WINEMETRICS

Winemetrics™ Distribution Analysis Report

Test Project: Analysis of 5 South African brands in 9 Markets

September 28, 2006

Report Parameters

- Winemetrics has agreed to provide on-premise analysis of the following producers.
  - Mulderbosch, Kanu, Indaba, Rustenberg and Excelsior
- Analysis will be conducted for the following Winemetrics markets:
  - AZ, CA-North, CA-South, D.C., FL-South, FL-Orlando, FL-Tampa, MD and WA

Winemetrics Sample Size

- Winemetrics currently has on-premise wine lists for thousands of high-end casual and fine-dining restaurants in over 25 U.S. metro markets.
- Below is the sample # of accounts by market for this test project.

Market	**Total # Accounts**	**Ave. # Wines per List**
Arizona	234	94
California - North	1304	66
California - South	1619	78
D.C.	178	102
Florida - South	268	125
Florida - Orlando	131	85
Florida - Tampa	311	81
Maryland	187	84
Washington	446	94

Presence of South African Wines On-premise

- South African wines represent less than 1% of listing in our entire database.
- There is a factor of 10 between the largest percentage (D.C. 1%) and smallest (CA No. 0.1%)
- Other countries added for perspective

	AZ	CA No.	CA So.	DC	FL So.	FL Orl	FL Tam	MD	WA
Australia	5.8%	2.1%	3.4%	3.9%	3.7%	5.1%	4.7%	5.6%	3.3%
Chile	0.7%	0.3%	0.6%	1.5%	1.8%	1.5%	1.1%	1.1%	0.4%
New Zealand	1.2%	0.7%	0.9%	1.5%	1.1%	1.5%	1.4%	1.6%	0.9%
Portugal	0.6%	0.3%	0.3%	0.3%	0.4%	0.5%	0.3%	0.4%	0.5%
South Africa	**0.5%**	**0.1%**	**0.3%**	**1.0%**	**0.5%**	**0.7%**	**0.7%**	**0.5%**	**0.2%**
Spain	1.7%	1.1%	1.0%	3.6%	2.4%	1.6%	1.5%	2.1%	2.4%

South African On-premise Market Experiencing Moderate Consolidation

- South Africa wine distribution on-premise is mid-way between highly fractured distribution of Spain, Italy and France and consolidated New Zealand and Chile distribution.

Country of Origin	**% Listings of Top 5 Producers**
United States	8%
France	15%
Italy	16%
Australia	36%
Chile	54%
Germany	25%
New Zealand	44%
South Africa	**27%**
Spain	14%

Direction of the South Africa (SA) On-premise Wine Market

- South Africa, with its limited number of producers, is likely to imitate Chile and New Zealand, becoming highly consolidated, with the top 5 producers capturing nearly half of all distribution.
- While it is nearly certain that the SA on-premise category will continue to grow, most of that growth will, as with NZ and Chile, benefit the leading brands.
- Given the size and reach of its major competitors (Hess Group and Vineyard Brands), it would behoove brand owner to position its best brands to secure top 5 positions in its key markets.
- The following pages will examine the quality, portfolio and ranking of target brands and its competitors and examine the situation and opportunities in the 9 markets we have selected.

SA Distribution Dispersed Across Many Varieties

- Unlike New Zealand which rose to prominence with Sauvignon Blanc and Australia with Shiraz, South Africa currently does not have a ‘flagship’ variety to drive on-premise distribution.

South Africa Listings by Variety - BTB	**All SA BTB**	**Sauvignon Blanc**	**Chardonnay**	**Cab. Sauv. Blend**	**Pinotage**	**Cabernet Sauvignon**	**Syrah**	**Chenin Blanc**	**Merlot**
Number of Listings	2665	487	392	328	279	271	203	183	116
Number of Accounts	1202	409	331	268	233	226	171	173	97
Number of Producers	206	75	59	42	62	55	68	32	36
Number of Products	587	86	76	54	70	65	80	35	40
Number of Wines	958	146	129	97	119	108	109	68	61

Analysis of South African Distribution

- Unlike Chile, New Zealand and Australia that have dominant producers in every on-premise market, dominant producers for South Africa vary widely by market.
- This is probably attributed to the lack of dominant suppliers (Diageo, CB, Pernod) representing key SA brands and so distributor strength is the determining factor in on-premise penetration.

Leading SA Producers by Market

Rank	All Markets	AZ	CA No.	CA So.	DC	FL So.	FL Orl	FL Tamp	MD	WA
1	Glen Carlou	Glen Carlou	Mulderbosch	Mulderbosch	Mulderbosch	Glen Carlou	Mulderbosch	Glen Carlou	Fairview	Ham. Russell
2	Fairview	Mulderbosch	Fairview	Glen Carlou	Forrester, Ken	Fleur du Cap	Glen Carlou	Fairview	Glen Carlou	Ellis, Neil
3	Mulderbosch	Backsberg	Rust en Vrede	Lanzerac	Beck, Graham	Fairview	Frost, David	Ellis, Neil	Mulderbosch	Kanu
4	Ellis, Neil	Fairview	Warwick	Kanu	Fairview	Ellis, Neil	Fairview	Porcupine Ridge	Forrester, K	Southern Right
5	Kanu	Kanu	Kanu	Delheim	Ellis, Neil	Rup & Roths	Ellis, Neil	KWV	Boschendal	Spice Route
6	Beck, Graham	Warwick	Cape Indaba	Excelsior	Kanu	Nederburg	Cath. Cellars	Mulderbosch	KWV	Leidersburg
7	Rust en Vrede	Jack & Knox	Fleur du Cap	Fairview	Vinum Africa	Leidersburg	Rustenberg	Bradgate	Green, Douglas	Rust en Vrede
8	Fleur du Cap	Villiera Estate	Glen Carlou	Fleur du Cap	Thelema	Green, Douglas	Vinum Africa	Beck, Graham	Robertson	Warwick
9	Ham. Russell	L'Auberge d P	Ellis, Neil	Cape Indaba	Jardin	Hamilton Russell	Topaz Winery	Bellingham	Excelsior	Mulderbosch
10	Warwick	Rhebokskloof	Excelsior	Rust en Vrede	Rustenberg	Rust en Vrede	Fairvalley	Cape Indaba	Ellis, Neil	Fairview

Overall Leading Producers

- Overall, the producers most frequently appearing in the top 5 are Glen Carlou, Mulderbosch, Fairview, Neil Ellis and Kanu.
- Suppliers of top 5 SA producers
  - Mulderbosch, Kanu – Cape Classics
  - Glen Carlou – Hess Group
  - Fairview, Neil Ellis – Vineyard Brands

Competitive Analysis

- While not major suppliers, The Hess Group and Vineyard Brands are major players in the on-premise channel.
  - Vineyard Brands is ranked 21st among suppliers on-premise and is heavily invested in South African wine
  - The Hess Group is ranked 40th among suppliers on-premise and has just one SA brand to focus on.
  - Cape Classics is ranked 201st among suppliers on-premise and is focused exclusively on South African wines.

