



**27<sup>th</sup> August 2010**

## **DELEGAT'S GROUP LIMITED - OUTLOOK**

### **Operating Performance Outlook – 2011, 2012 and 2013 financial years**

The Group's Board and Management are committed to realising the long term global potential of the Oyster Bay brand to achieve sustainable profitable growth. The Group will continue to pursue its long term strategy to lead New Zealand category growth and establish Oyster Bay as one of the world's great Super Premium wine brands. We have made significant progress towards our strategic goal over the last decade and have achieved some notable milestones during the 2010 financial year, including sales volume growth of 76% in North America and the establishment of in-market sales teams in Canada and New Zealand.

Delegat's acknowledges that the New Zealand wine industry faces challenges with the supply imbalance which is driving low price bulk wine exports and the increasing prevalence of retailer's private label wines. The industry also faces significant headwinds in the form of...

- An uncertain and slow recovery from the global recession
- Sustained weakness in key export market currencies, particularly the Pound Sterling and Euro
- Increasing duties and sales taxes on wine and alcohol, particularly in the United Kingdom

Jim Delegat said, "The Group is focused on preserving and enhancing long term brand equity and growing long term shareholder value. We will achieve this by maintaining our Super Premium brand position and pursuing growth only at acceptable levels of profitability. In this context the Group has undertaken a strategic review of all its markets. Through this process the Group has identified 'Value Growth Markets' and 'Growth Markets'".

The key Value Growth Markets are the United Kingdom and Ireland. In these markets the Group is primarily focused on increasing profitability rather than growing sales volume. Profitability in these markets has been eroded by the sustained weakness in the Pound Sterling and Euro currencies. The Group will increase prices in the Value Growth Markets in the current financial year.

The key Growth markets are North America, Australia, New Zealand and Asia Pacific. In these markets the Group is primarily focused on growing sales volumes to realise the potential of the Oyster Bay and Delegat brands at current levels of in-market price realisation or better.

The following market specific strategies are in place to support the Group's long-term sales and earnings growth objectives.

## **United Kingdom, Ireland and Europe**

Oyster Bay is well established as a leading Super Premium wine brand in the United Kingdom and Ireland. As noted earlier, due to sustained weakness in the Pound Sterling and Euro currencies, the Group plans to increase prices in order to increase profitability in these important Value Growth Markets.

The planned price increases along with increasing duties and taxes are expected to result in lower sales volumes but increased profitability in these Value Growth Markets. The Group forecasts that sales volumes in the region will decrease to 645,000 cases in the 2011 financial year and 620,000 cases in the 2012 financial year. This strategy to improve returns from the region is consistent with the Group's focus on pursuing long term growth only at acceptable levels of profitability.

## **Australia, New Zealand and Asia Pacific**

The Group's Oyster Bay brand is a leading wine brand in the Growth Markets of Australia, New Zealand and key markets in the wider Asia Pacific region including Hong Kong and Singapore.

The Group will pursue further growth opportunities in Australia including continuing to grow distribution in all channels, expanding its in-market representation to South Australia in the 2011 financial year and cementing its position as a leading premium sparkling wine brand in a growing segment of the market.

The Group recently established its own New Zealand in-market sales team to develop closer relationships with customers and realise the potential of its brands. The Group sees long term growth potential for both the Deleat and Oyster Bay brands in our home market. The recent launch of Oyster Bay Sparkling Cuvee and Sparkling Rose offers excellent opportunities for sales growth.

In the wider Asia Pacific region the Group will seek to maximise the potential of already established markets such as Hong Kong and Singapore whilst evaluating the long term potential of significant but relatively untapped markets such as China and Japan. The Group forecasts that sales volumes in the region will grow to 709,000 cases in the 2011 financial year and 770,000 cases in the 2012 financial year.

## **North America**

The Oyster Bay brand is becoming increasingly established as a leading Super Premium wine brand in the Growth Markets of the United States and Canada. In the 2010 financial year the Group achieved sales volume growth of 76% to 357,000 cases in North America.

Oyster Bay has become the number eight imported wine brand over \$US 10 in the United States market. The brand has the scope to more than double current levels of distribution over the next few years. The Group will continue its focus on working directly with its distributor partners to achieve long term growth through progressively building quality distribution and driving rate-of-sale across all key channels of distribution.

The recent establishment of an in-market sales team in Canada has delivered excellent distribution and sales growth in the 2010 financial year. The further broadening of Oyster Bay distribution and targeted promotional activity will continue to achieve strong sales growth in Canada.

The Group forecasts that sales volumes in North America will continue to grow to 431,000 cases in the 2011 financial year and 525,000 cases in the 2012 financial year. The Group

considers there is significant potential for further profitable long term growth in North America.

The forecast case sales, foreign currency rates used and resulting case price realisation for 2011, 2012 and 2013 are set out in the following table:

#### CASE SALES, CASE PRICE REALISATION AND FOREIGN CURRENCY

Case Sales (000's)	2010	2011	2012	2013
	Actual	Forecast	Projection	Projection
UK, Ireland & Europe	957	645	620	586
Nth America (USA, Canada)	357	431	525	633
Australia, NZ & Asia Pac	636	709	770	816
<b>Total Cases</b>	<b>1,950</b>	<b>1,785</b>	<b>1,915</b>	<b>2,035</b>
<b>Case Price Realisation (\$)</b>	<b>112.7</b>	<b>122.3</b>	<b>125.8</b>	<b>127.0</b>

1. Case Price Realisation is sensitive to:  
Foreign exchange rate translation  
Country and product mix

Foreign Currency Rates	2010	2011	2012	2013
	Actual	Forecast	Projection	Projection
£	0.4441	0.4598	0.4358	0.4358
A\$	0.7948	0.7762	0.7684	0.7684
US\$	0.6753	0.7002	0.6767	0.6767
C\$	0.7456	0.7204	0.7097	0.7097

1. Forward Foreign Currency Rates are based on NZIER Quarterly Projections as at Apr 2010.

#### Outlook 2011

Delegat's Group is well positioned to continue to benefit from New Zealand's cool climate Super Premium wine styles, which are amongst the most sought after wine styles in the world today. The Group has robust business plans in place for the 2011 financial year and is confident in its ability to achieve forecast case sales and case price realisation, subject to foreign currency rates.

ENDS

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