



2006 Financial Results presentation

August 2006



- Business Update
 - Jan Scannell, Managing Director
- Financial Results
 - Merwe Botha, Financial Director



2006 Financial Results presentation

Business Update:

Jan Scannell
Managing Director



- Highlights and progress on objectives
- Aspirations
- Market update
- Operating update
- Future focus
- Prospects

- International businesses profitable including high marketing investments in brand building
- Good performance from all segments with revenue growth of 12.6% with increased volumes in all markets
- Further progress on internal efficiencies supported earnings growth
- Headline earnings growth of 9%, and adjusted headline earnings growth 22.7% (excluding BEE expense)
- Strong cash flows enabling ongoing investments in brand building and product development

Progress On Strategic Priorities

Objective	Progress
Becoming a credible global alcoholic beverages company	Volume growth in all segments
Grow Amarula to become a leading global brand	Outperforming its category with 12.1% volume growth
Build positioning as a leading and profitable South African wine exporter	Increased our share of SA bottled wine exports – outperformed industry i.t.o growth rate
Capture full potential as a leading player in domestic market	Gaining volume market share across all 3 segments
Continue on path as responsible corporate citizen	Participation with ARA forms basis for partnerships and execution of strategies with Government
Accelerate transformation	15% BEE shareholding concluded
Continue to improve return on equity	ROE improved from 10.2% in 2001 to 18.6% in 2006 (excl. impact of BEE transaction)



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Market Update

Domestic Market Conditions

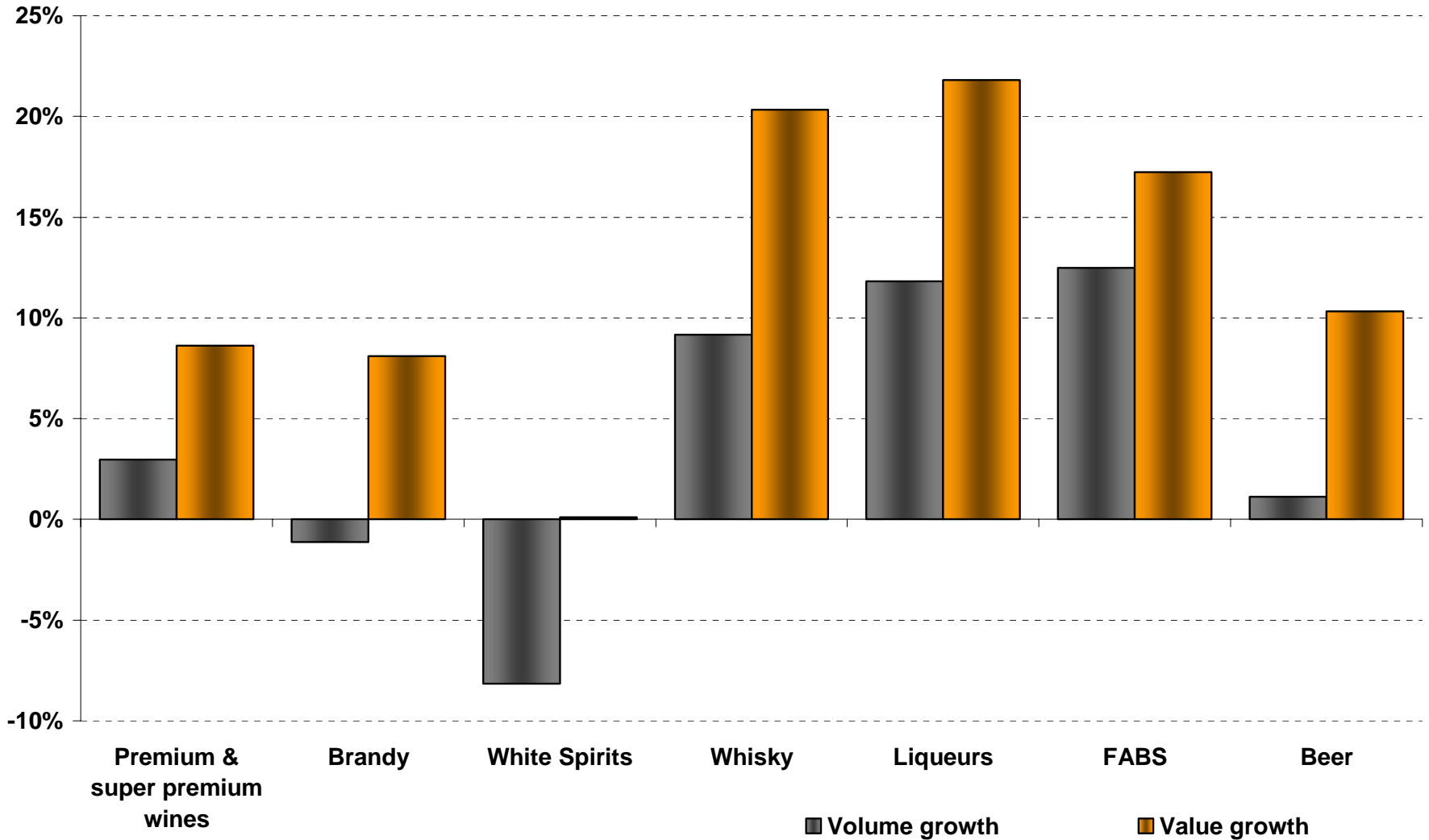
- Strong consumer confidence persisted throughout 2006
 - Consumer spending still focused on durable and semi-durable goods
 - Non-durables growing more slowly with 11% growth in spending on alcoholic beverages
- Emerging middle class is highly aspirational
 - Alcoholic beverages market characterised by strong premiumisation trend
 - Distell's brand portfolio ideally positioned
 - Committed to strategy of making long term investments in premium brands to ensure positioning

Domestic Market Conditions

- Volume growth in spirits, wine and FAB's outstripped beer
- Strong growth in premium environment
 - Spirits demand moving away from white spirits into brown spirits
- FABs and whisky gaining market share at the expense of beer and white spirits
 - Total liquor valued at R29.3bn (+11% y/y) and 2.25m kilolitres (+2%) with inflation constant at 9%
 - FABs and whiskey volume growth of 12% and 9% respectively
 - Beer volume growth of 1% in past year