Relative Strengths by Brand

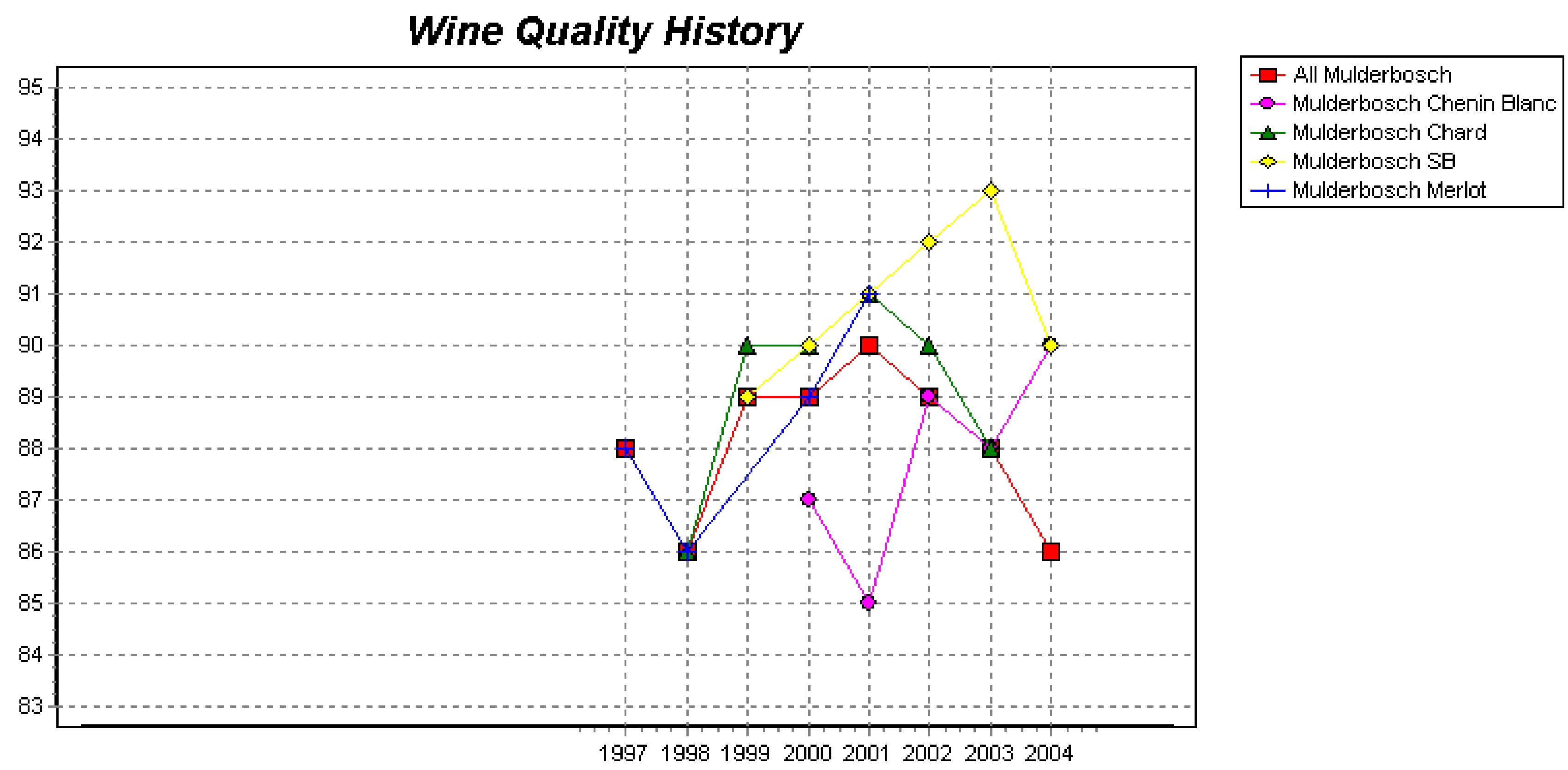
- Mulderbosch and Kanu are faced with a strong white wine competitors, Glen Carlou and Neil Ellis and a very strong red wine competitor, Fairview, whose high value wines based on catchy packaging parodying Rhone wines has gained attention and loyal customers.
- Following pages review overall placements and quality.

Mulderbosch

Producer	**Mulderbosch**
Number of Rated Wines	**24**
Number of Ratings	**30**
Average Rating	**88.3**
Number of Listings-Major Market	**81**
Number of Accounts-Major Market	**73**
Average Wine List Price-Major Market	**$40**

Origin	Variety	Type	Design.	Vintage	WS	WA	W&S	WE	Avg Wine List Price	#Listings
South Africa	Sauvignon Blanc	white		2003	92				$40	16
South Africa	Sauvignon Blanc	white		2004	91				$40	24
South Africa	Chardonnay	white		2002	92				$45	6
South Africa	Chardonnay	white		2003	88				$41	6
South Africa	Chenin Blanc	white		2004	89			87	$36	11
South Africa	Merlot Blend	red	Faithful Hound	2001	90				$48	13
South Africa	Cabernet Sauvignon	rose		2003	84				$28	4

