

Allied Domecq World Wines

1 September, 2003

creating a world class wine business




introduction

DAVID SCOTLAND
President, Allied Domecq World Wines



July 02, Rioja - key messages

- "Wines People Want"
- Create leading premium wine company of global scale
- Focus on:
 - UK and US route to market
 - Premium brands
 - Cost synergies
- Delivering shareholder value  ROI 10% year 5



agenda

- | | |
|----------------------|----------------|
| • Business Update | David Scotland |
| • World Wine Trends | Warrick Duthy |
| • Delivering 10% ROI | Richard Hill |
| • US Wines Update | Bill Newlands |
| • Summary | David Scotland |

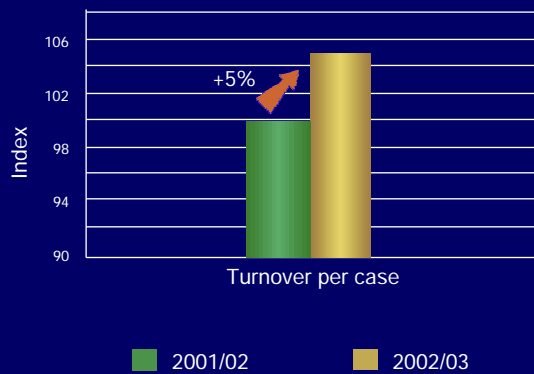


resilience of Allied Domecq World Wines

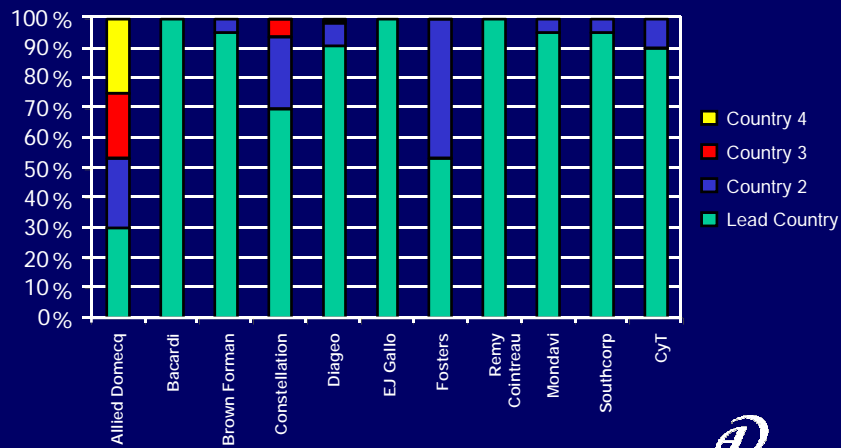
- SARS and Gulf War
- Slow world economies
- Price deflation in key markets
- Frost in New Zealand and Champagne



mix



ADWW has unique production hedge across four high profile wine sources, unlike our main competitors



Source : Euromonitor/ADWW estimates



resilience of Allied Domecq World Wines

- SARS and Gulf War
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- Price deflation in key markets
- Frost in New Zealand and Champagne



business firmly on track

- EBIT c. £95m
12%+ organic growth
- ROI c. 5%



other highlights

- USA
- UK
- Argentina
- Duty free
- Smaller markets
- The future...