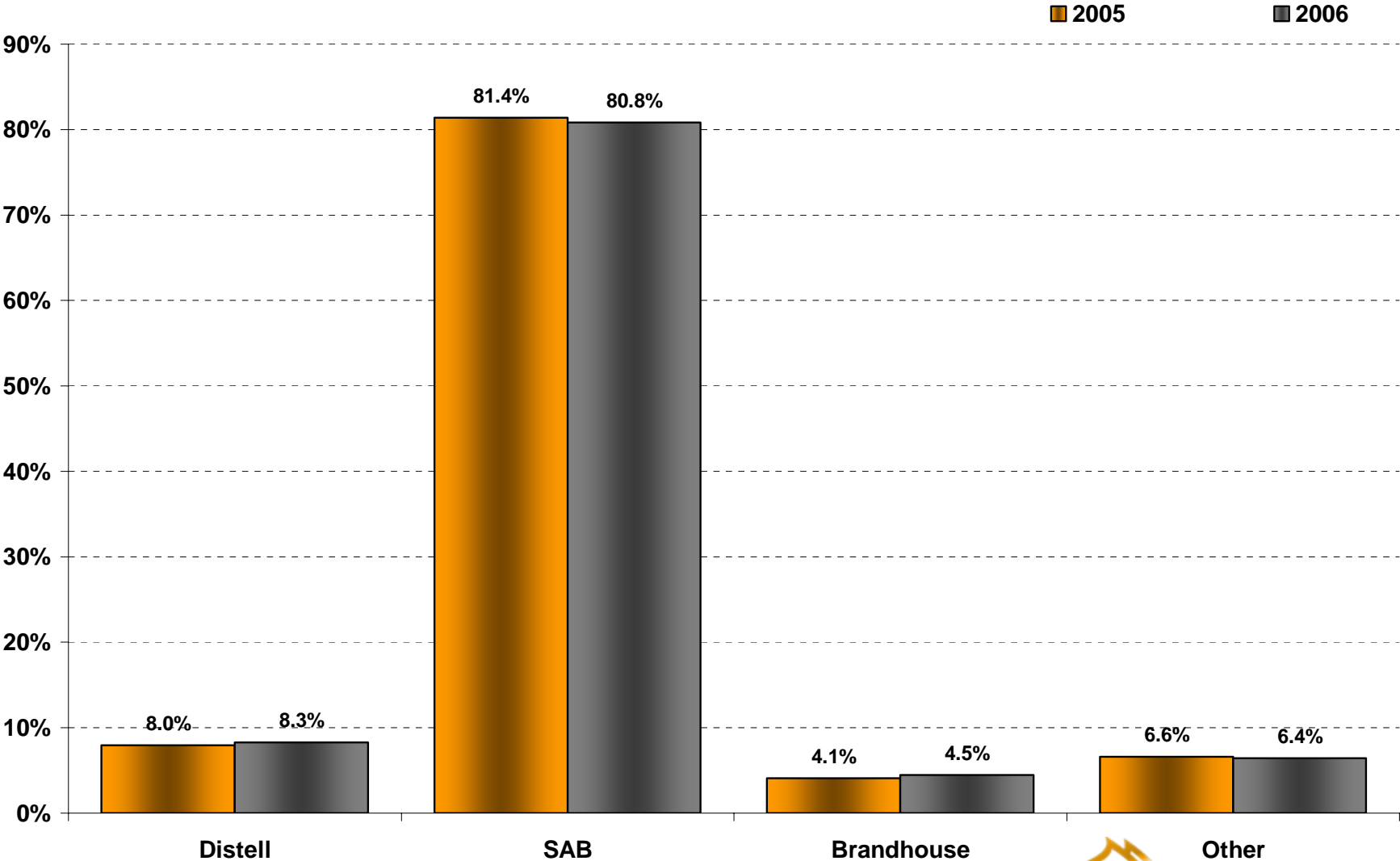
Market Growth by Segment



Competitive Environment

- Intense competitor activity in domestic market with premiumisation trend
 - Mass beer environment most under threat
 - Strengthening demand for premium brands
 - Ongoing substitution between alcoholic beverage segments
- Global wine environment highly competitive
 - Shortages in certain white wine categories supporting prices
 - Oversupply of red wines persists with associated margin pressure
 - Move by certain SA producers into bulk exports puts pressure on pricing
 - Distell continues to focus on premium wine exports and is gaining market share
 - Domestic oversupply of wines intended for export market putting ongoing pressure on local pricing

Competitive Environment Volume Market Share (MAT Apr/May)



Source: AC Nielsen





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Operating Environment

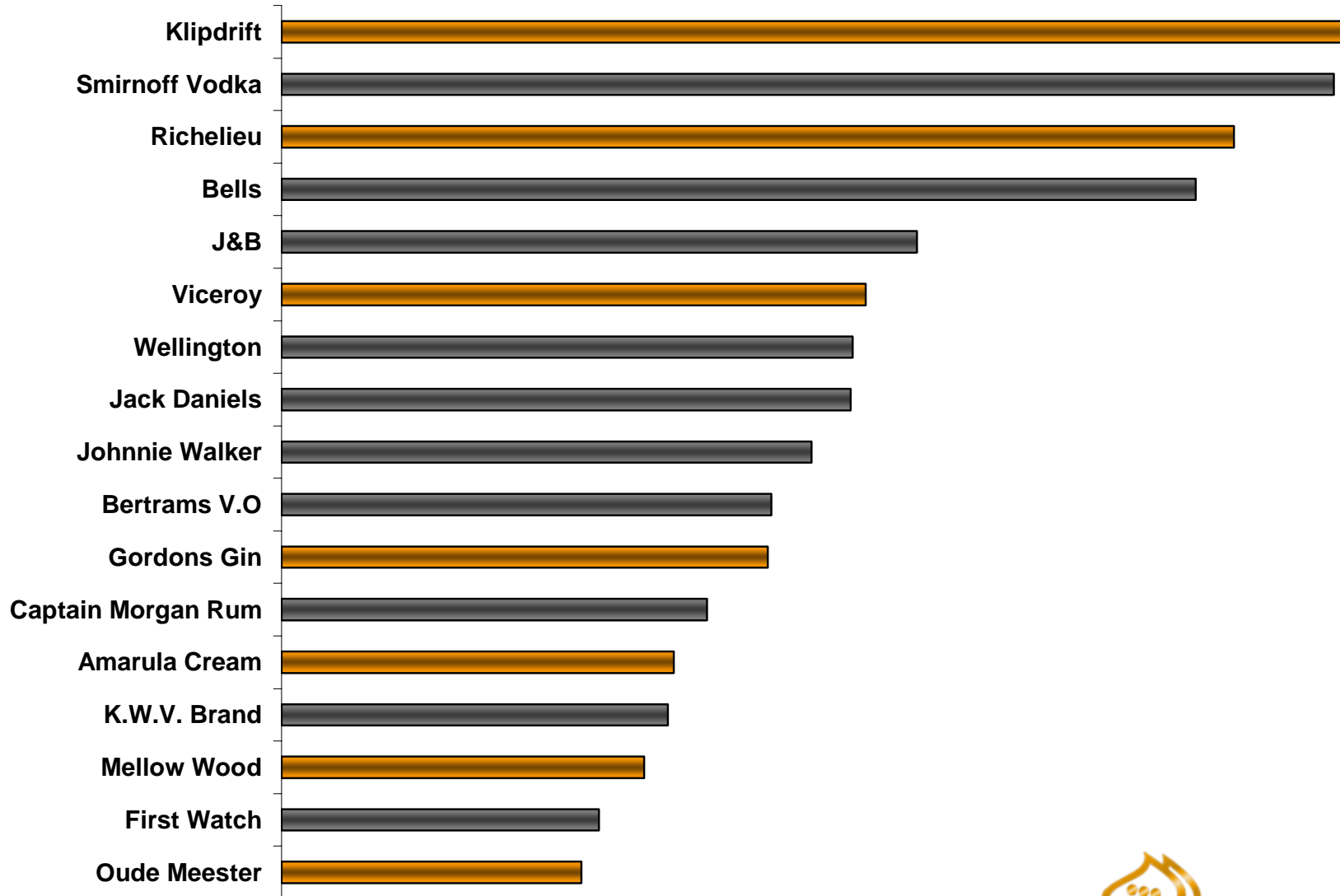


Domestic Operating Update

- Positive results from increased market investment
 - Pursuit of quality at intrinsic and packaging levels
 - Positive results from advertising campaigns which stimulated demand across portfolio
- Investment in Sales team
 - Restructured into four regions with separate merchandising functions in December 2005
 - Benefits flowing through from more streamlined and efficient structure
- Expansion of market activation team
 - New levels of brand visibility achieved