Mulderbosch Quality History



Mulderbosch SWOT

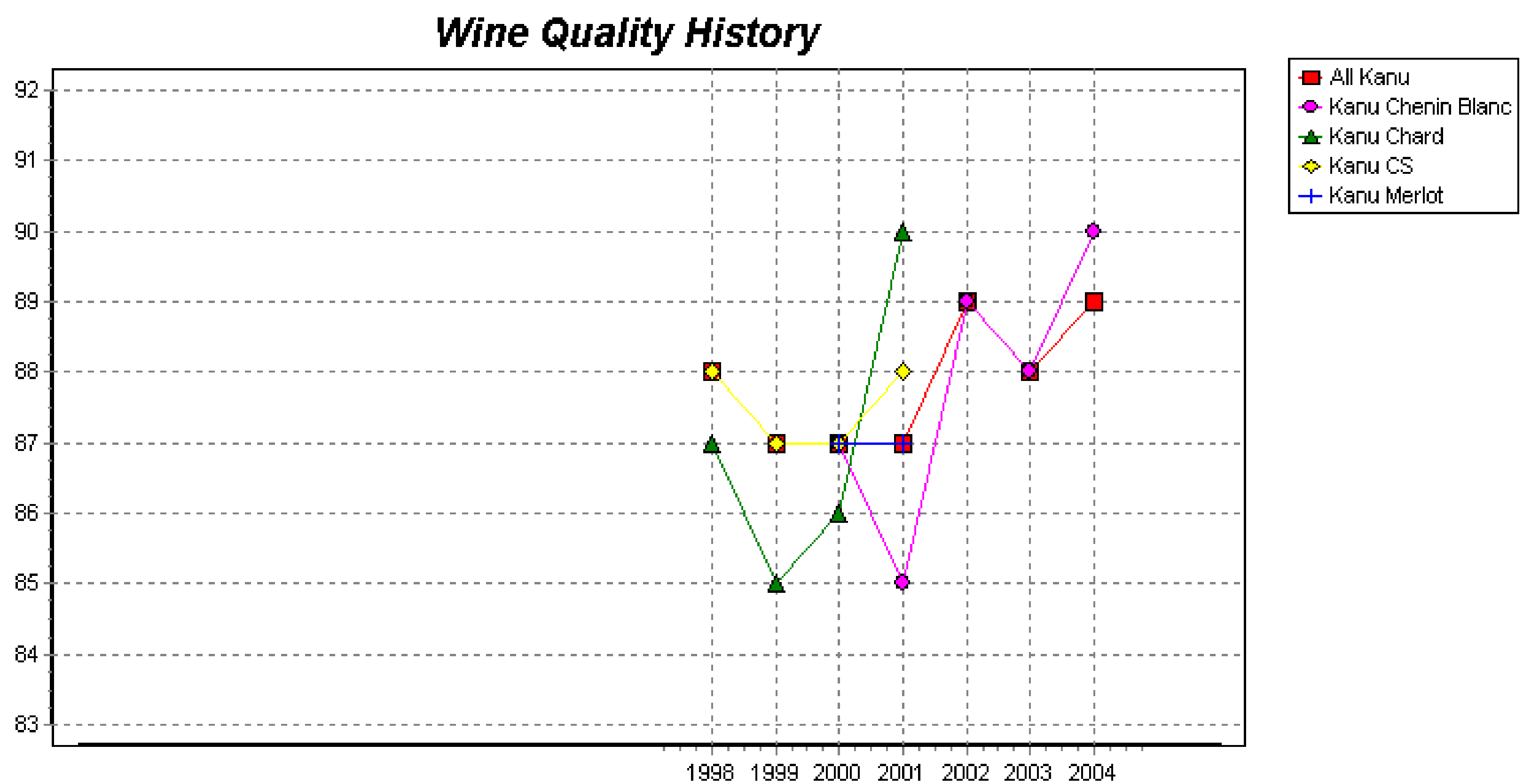
- Strengths
  - quality leader in SA Sauvignon Blanc and Chenin Blanc
  - distinctive packaging
  - leading SA brand in 4 of 9 markets reviewed
- Weaknesses
  - Among highest priced of SA whites
  - Recent downturn in ratings
  - Most listings in highly competitive Sauvignon Blanc and small, low growth Chenin Blanc categories
- Opportunities
  - Has potential to be leading SA brand on-premise
  - Could dominate expanding dry Chenin Blanc category
- Threats
  - Competition from other high-quality, cheaper non-SA producers of Sauvignon Blanc

Kanu

Producer	**Kanu**
Number of Rated Wines	**15**
Number of Ratings	**18**
Average Rating	**87.8**
Number of Listings-Major Market	**48**
Number of Accounts-Major Market	**45**
Average Wine List Price-Major Market	**$28**

Origin	**Variety**	**Type**	**Design.**	**Vintage**	**WS**	**WA**	**W&S**	**WE**	**Avg Wine List Price**	**#Listings**
South Africa	Chenin Blanc	white		2003	87				$24	15
South Africa	Chenin Blanc	white		2004				90	$28	6
South Africa	Sauvignon Blanc	white		2003	89				$27	6
South Africa	Sauvignon Blanc	white		2004	88				$30	20