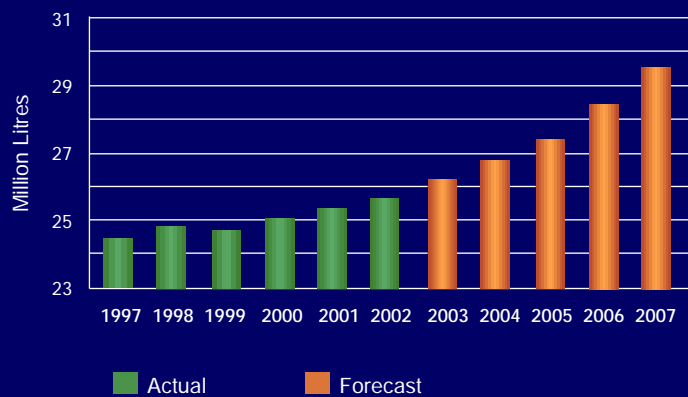


the world wine market

WARRICK DUTHY
Business Development Director



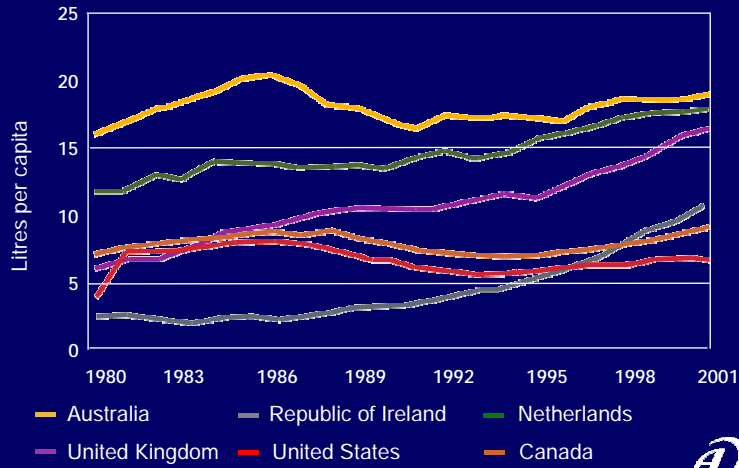
the global wine market continues to grow



Source : Euromonitor



growth in per capita consumption in developed countries is driving this trend



Source : World Drink Trends, WARC



wine recession driven by
New World surpluses

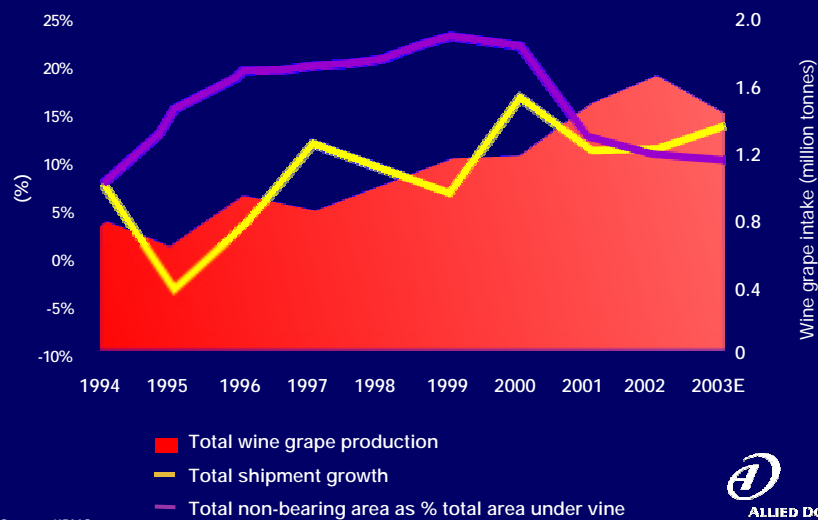


ADWW is better insulated against supply and price pressure

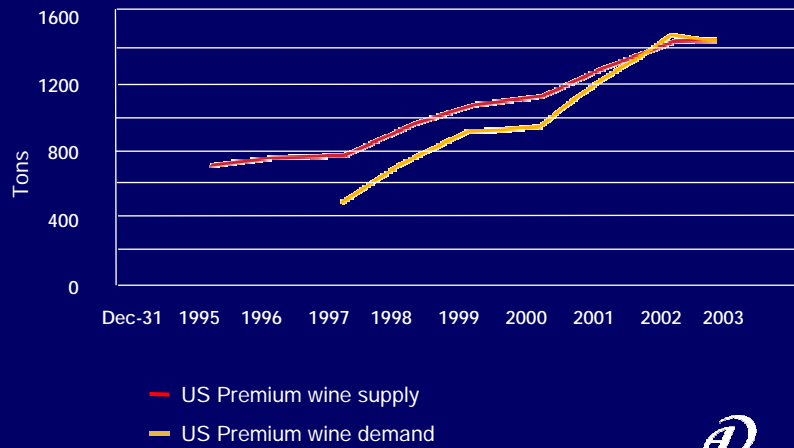
- Low vineyard ownership and limited supply commitments
- High proportion of profit from wines sourced from Champagne, Rioja and New Zealand
- Focus on strong premium brands that can sustain price points
- Robust brand price ladders support premium price point