Distell has 7 of the Top 17 Spirits Brands by Value



Domestic Operating Update

- Further improvement in sales mix with increased market share
- Strong performance of RTD's with 16.9% volume growth
 - Resurgence of Hunter's and Savanna
- Spirit volume growth of 3.2%
 - Continued sales growth of Richelieu and Klipdrift
 - Encouraging growth from premium brandies led by Flight of the Fish Eagle, recently launched Oude Meester 12 Year Old and Klipdrift Gold
- Decline in natural wine volumes reversed with 1.9% volume increase
 - Increased market share in bottled wines
 - Good performance from wine brands
 - Durbanville Hills and Sedgwick Old Brown Sherry showed exceptional growth
- Positive trend for stock availability maintained in line with demand

International Operating Update

- Exceptional volume growth of 18.7% despite extremely competitive markets with 14.8% value growth
 - Strong growth in North America, Latin America and Africa
 - Asia Pacific growth hampered by distribution difficulties with Amarula in Australia
 - Remedial action taken with new distribution agents
- Strategy maintained on building core portfolio of brands in key markets
 - Amarula is the priority and South Africa's most widely distributed alcoholic beverage internationally
 - Wine drive brands including Nederburg, Fleur du Cap, Two Oceans, Durbanville Hills and Drostdy-Hof targeted for growth in focused markets
 - Progress in building offshore presence for Savanna with Tesco and Threshers listings in UK plus other leading retail liquor chains, pubs and restaurants
 - Investigate building channels in other markets



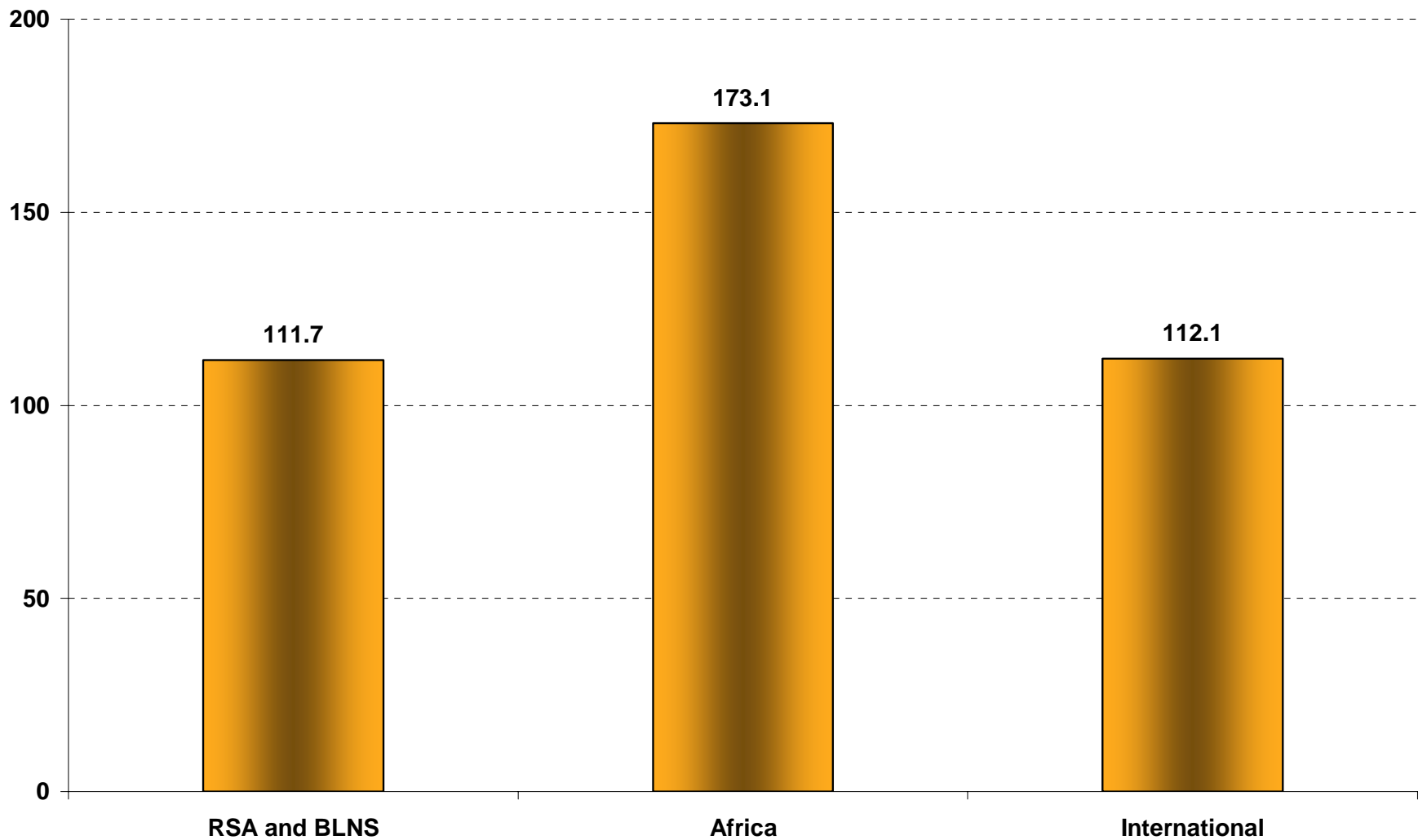
International Operating Update - Wine

- Volume growth of 20% despite challenging market conditions
 - Increased share of South African bottled wine exports
- Discounting measures in UK wine market a cause for concern
 - Decline in wine sales after 20 years of continued growth
 - Despite new listings concluded with Waverley TBS, Morrisons and Waitrose, performance did not meet expectations
 - Very encouraging developments in recent months
- Margins on wine in Germany under continued pressure
 - Achieved extensive distribution for Nederburg and volumes continue to rise
- Distell's objective is to retain brand equity while pursuing volume growth
 - Solid growth in key markets, particularly Canada, Netherlands, Ireland and the US supported by drive brands
 - New brand listing achieved in Ireland, Germany and Switzerland