Kanu Quality History



Kanu SWOT

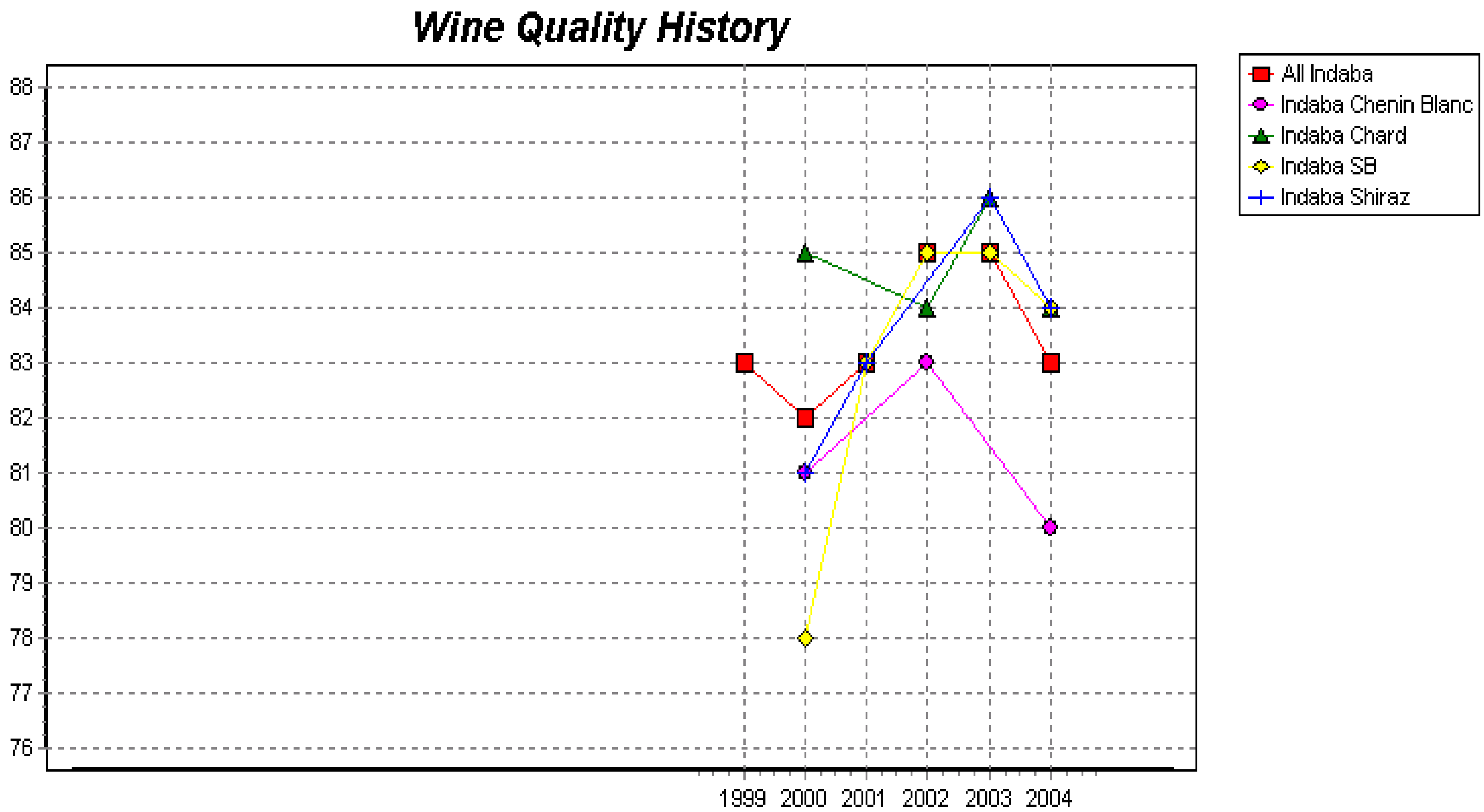
- Strengths
  - Excellent value in all varieties
  - Produces both excellent white and red wines
  - Quality curve on the upswing
  - Top 5 SA producer in 5 markets
- Weaknesses
  - Has mostly white wine distribution – fine reds appear to be overlooked
  - Most listings in highly competitive Sauvignon Blanc, Chardonnay and small, low growth Chenin Blanc categories
- Opportunities
  - Potential to be leading BTG SA producer
  - High value reds should easily gain greater distribution
- Threats
  - Does Kanu have sufficient supply to maintain prices and increase distribution, preserving its value advantage

Indaba (Cape Indaba)

Producer	**Cape Indaba**
Number of Rated Wines	**22**
Number of Ratings	**25**
Average Rating	**83.3**
Number of Listings-Major Market	**11**
Number of Accounts-Major Market	**10**
Average Wine List Price-Major Market	**$26**

Origin	**Variety**	**Type**	**Design.**	**Vintage**	**WS**	**WA**	**W&S**	**WE**	**Awards**	**Avg Wine List Price**	**#Listings**
South Africa	Sauvignon Blanc	white		2003	85					$26	4
South Africa	Sauvignon Blanc	white		2004	85					$26	2
South Africa	Chardonnay	white		2003	86					$26	1
South Africa	Chenin Blanc	white		2004	80					$22	1
South Africa	Merlot	red		2003	84					$29	3

Indaba Quality History



Indaba SWOT

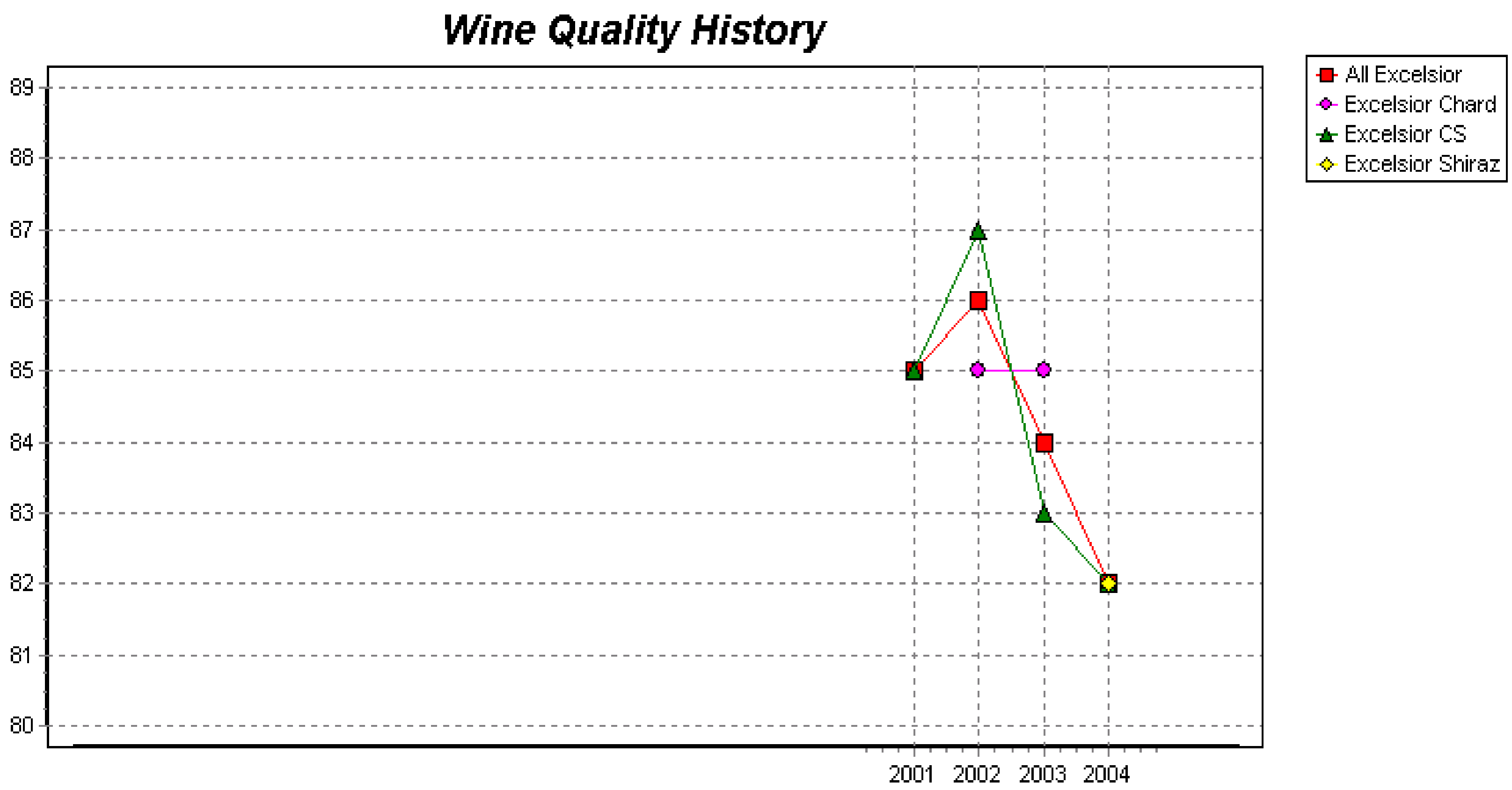
- Strengths
  - Good quality, reasonably priced Chardonnay
  - Quality through 2003 on upswing
- Weaknesses
  - No particular strengths in quality or distribution
  - Does not place in top 5 SA brands in the target markets
- Opportunities
  - Indaba Scholarship may help generate publicity to drive distribution
- Threats
  - Higher-quality, lower-priced SA wines
  - Similar products represented by more powerful suppliers