Australian grape supply is coming back into balance



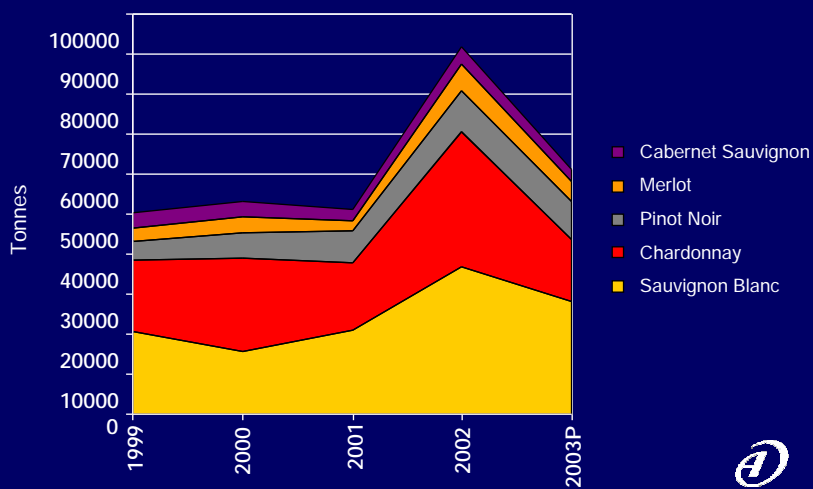
discounting has reduced surplus inventories



Source : Austock Report 2003



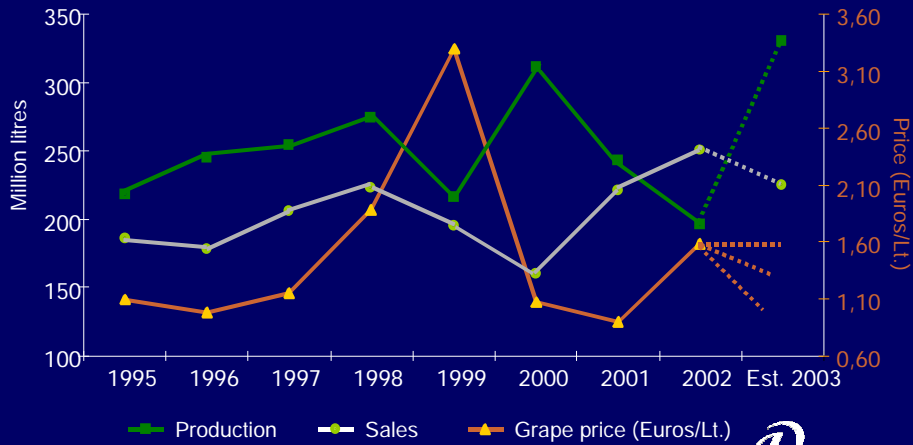
the New Zealand vintage is very low, at 35% down



Source : KPMG



the old world is structured differently, as evidenced by fluctuations in the Rioja grape prices



Source : Bodegas y Bebidas/Rioja Document



prognosis

- Continued old world oversupply
- Southern Hemisphere imbalances, but surpluses unlikely mid-term
- USA shortages likely
- Argentina opportunity high