International Operating Update - Amarula

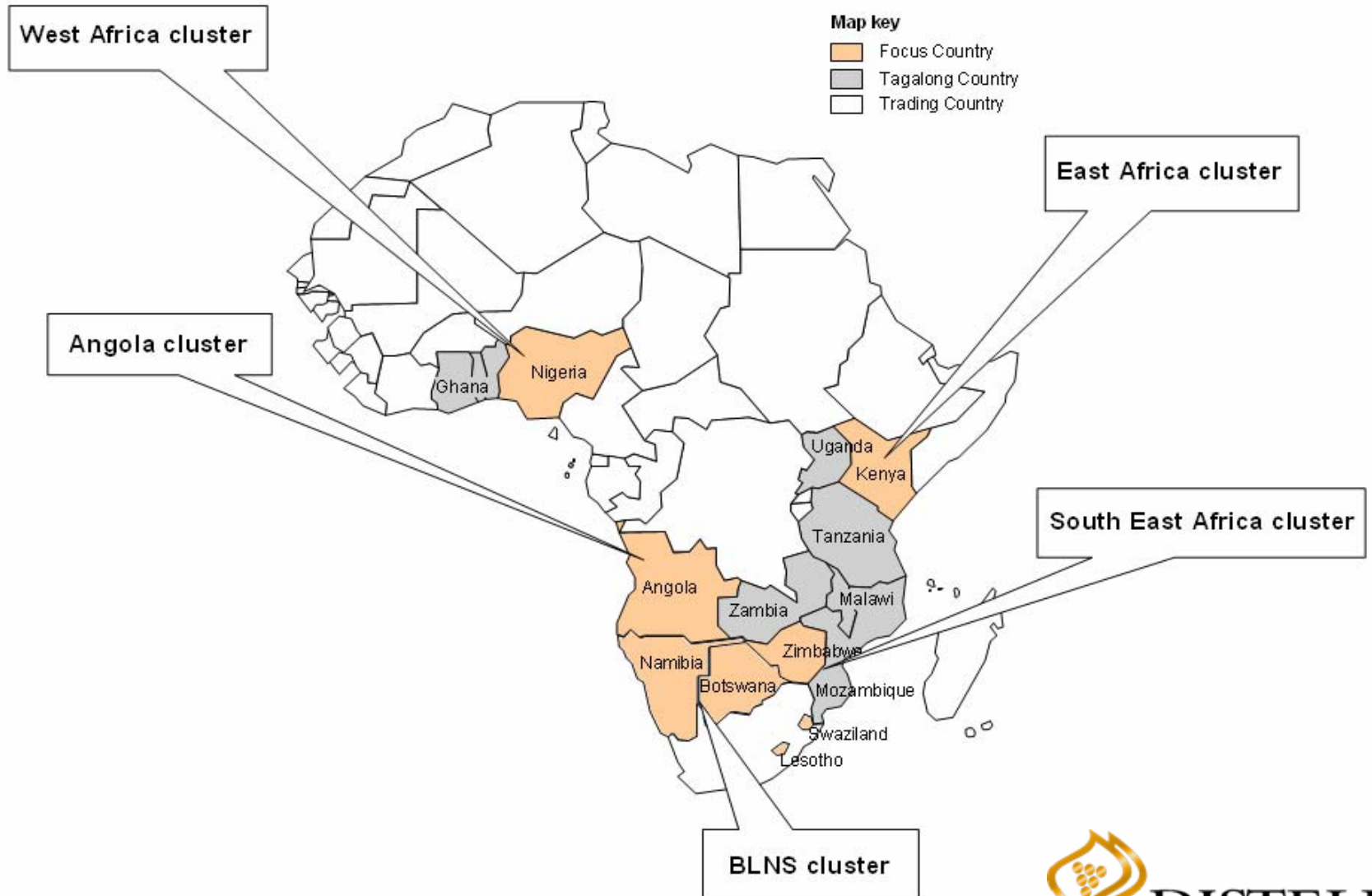
- Amarula consistently gaining market share
 - 12.1% international volume growth achieved
- Strong performance in key markets
 - Amarula is the fastest growing cream liquor in Germany
 - Positive results in Canada and the US
 - The leading cream liquor in Brazil
 - One of only two cream liquor showing growth in the UK
- Market research shows growing awareness of Amarula
 - Focused investment strategy is paying off

Amarula Sales Trends



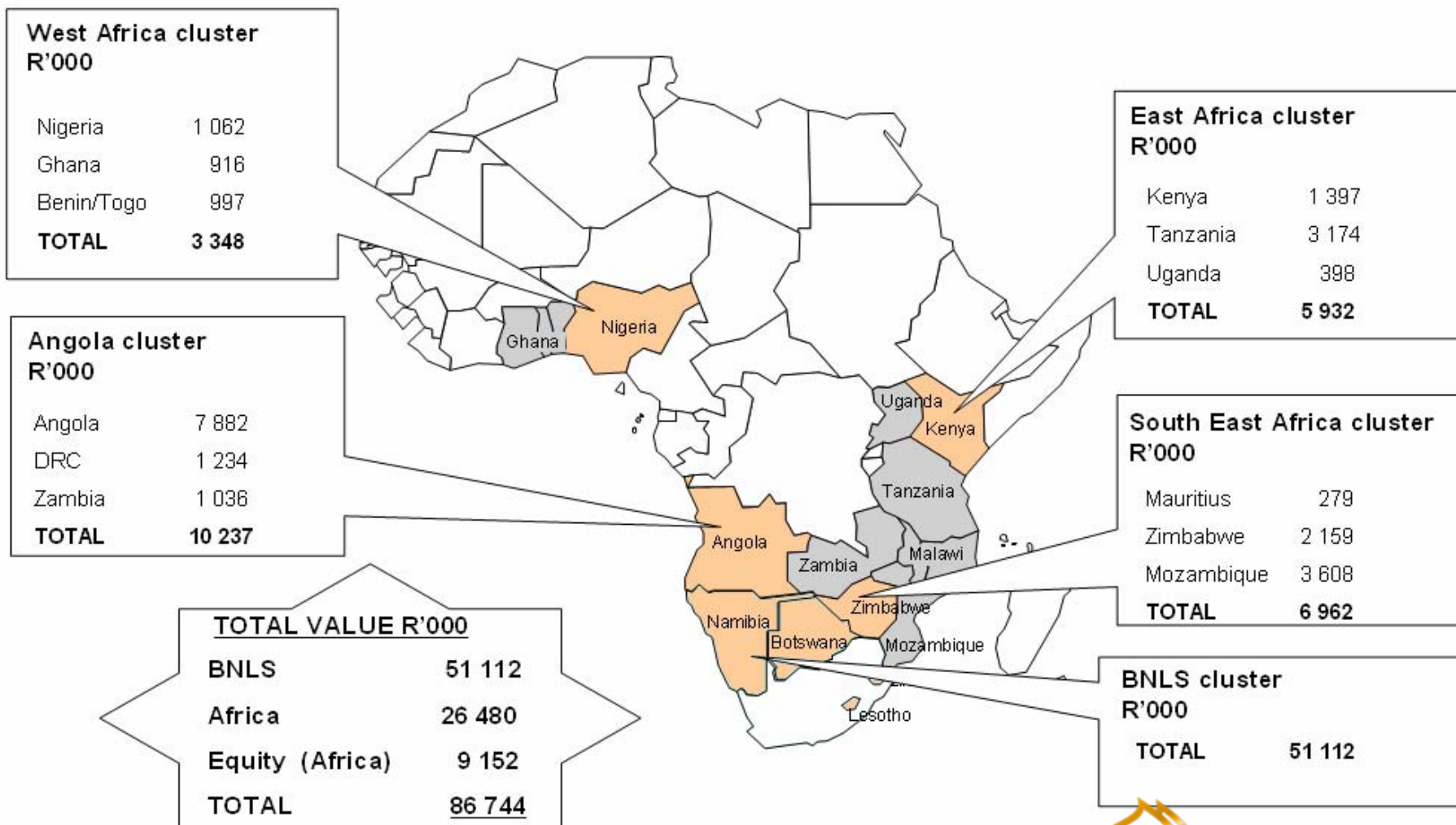
Africa Operating Update – Regional Clusters

Five priority clusters that represent more than 95% of the value in Africa to Distell have been identified



