine Effects of climate on grapes Pest and Disease Management – e.g. botrytis Developing wines for Asian tastes
Crop & Food Research	CRI[1]	Development of fining agent in wine making in conjunction with 'Sealord' Spray drift research Reducing insecticides Pest Biology
Manaaki Whenua- Landcare Research NZ	CRI[1]	Reducing Fungicides
Ministry of Agriculture and Fisheries	Government	Fund a number of projects Sustainable Farming Fund
Foundation for Research, Science & Technology	Government	Fund projects The Foundation, Auckland University, Marlborough Wine Research Centre develop a distinctive NZ style Sauvignon Blanc
Marlborough Wine Research Centre[2]	Trust	Sauvignon Blanc Aroma programme $9.6 million over 6 years Research lab, education Sensory research GIS mapping of Marlborough

1. Crown Research Institute; 2. Marlb DC, Marlb. Regional Development Trust, Marlborough Research Centre Trust, HortResearch, Nelson Marlb. Institute of Technology; Source: Online data search, select Govt Depts,

EDUCATION – VITICULTURE
Eight major facilities provide courses and degrees in New Zealand for the wine industry

Institute	Contact	Courses
Lincoln University	wine@lincoln.ac.nz	Degrees, diploma and certificate courses in grapes and wine growing
University of Auckland	winescience@auckland.ac.nz	MSc in Wine Science University of Auckland Wine Science Research
Otago Polytechnic (Cromwell Campus)	andreap@tekotago.ac.nz	Diploma in Viticulture
Christchurch Polytech	www.cpit.ac.nz	Certificate in Viticulture and Wine Production
The Tairawhiti Polytechnic Institute - Gisborne	www.tairawhiti.ac.nz	Certificate in Grapegrowing and Winemaking
Eastern Institute of Technology – Hawkes Bay	www.eit.ac.nz	Degree in Viticulture and Wine Science, certificate in Grape Growing and Wine Science
Nelson Marlborough Institute of Technology	www.nmit.ac.nz	Degree in Viticulture and Oenology, Diploma in Viticulture and Wine Production and Certificates in Vineyard Practice
NZ Hort Industry Training Organisation	www.hortito.org.nz	Provides apprenticeships and training in viticulture throughout New Zealand
HortAlliance[1]	www.massey.ac.nz www.eit.ac.nz www.hortresearch.co.nz	Horticulture Education – viticulture professional education provided by Charles Sturt University in Australia

1. Collaborative joint venture with Massey University, Eastern Institute of Technology and HortResearch
Source: Various Sources

APPENDIX 7 – LEGISLATION
New Zealand has three wine specific pieces of legislation

1. **Customs and Excise Act 1996**

2. **The Wine Act 2003**

3. **The Geographical Indications (Wine and Spirit) Bill 2005**

CUSTOMS AND EXCISE ACT 1996

- **Excise duty must be paid on the production of wine. Excise is a tax levied on wineries by the Government under the Customs and Excise Act. The manufacture, import and export of wine is subject to the control of the New Zealand Customs Service.**

- **The government currently had a duty on wine based on a per litre basis and indexed to the rate of inflation. It is adjusted annually by the CPI (Consumer Price Index). As at January 2005 the annual rate was NZ $2.198 per litre of wine.**

THE WINE ACT 2003

- This act replaced the Wine Maker Act 1981 and the Wine Markers Levy Act of 1976. The Wine Act establishes a new integrated regime for the production and export of wine. The objectives of the Wine Act are as follows:
  - To set standards for identity, truthfulness in labelling, and safety of wine:
  - To minimise and manage risks to human health arising from the making of wine and ensuring compliance with wine standards:
  - To facilitate the entry of wine into overseas markets by providing the controls and mechanisms needed to give and safeguard official assurances issued for the purpose of enabling entry into those markets:
  - To enable the setting of export eligibility requirements to safeguard the reputation of New Zealand wine in overseas markets:
  - To promote consultation with industry organisations on the regulation of the industry, as an aid to fostering efficiency and growth in the New Zealand wine industry:
  - To enable levies to be imposed on winemakers for payment to entities representing their interests for the funding of industry-good activities.
- Wine Makers Regulations 1990 covers primarily administrative issues relating to application for winemakers to licences and their renewal, transfer and removal.
- New Zealand Food Regulations in the Food Hygiene Regulations 1974 and Food Regulations 1984, detail the requirements for the manufacture of wine and the requirements for their premises.

THE GEOGRAPHICAL INDICATIONS (WINE AND SPIRIT) BILL 2005

- **The Geographic Indicators Bill (GI) is currently before parliament. The purpose of the bill is:**
  - **"to…provide a sound trading and marketing environment that facilitates, rather than creates barriers to, the trade in wine and spirits." (cl 3)**

- **The Bill introduces a structure for the development of terroirs in New Zealand. There is currently no strict legal definition or regulation of New Zealand winemaking areas (or "terroirs") in the same way that the French and Germans jealously guard their regions' reputations and winemaking characteristics.**

- **The GI Bill raises many questions for New Zealand winemakers, part of a relatively young winemaking industry still experimenting with new varieties, techniques and marketing.**