AD competitively well placed
to increase margins



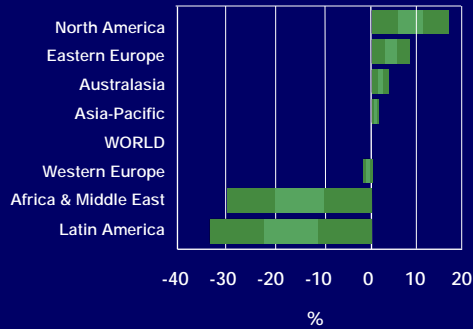
relative discounting in the UK

	% total sales on promotion	Depth of discount
Many Australian "brands"	80%	BOGOF 3 for £12
Montana Sauvignon Blanc	17.5%	£1 off
Campo Viejo Reserva	40%	£1 off



the US remains the most attractive market in terms of growth in wine consumption

Global wine market by regions
% value growth (1997 – 2002)

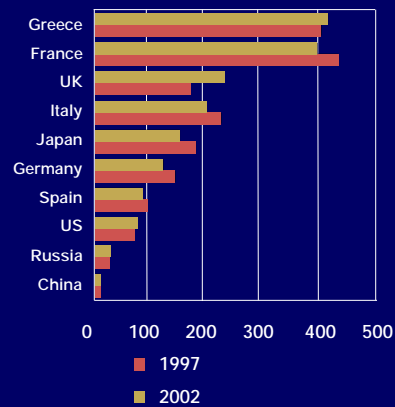


Source : Euromonitor



the US remains the most attractive market in terms of growth in wine consumption

Per capita expenditure on wine by major market (1997 – 2002)



Source : Euromonitor



in conclusion

- Businesses chosen to mitigate against supply pressure
- Focus on premium rather than commercial or iconic brands
- US brand building critical
- Cautious growth in the UK – focus on pricing + margins
- Champagne will make difference
- Spain and Argentina upside potential high