Africa Operating Update

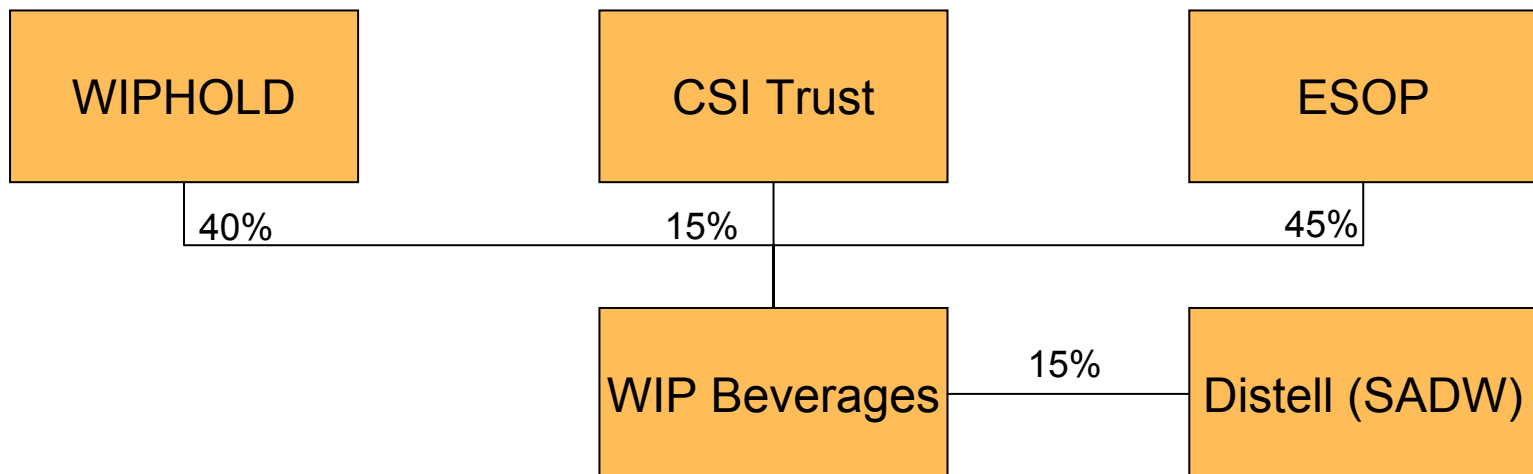
Breakdown of net operating income by cluster (Actual ending June 2006)



Retaining Market Leadership

- Continual focus operational improvements
 - First company globally to implement SAP in bulk environment for alcoholic beverages
- Implementation of automated Overall Equipment Efficiency production process monitoring system at secondary production division
 - Reduce unplanned downtime and change-over time on production lines
- Managing-by-Project principle paying off
 - Formation of central Enterprise Project Office
- Product development function to develop new offerings and ensure continuous improvements in quality

- Transaction has created value for consortium in its first year
 - Dividend flows exceeding preference share funding
 - Growth in share price
- WIPHOLD adding value in its understanding of specific environments





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Future focus and conclusion

Distell's Objectives for 2006 have evolved

- Growing Amarula's position as the global no. 2 cream liqueur
- Build positioning as a leading and profitable South African wine exporter
- Consolidating our position as a domestic market leader
- Expanding our global footprint through exploring new markets, and increasing our focus on our Africa operations
- Continuing on our path as a responsible corporate citizen
- Creating shareholder value
- Accelerating transformation

- Business conditions in South Africa remain favourable but further interest rate hikes could dampen consumer demand
 - Growth in consumer demand and ongoing expansion in the domestic economy, should continue to benefit sales
 - Domestic market will remain fiercely competitive
 - Our brands will more than hold out in both retail and on-consumption channels
 - Backed by long-term marketing investments
- Global economic conditions buoyant, but impact of fuel prices could detract
 - Distell's participation across broad geographic front and product range offers diversification benefits
- As a result, Distell expects to deliver growth in revenue and earnings
 - Growth may not be at the same levels as in recent years



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Financial Results:

Merwe Botha
Financial Director

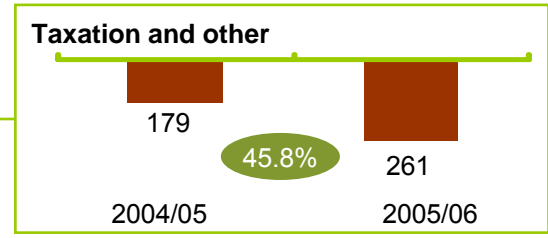
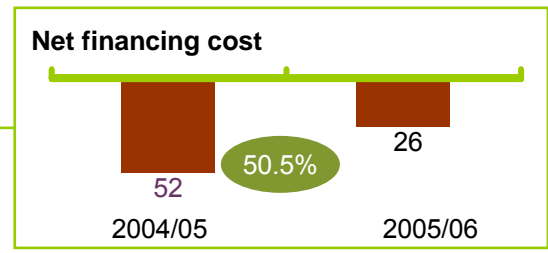
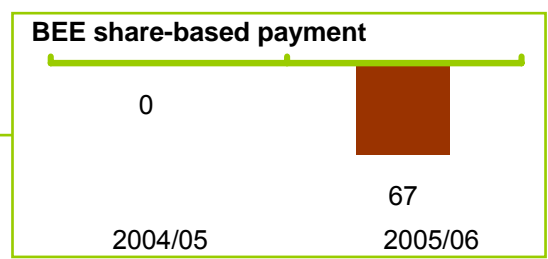
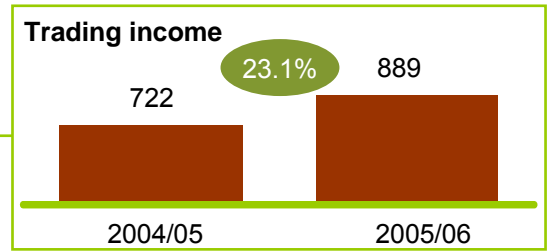
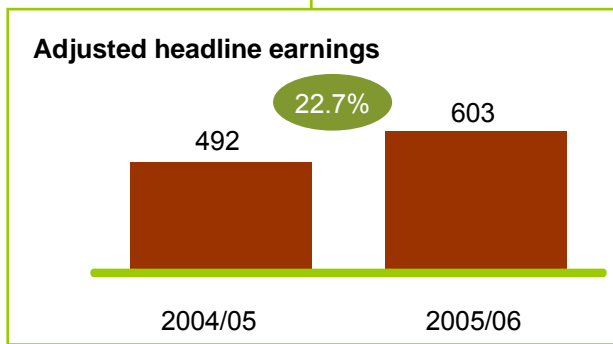
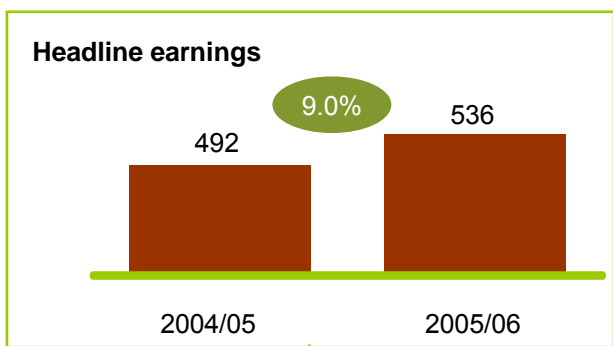


Salient Features of our Performance 2005/06

- **Headline earnings per share up 8.3%**
- **Adjusted headline earning per share up 21.9%**
- **Dividends per share increases 24.4%**
- **Total sales revenue increases 12.6%**
- **Trading income rises 23.1%**
- **Reduced financing costs**
- **Net operating assets increase 5.7%**
- **ROE improves from 17.0% to 18.6%**