Excelsior

Producer	**Excelsior**
Number of Rated Wines	**5**
Number of Ratings	**7**
Average Rating	**85.1**
Number of Listings-Major Market	**24**
Number of Accounts-Major Market	**24**
Average Wine List Price-Major Market	**$26**

Origin	Variety	Type	Design.	Vintage	WS	WA	W&S	WE	Awards	Avg Wine List Price	#Listings
South Africa	Cabernet Sauvignon	red		2003	84					$26	13
South Africa	Cabernet Sauvignon	red		2004	83					$28	8
South Africa	Cabernet Sauvignon	red		2002	87	87				$22	2
South Africa	Chardonnay	white		2002	85			85		$25	1
South Africa	Chardonnay	white		2003	85					N/A	0

Excelsior Quality History



Excelsior SWOT

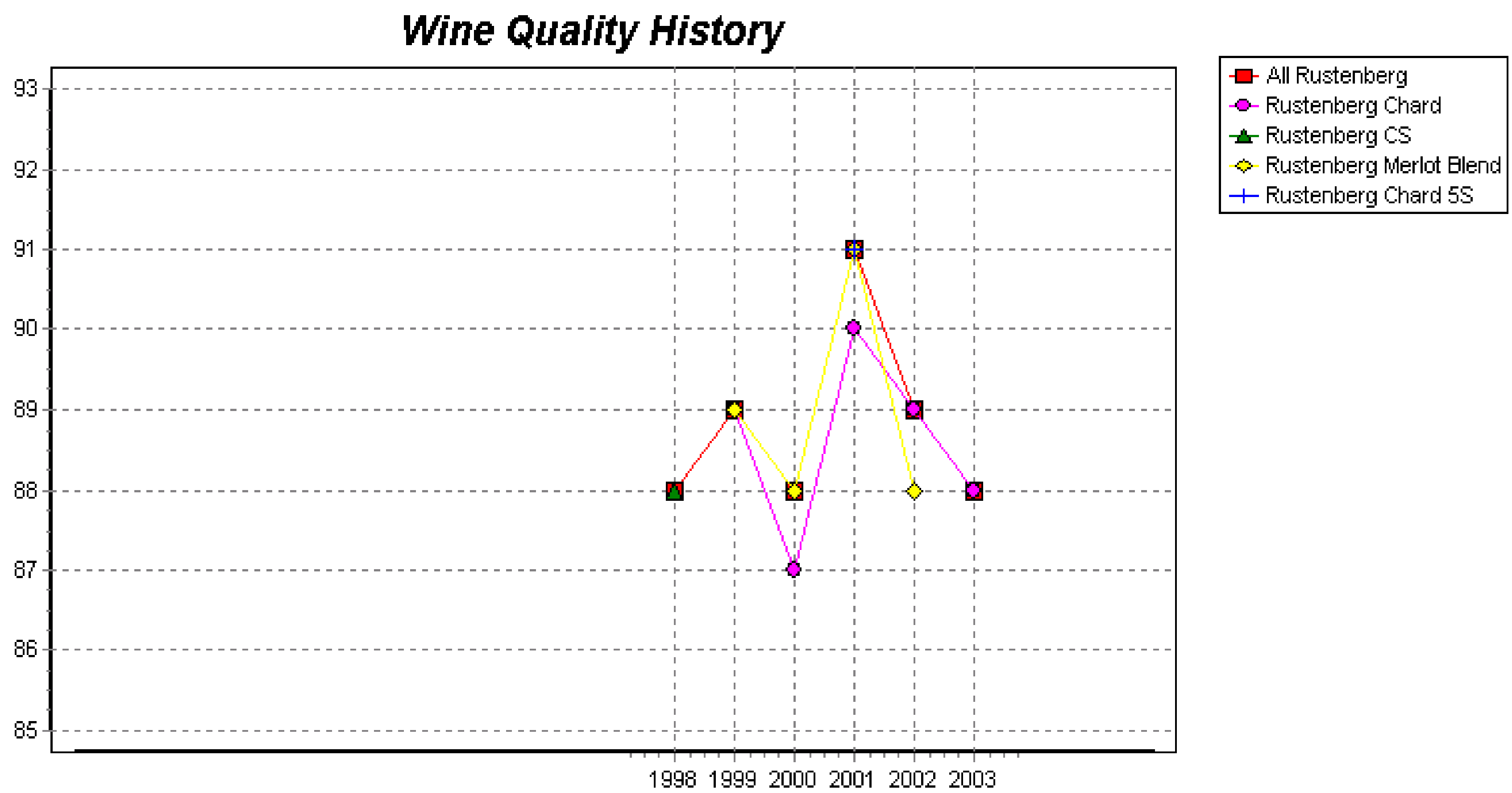
- Strengths
  - Relatively inexpensive wines
- Weaknesses
  - Wines don’t represent significant values
  - Recent ratings downturn across key products
- Opportunities
- Threats
  - Higher-quality, lower-priced SA wines
  - Similar products represented by more powerful suppliers