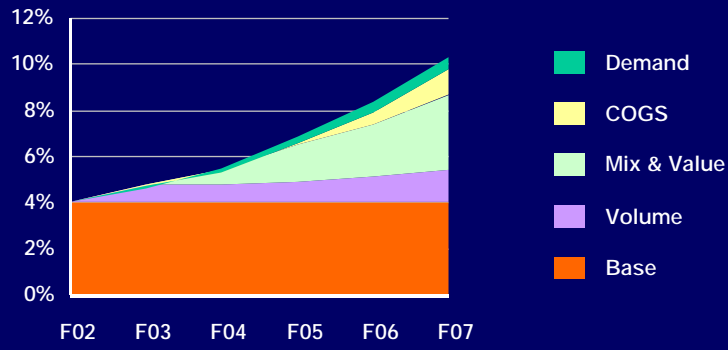
delivering 10% ROI

RICHARD HILL
Financial and Commercial Director

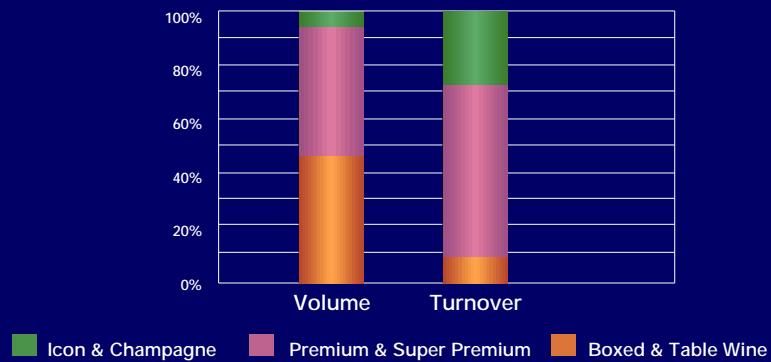


ROI target 2007

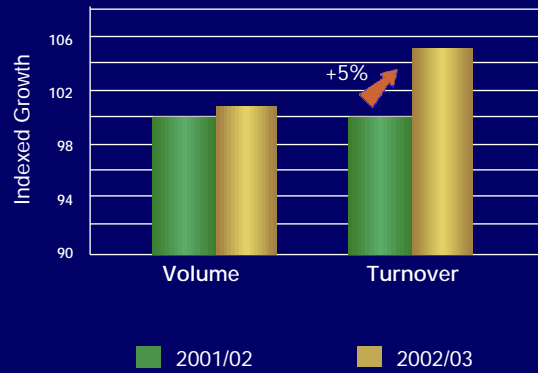
Forecast ROI 02-07



overall portfolio shape

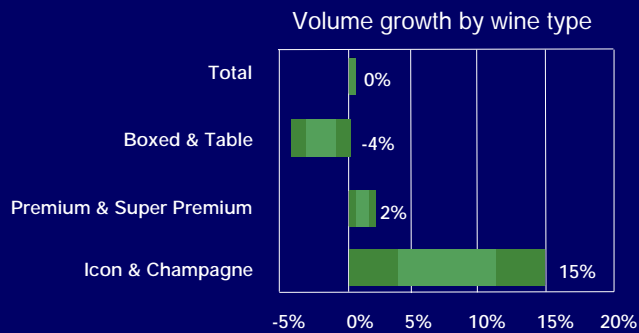


impact of mix



drivers of mix & value growth

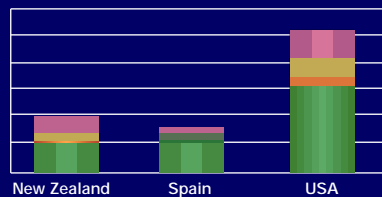
- Stronger growth in premium style wines



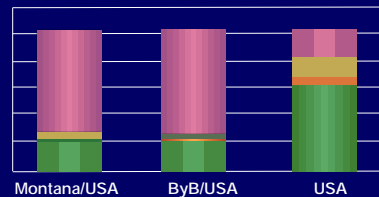
drivers of mix & value growth

- Stronger growth in premium style wines
- Import penetration in USA

Turnover rates per case – home countries



Turnover rates per case – USA



EBIT Overheads A&P COGS



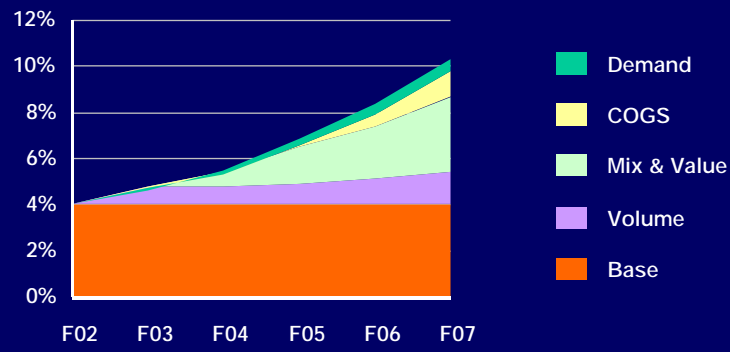
drivers of mix & value growth

- Stronger growth in premium style wines
- Import penetration in USA
- Increased sales through AD distribution
- Price increases