Headline Earnings and Adjusted Headline Earnings

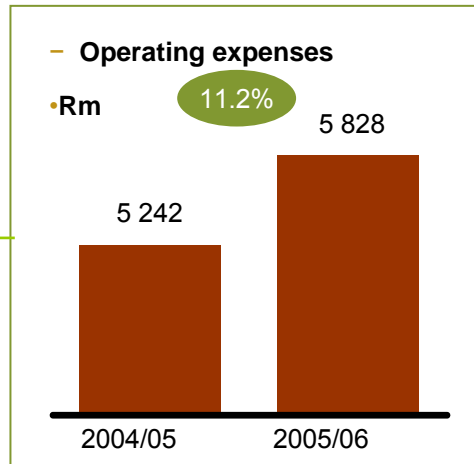
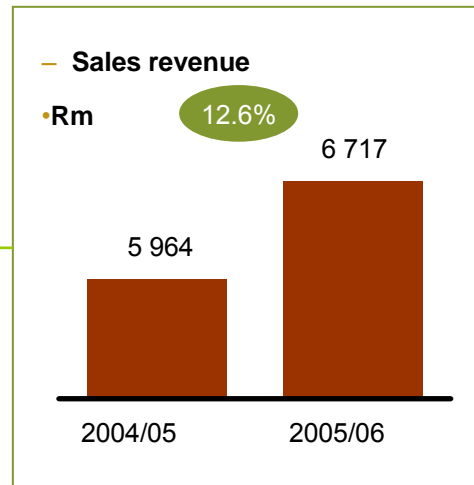
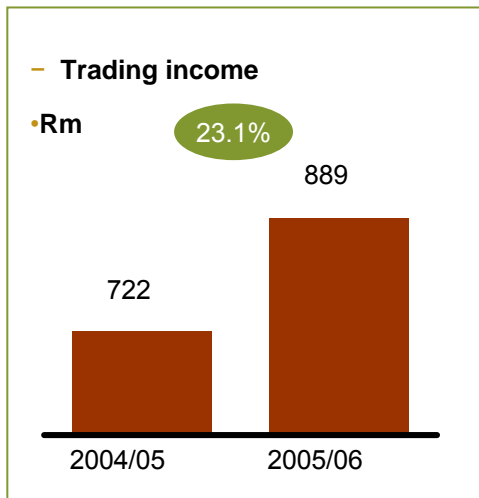
Rm



- Adjusted HLE up 22.7% and trading income up 23.1%
- Significant reduction in financing cost supported growth in Headline earnings
- Effective tax rate 33.7% (2005: 27.5%)
- Increase in taxation negated benefit flowing from reduction in finance costs



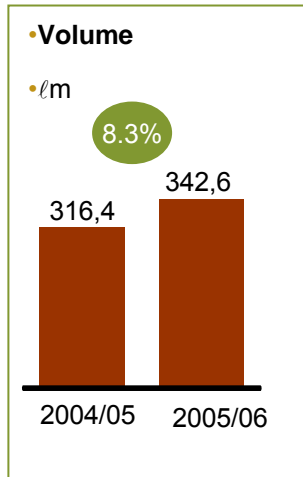
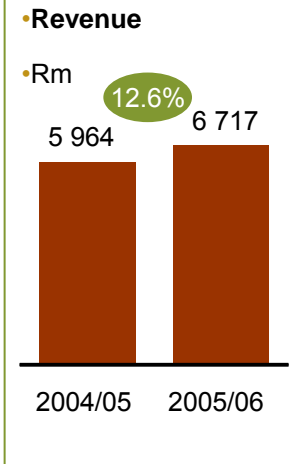
Trading Income Growth through Increased Sales, Improved Throughput and Enhanced Efficiencies



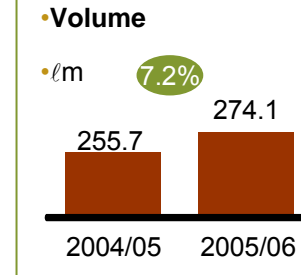
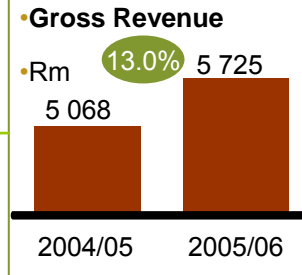
- Overall sales volumes up 8.3% compared to total revenue growth of 12.6%
- Operating expenses increased 11.2% compared to volume growth of 8.3%
- Unit cost of production well below inflation
- Gross margin improved from 32.6% to 34.4%
- Operating margins improved from 12.1% to 13.2%
- Trading income grew 23.1%

Solid Sales Revenue Growth across all Geographies

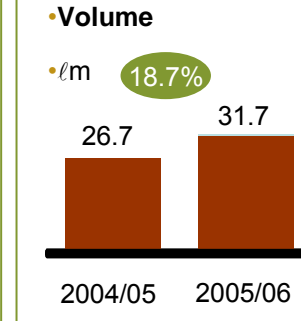
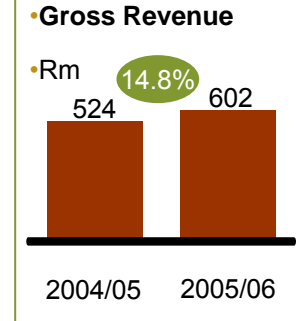
•Total Distell



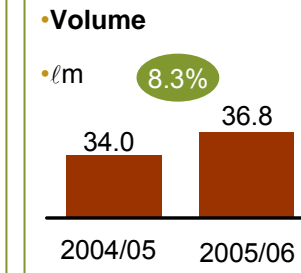
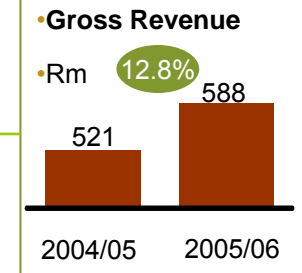
•Domestic



•International



•Africa

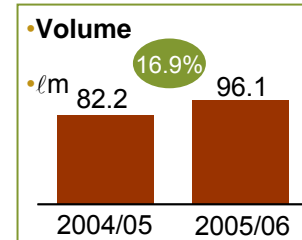
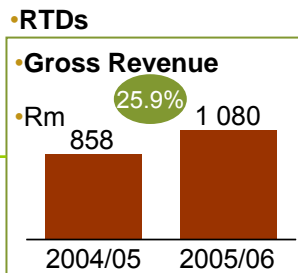
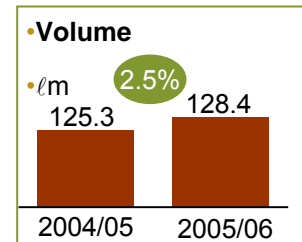
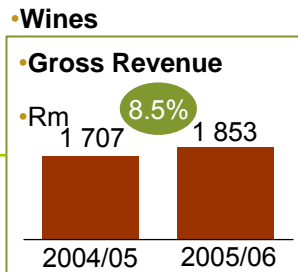
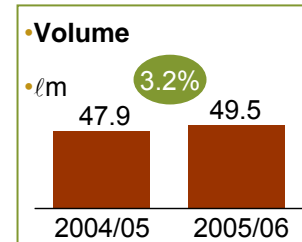
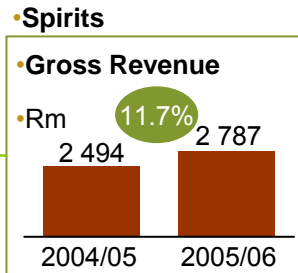
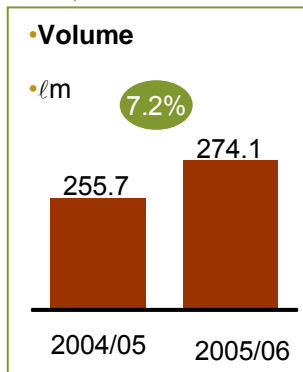
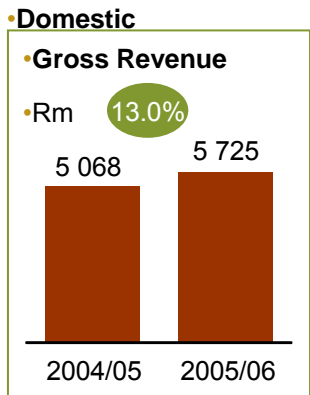