Rustenberg

Producer	**Rustenberg**
Number of Rated Wines	**12**
Number of Ratings	**14**
Average Rating	**89.1**
Number of Listings-Major Market	**12**
Number of Accounts-Major Market	**12**
Average Wine List Price-Major Market	**$51**

Origin	Variety	Type	Design.	Vintage	WS	WA	W&S	WE	Awards	Avg $	#Listings
South Africa	Merlot Blend	red	John X Merriman	2000	89					$47	2
South Africa	Merlot Blend	red	John X Merriman	2001	91					$45	5
South Africa	Merlot Blend	red	John X Merriman	2002	87					$61	5

Rustenberg Quality History



Rustenberg SWOT

- Strengths
  - Highest average quality of all Cape Classics producers
  - Unique Merlot Blend offers a major point of differentiation
- Weaknesses
  - Overall ratings have declined since the 2001 vintage.
  - Despite high quality, brand is only among the top 10 SA brands in 2 markets
- Opportunities
  - High quality unique varietal profile offers distribution opportunities beyond highly competitive varietal categories of most SA wines
- Threats
  - Significantly higher wine list pricing ($61 for 2002 vintage vs. $45 for 2001 vintage) may reduce distribution.

Key Competitors

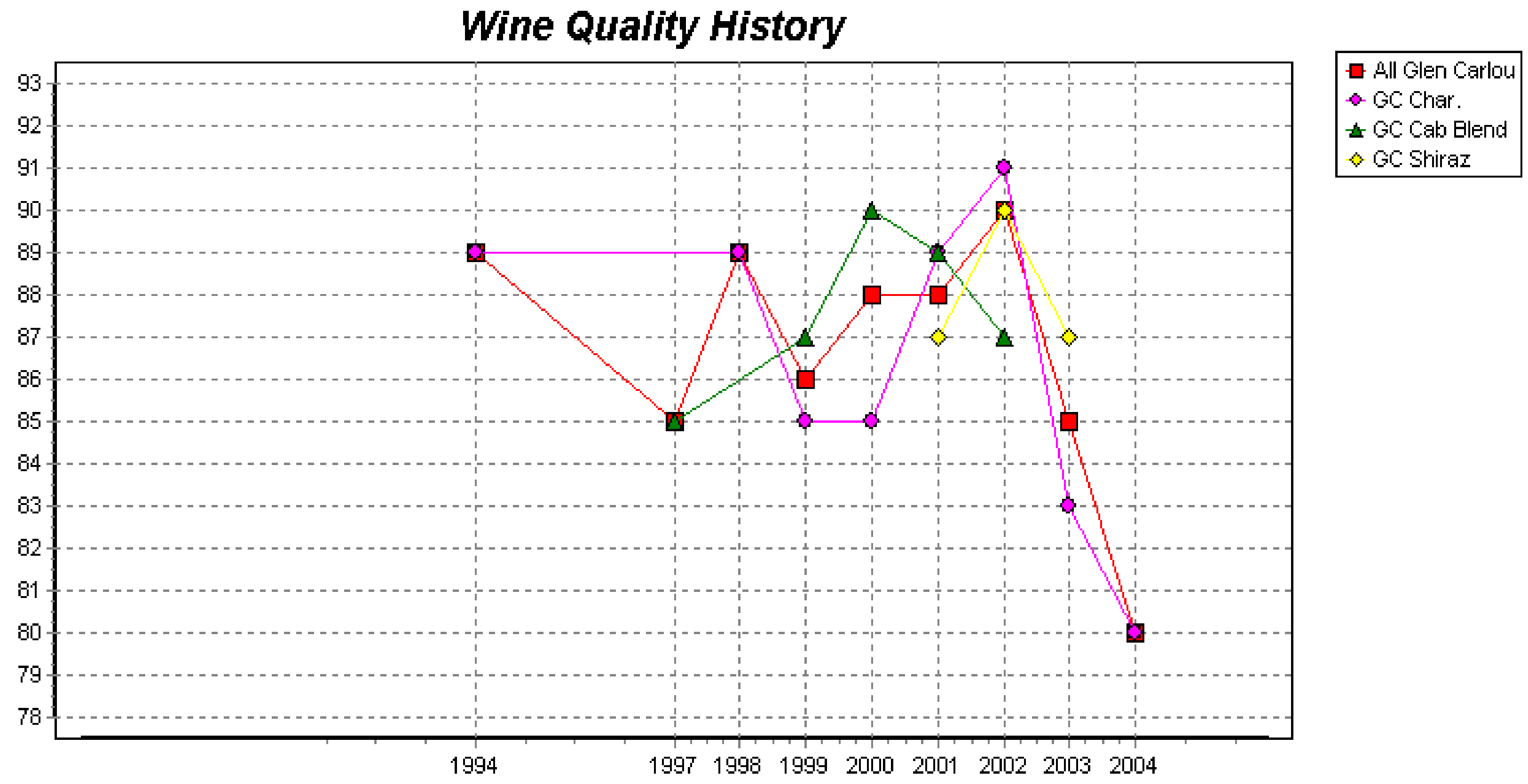
Quality and Distribution Analysis

Glen Carlou

Producer	**Glen Carlou**
Number of Rated Wines	**15**
Number of Ratings	**16**
Average Rating	**86.8**
Number of Listings-Major Market	**68**
Number of Accounts-Major Market	**64**
Average Wine List Price-Major Market	**$37**

Origin	**Variety**	**Type**	**Design.**	**Vintage**	**WS**	**WA**	**W&S**	**WE**	**Awards**	**Avg $**	**#Listings**
South Africa	Chardonnay	white		2004				81		$37	10
South Africa	Chardonnay	white		2003	84					$34	17
South Africa	Chardonnay	white		2002	91					$32	4
South Africa	Chardonnay	white		2001	88					$34	4
South Africa	Syrah/Shiraz	red		2003	86					$49	3
South Africa	Cabernet Sauvignon Blend	red	Grand Classique	2002				87		$36	9
South Africa	Cabernet Sauvignon Blend	red	Grand Classique	2001	88					$39	11
South Africa	Cabernet Sauvignon Blend	red	Grand Classique	2000	89					$35	2