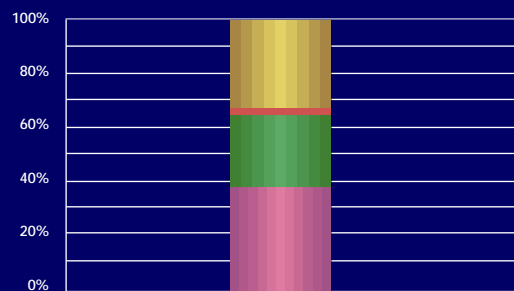


ROI target 2007

Forecast ROI 02-07



capital invested in ADWW

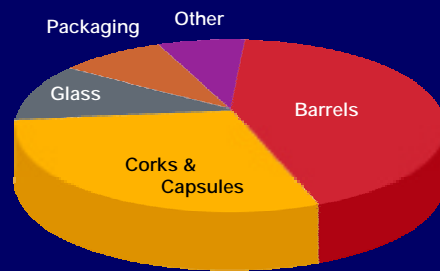


Stock Other Working Capital Fixed Assets Goodwill



driving capital efficiency

- Procurement



driving capital efficiency

- Procurement
- Grape supply
- Stock holding
- Leveraging fixed asset base



Juan Alcorta & Ysios wineries



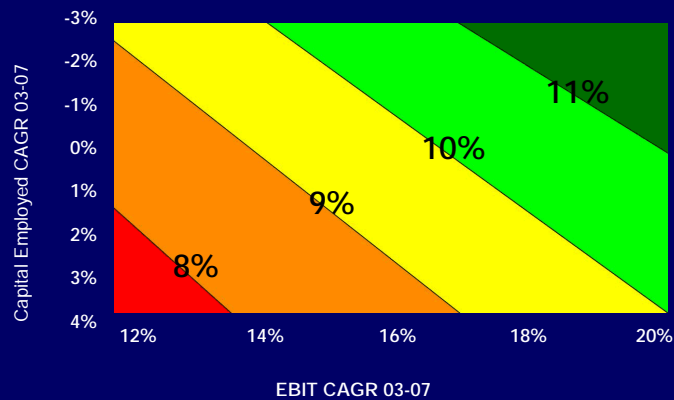
Juan Alcorta



Ysios



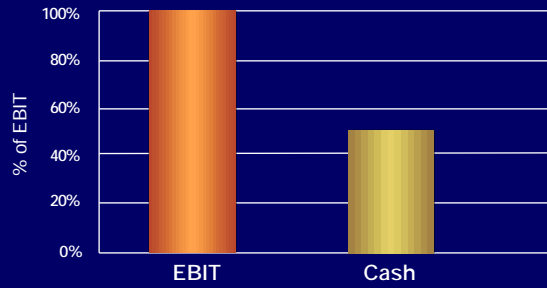
impact of EBIT and capital employed growth rates on Aug 07 ROI



Note:
Graph shows how respective annual compound growth in EBIT and capital employed between this year (03) and Aug 07 will impact ROI in Aug 07



profit conversion to cash > 50%



ADWW strategy in action

BILL NEWLANDS
President, AD Wines USA

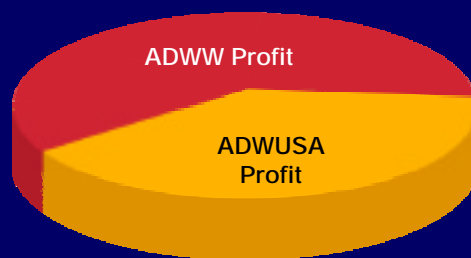


AD Wines USA

global assets.....
.....locally executed



ADW USA – vital to global plan

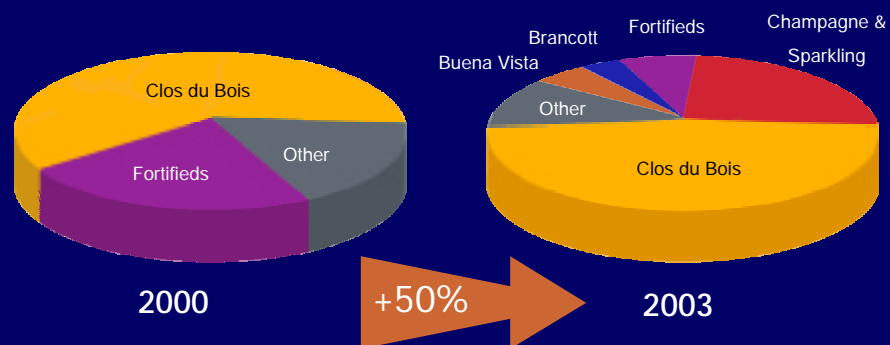


top export markets

France	US # 2
New Zealand	US # 2
Australia	US # 1
Argentina	US # 1
Spain	US # 3
Italy	US # 2