- Sales volumes in domestic market grew 7.2%.
- Favourable sales mix in domestic market (13.0% increase in domestic sales revenue)
- Significant growth in international sales volumes
- Sales revenue growth from African countries 12.8% up.
- Sales outside RSA now 20.1% (2005: 19.2%)

- Other sales revenue R58m (2005: R68m)
- Discounts R256m (2005: R217m)

Domestic Revenue Growth came from all major Product Categories

Sales volume growth accelerated in second 6 months



- More profitable spirits volumes showed 3.2% growth (brandy 4.1%)
- Whiskies and Amarula performed exceptionally well
- Wine volumes grew 2.5% (2005: 1.3% decline)
- RTDs showed exceptional growth of 16.9% (2005: 3.7%)
- Rand per liter sales revenue improved by 5.4%

- Other sales revenue of R5 m (2005: R8 m)



DISTELL

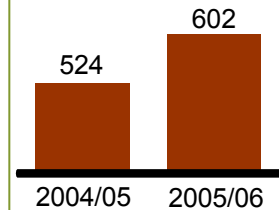
Strong Sales Revenue and Volume Growth in Overseas Markets

Strong sales volume growth, but less favourable sales mix

•International

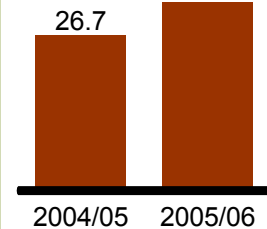
•Gross Revenue

•Rm **14.8%**



•Volume

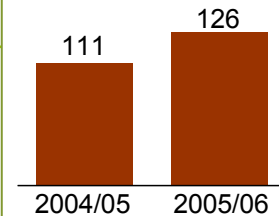
•ℓm **18.7%**



•Spirits

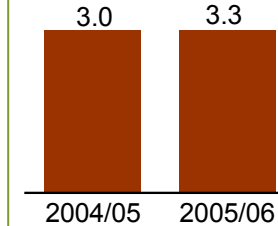
•Gross Revenue

•Rm **13.4%**



•Volume

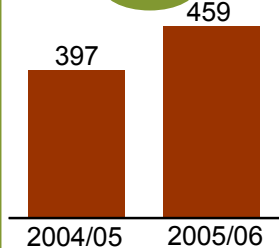
•ℓm **11.6%**



•Wine

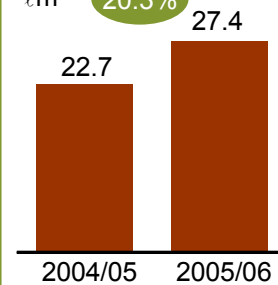
•Gross Revenue

•Rm **15.5%**



•Volume

•ℓm **20.3%**



- Increase in Amarula of 12.1%
- Exceptional growth in wines 20.3%
- Overall sales revenue increase 14.8%
- Average sales revenue per liter decline by 3.2%

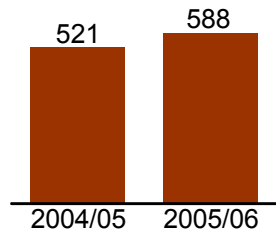
–Other sales revenue of R16m (2005: R15m)

Growth in African Markets

•Africa

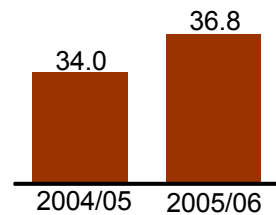
•Gross Revenue

•Rm 12.8%



•Volume

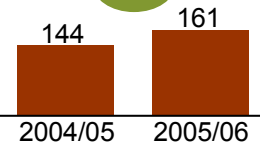
•ℓm 8.3%



•Spirits

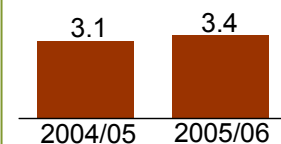
•Gross Revenue

•Rm 11.4%



•Volume

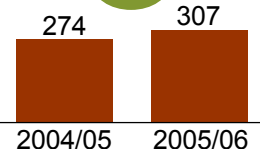
•ℓm 8.6%



•Wines

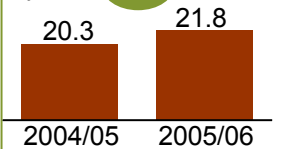
•Gross Revenue

•Rm 12.1%



•Volume

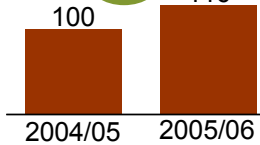
•ℓm 7.4%



•RTDs

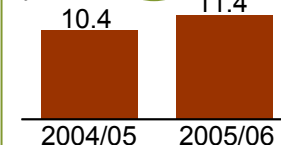
•Gross Revenue

•Rm 15.9%



•Volume

•ℓm 9.4%



- More profitable spirits volumes showed 8.6% growth (2005: 20.5% decline)
- Africa accounts for 11.6% of total Amarula sales
- Wine volumes grew 7.4% (2005: 8.3%)
- RTDs showed growth of 9.4% (2005: 3.3%)
- Countries outside BLNS showed growth in revenue of 51.4%

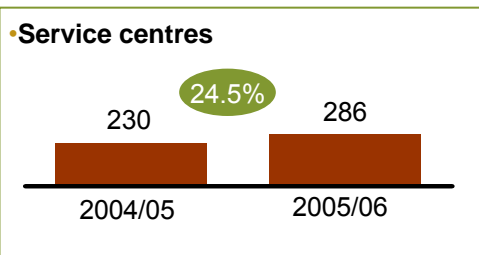
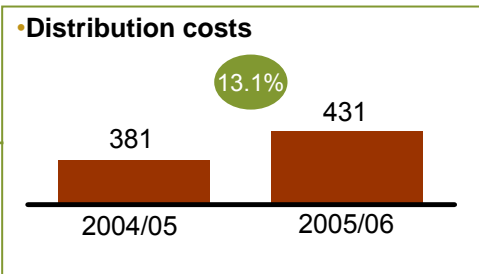
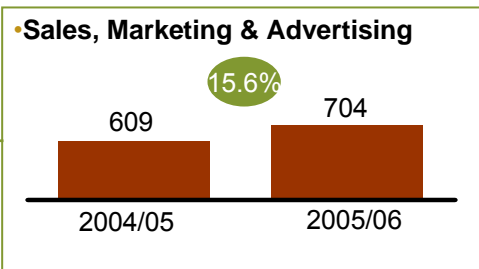
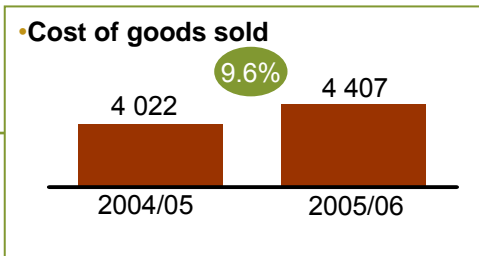
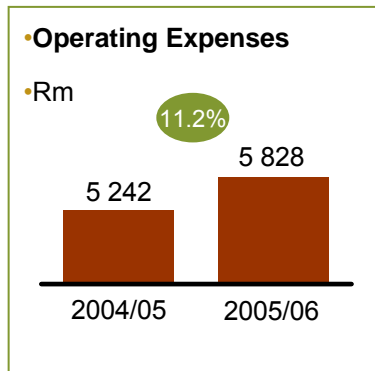
-Other sales revenue of R4 m (2005: R3 m)