Glen Carlou Quality History



Glen Carlou SWOT

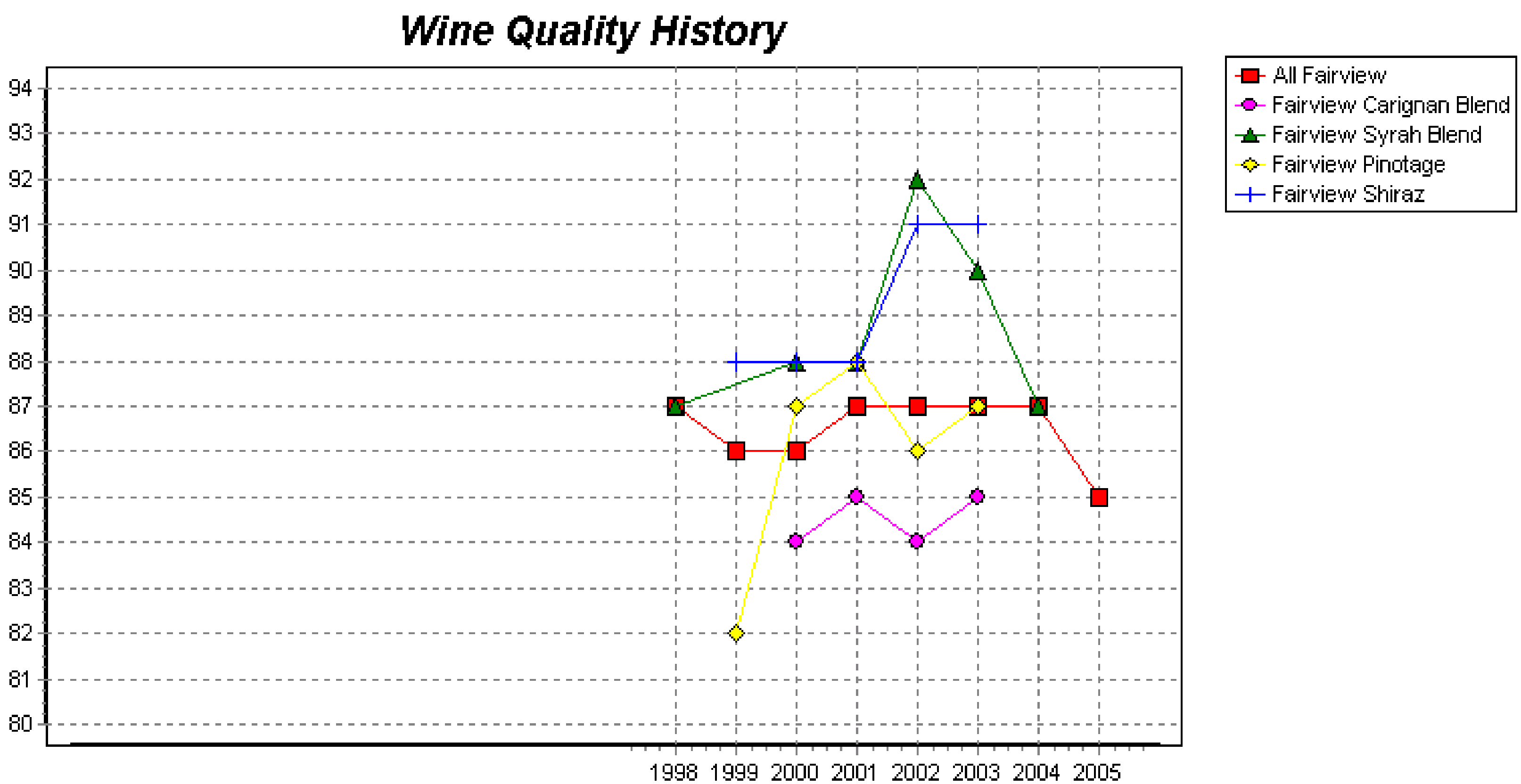
- Strengths
  - Leading SA brand on-premise by distribution; ranked 1^{st} or 2^{nd} in 6 of the 9 target markets.
  - Solid quality across all varieties
  - Strong distribution in both whites and reds
  - Strong supplier with single SA brand and limited portfolio can provide a great deal of focus to the brand
- Weaknesses
  - Deep decline in overall ratings after 2002 vintage
- Opportunities
  - Strong current distribution could help solidify top position across all markets
  - Quality across both red and white varieties provides Glen Carlou with a significant advantage over most SA competitors
- Threats
  - Recent overall decline of ratings could erode image and jeopardize distribution

Fairview

Producer	**Fairview**
Number of Rated Wines	**38**
Number of Ratings	**63**
Average Rating	**86.9**
Number of Listings- Major Market	**44**
Number of Accounts- Major Market	**35**
Average Wine List Price- Major Market	**$40**

Origin	**Variety**	**Type**	**Design.**	**Vintage**	**WS**	**WA**	**W&S**	**WE**	**Awards**	**Avg $**	**#Listings**
South Africa	Carignan Blend	red	Goats do Roam	2003	85			85		$35	3
South Africa	Carignan Blend	red	Goats do Roam	2002	84			84		$22	4
South Africa	Syrah/Shiraz Blend	red	Goats do Roam in Villages	2004	87			87		$28	3
South Africa	Syrah/Shiraz Blend	red	Goats do Roam in Villages	2003	90					$29	2
South Africa	Syrah/Shiraz Blend	red	Goat Roti	2003	88			88		$52	5
South Africa	Syrah/Shiraz Blend	red	Goat Roti	2002	91					$40	4
South Africa	Syrah/Shiraz Blend	red	Goat Roti	2001	88			86		$44	2
South Africa	Pinotage	red		2002				86		$27	2
South Africa	Pinotage	red		2001	84			87		$26	1
South Africa	Pinotage	red	Primo	2001	91			86		$47	2
South Africa	Pinotage	red	Primo	2000	91					$24	1
South Africa	Syrah/Shiraz	red	Cyril Back	2000	90			85		$30	1
South Africa	Syrah/Shiraz	red	Jakkals Fontein	2002	92			88		$51	5
South Africa	Syrah/Shiraz	red	Red Seal Solitude	2002				89		$60	1
South Africa	Syrah/Shiraz	red	The Beacon	2002	93			90		$49	3