gross profit comparison '00 – '03



opportunities

- Six domestic properties
- Chateau/old world managed
- Marginally integrated
- Cost issues – historic supply
- Weak import development
- Leveraging global wine model



leveraging an integrated global wine model



operations

Chateau to matrix management

- Vineyard planning
- Global procurement
- Grape acquisition
- Asset management
- Demand led
- Central efficiency with individual wine styling



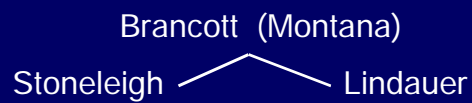
results

- \$10+ million phased CGS reduction
- Global deals for cork, barrels, glass (04)
- Reduction of wood – 35%
- Restructure of grape supply contracts
- Improved quality in bottle



import development

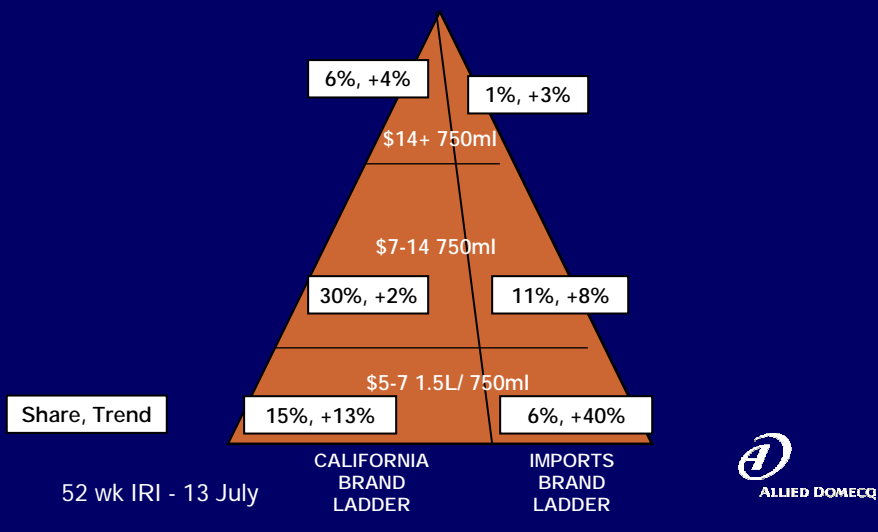
- Strengthen champagne brands driving strong mix and image gains
- Establish position as the category leader from New Zealand



- Build strong Spain and Argentina strategy to capture leading premium position



California versus import ladders



results

- Brancott Sales + 60 % YTD
 Pricing - raised 1 Sept 03
 Building Pinot Noir to complement Sauvignon Blanc
- Perrier Jouët Sales + 20 % YTD
 Pricing - raised 1 July 03

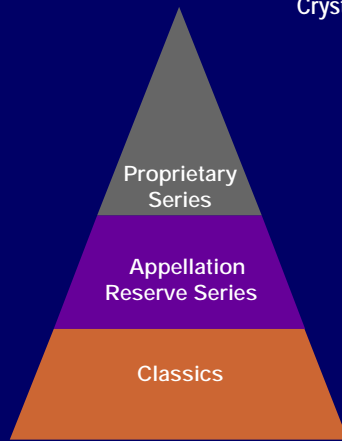


brand strategy

- Comprehensive review of entire portfolio
- Increased brand laddering
- Quality/value – the Montana model
- Getting image/volume mix right
- Emphasis on channels/market opportunity



Clos du Bois strategic brand vision – “Best of Sonoma County”



Crystallisation of brand ladder vision through more focused product offering and greater product quality demands

Proprietary Series

- Higher absolute quality demands – “95” scoring wines
- Focus – Marlstone (AV), Briarcrest (AV) Calcaire (RR)

Appellation Reserve Series

- Gatekeeper driven varietal/appellation “Best Match” strategy
- Consistent appellation story up/down ladder
- Outstanding quality demands – “90” scoring wines
- Focus – Chardonnay, Merlot and Cabernet Sauvignon
- Limited production “Gatekeeper” wines – ZIN, PN, Temp

Classic Tier

- Full varietal focus –
CH, MER, CS, SB, ZIN, PN, SH



evolution of – Clos du Bois



new product development

- Leverages distribution capability
- Fills gap in consumer tastes within brands
 - “M”
 - Shiraz from Clos du Bois
 - J. Garcia





skills development

Investing in key channel, market, customer capabilities

- 26% increase in sales over next 15 months
- Building trade marketing group
- Develop chain specific team
- Target ambassador roles for Champagne, NZ, Spain



Driving business to be more **consumer** and **customer** focused.



focus now

- ✓ Brand laddering
- ✓ Costs
- ✓ Quality
- ✓ Talent
- ✓ Import development
- ✓ Sales capability
- ✓ Consumer driven

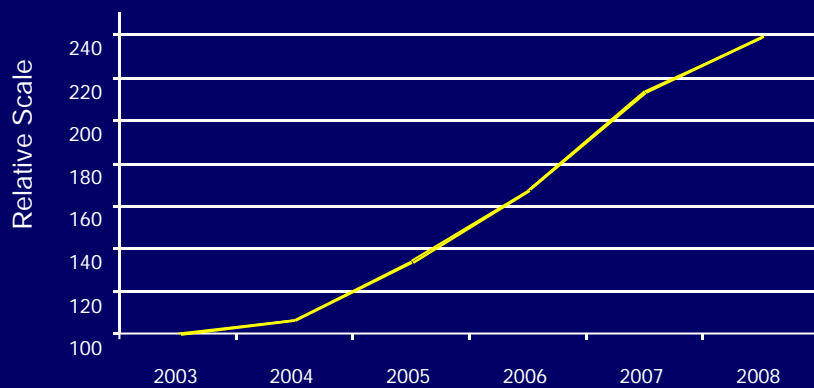


the future

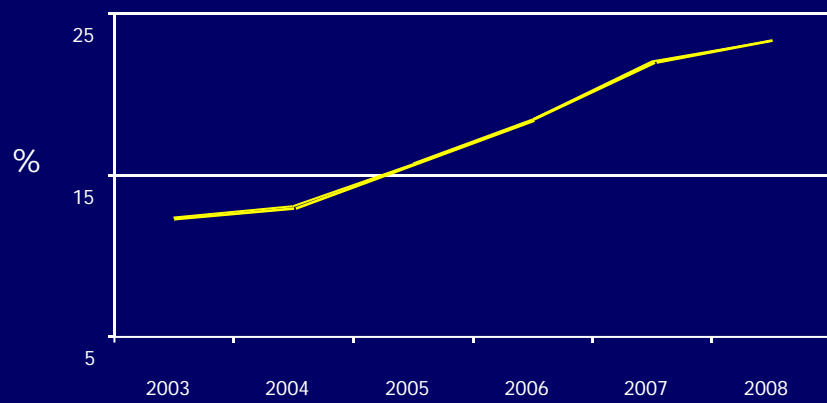
- Strengthened & broadened global portfolio
- Second leadership brand beside Clos du Bois
- Streamlined operations – best practice
- Improved quality/value
- Sales leadership – hand selling
- Stronger vibrant brands



EBIT progression



return on capital employed



Note:
excludes goodwill and tax



how do we accelerate in a difficult market?



global assets locally executed

balances the risk.....
.....maximises the returns



in summary...

- Integrated businesses
- Differentiated & resilient
- Well on track