Fairview Quality History



Fairview SWOT

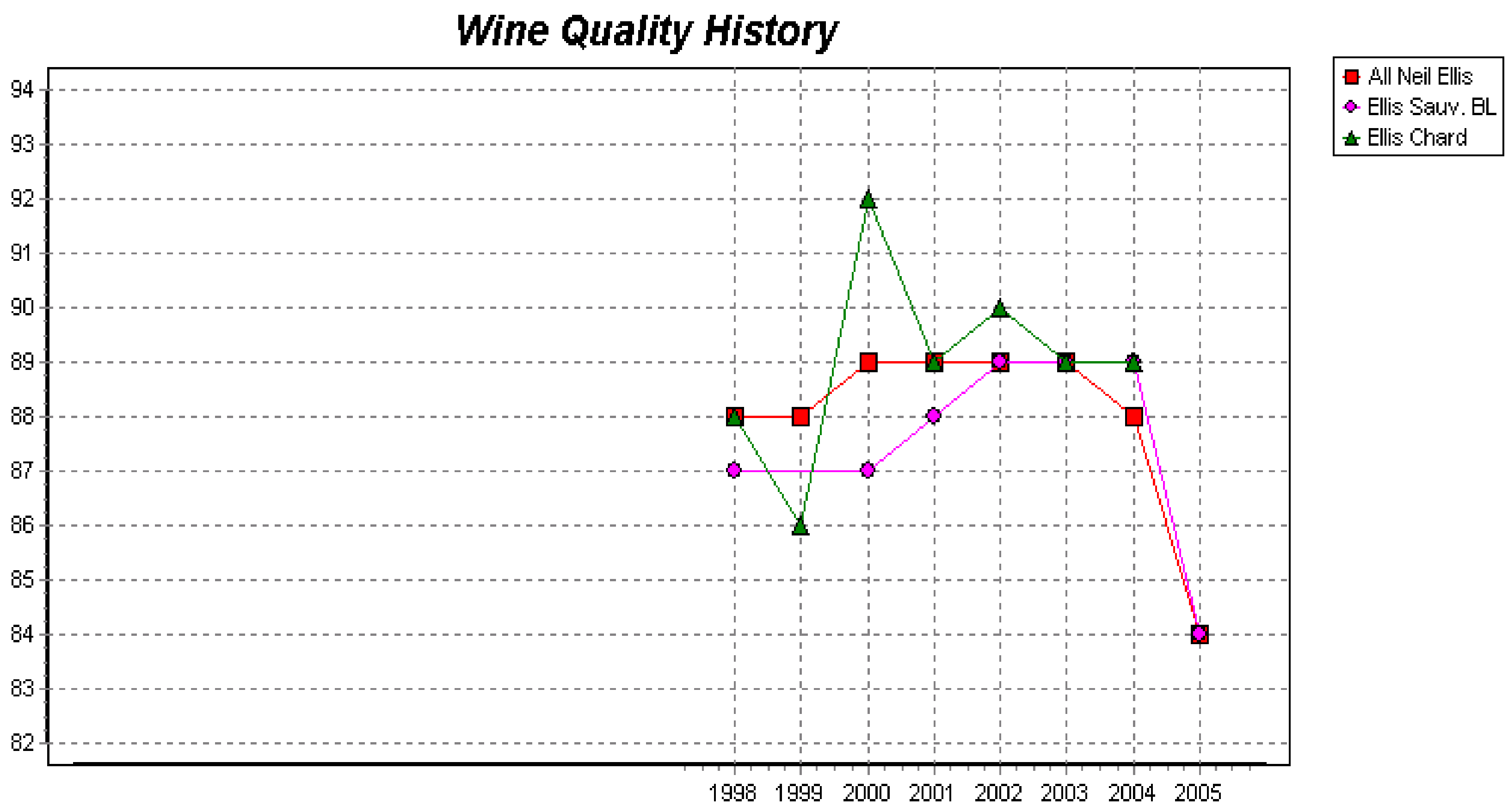
- Strengths
  - High-quality, diverse portfolio of red wines
  - Unique varietal blends make Fairview unique among SA red wine producers
  - Memorable designations parodying Rhone appellations builds awareness and brand loyalty
  - Strong supplier with extensive on-premise distribution
- Weaknesses
  - Designations may confuse potential customers unfamiliar with Rhone appellations
  - Lack of major white varietals may limit distribution
- Opportunities
  - High-quality products with unique designations allow Fairview to escape categorization
- Threats
  - Large SA portfolio of supplier may limit focus and resources allocated to Fairview

Neil Ellis

Producer	**Ellis, Neil**
Number of Rated Wines	**19**
Number of Ratings	**24**
Average Rating	**88.5**
Number of Listings- Major Market	**20**
Number of Accounts- Major Market	**17**
Average Wine List Price- Major Market	**$35**

Origin	**Variety**	**Type**	**Design.**	**Vintage**	**WS**	**WA**	**W&S**	**WE**	**Awards**	**Avg $**	**#Listings**
South Africa	Cabernet Sauvignon Blend	red		2002	84			86		$35	2
South Africa	Chardonnay	white		2003				89		$38	3
South Africa	Chardonnay	white		2002	89	87				$32	2
South Africa	Sauvignon Blanc	white		2005				85		$49	1
South Africa	Sauvignon Blanc	white		2004	89			89		$34	7
South Africa	Sauvignon Blanc	white		2003				88		$32	2
South Africa	Sauvignon Blanc	white		2002	90	89				$36	3

Neil Ellis Quality History



Neil Ellis SWOT

- Strengths
  - Highest overall quality among white variety producers, slightly higher than Mulderbosch
  - Strong supplier with large SA portfolio; Neil Ellis and Fairview offer Vineyard Brands a white-red 1-2 punch
- Weaknesses
  - Despite high quality, Neil Ellis is under-represented among top SA producers in most markets
  - This may become a barrier to distribution among fine-dining national chains
- Opportunities
  - Should Vineyard Brands focus its resources behind Fairview and Neil Ellis, they could easily become the leading SA brands nationally.
- Threats
  - White wine portfolio is similar to that of both Mulderbosch and Glen Carlou which have far better distribution across markets

Summary

- Marketing and sales efforts should focus on securing placements in the top 5 positions in each target market
  - Based on analysis of current distribution and portfolio quality, Mulderbosch and Kanu seem best positioned to secure these positions.
  - Mulderbosch based on quality, should be able to replace Glen Carlou as the #1 SA brand on-premise and Kanu has an opportunity to steal share from competitors, particularly Fairview.
  - Other brands, particularly Rustenberg, also have opportunities to possibly break in to the top 5.
  - Overall, Mulderbosch and Kanu have solid representation in the 9 targeted markets