DISTELL

The Benefits derived from Efficiency Improvements enable us to Increase the Investment behind our Brands

Rm



- Costs 9.5% vs volumes 8.3%
- Sales mix
- Close collaboration with suppliers
- Scale benefits
- Optimisation

- Sales overheads up 13.5%
- Marketing overheads increased 7.0%
- Advertising costs were up 19.2%
- International operations overheads rose 14.7%

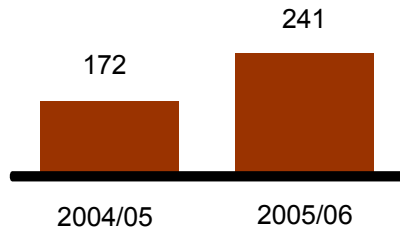
- Increase driven by
 - Increased volumes
 - Transport contractors
 - Redistribution costs

- Steep increase driven by incentive bonuses (excluding bonus 8.8% increase) and BEE expense relating to employees of R6.7m

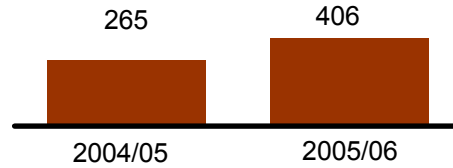
Financing Costs Reduced as a Result of a Substantial Improvement in Cash Flows

Rm

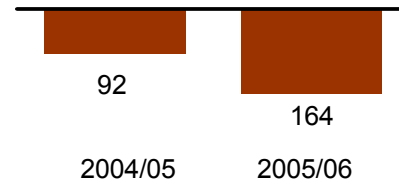
Cash generated



Cash generated from operating activities



Cash flow from investment activities (Capex)



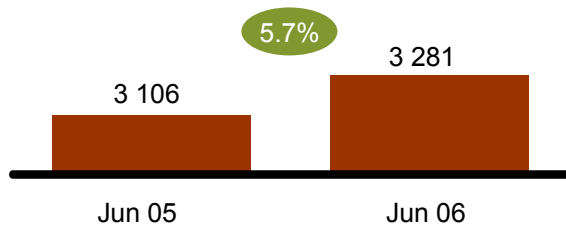
- Cash flow from operating activities improved 53%
- Capex limited to mainly replacement – depreciation R129m
- Interest cover 30.5 times (2005: 13.8 times)
- Sustainable cash flow generation

Net Operating Assets increased by 5.7%

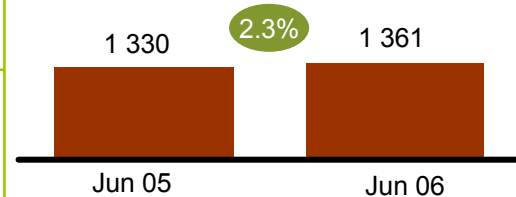
Rm

Growth in net operating assets compares favourably with 24.1% increase in trading income

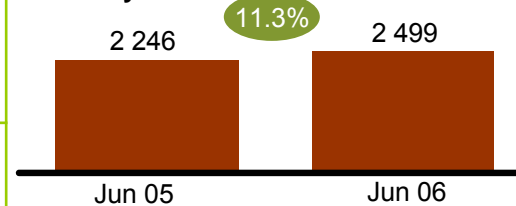
Operating assets



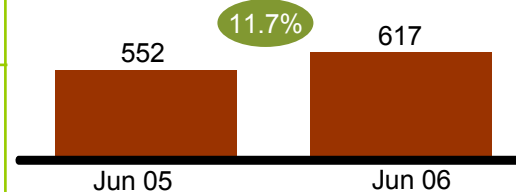
Fixed and Biological assets



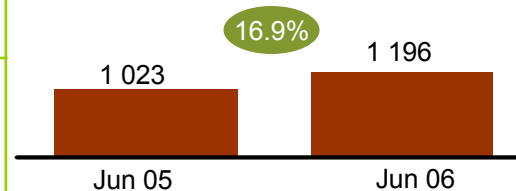
Inventory



Accounts receivable



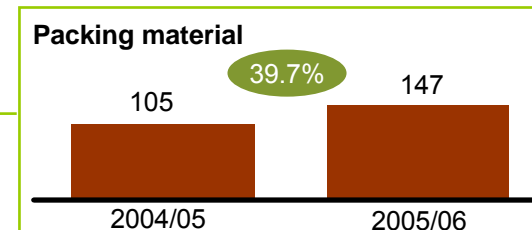
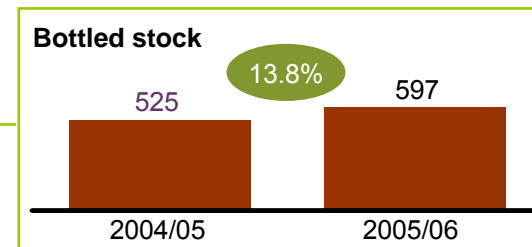
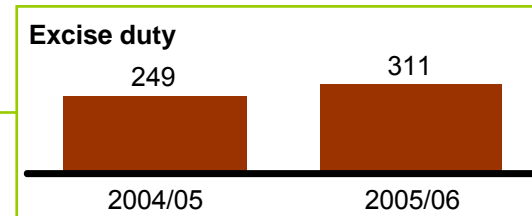
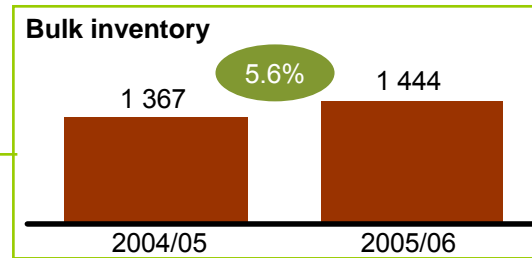
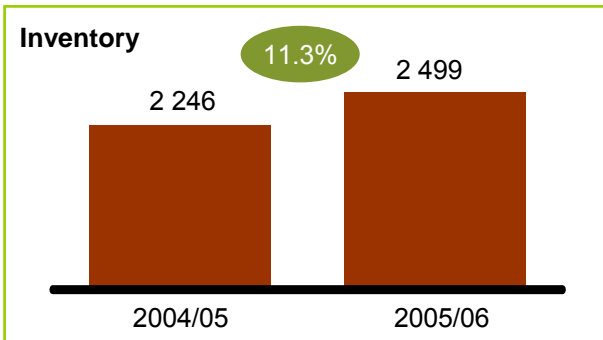
Accounts payable & provisions



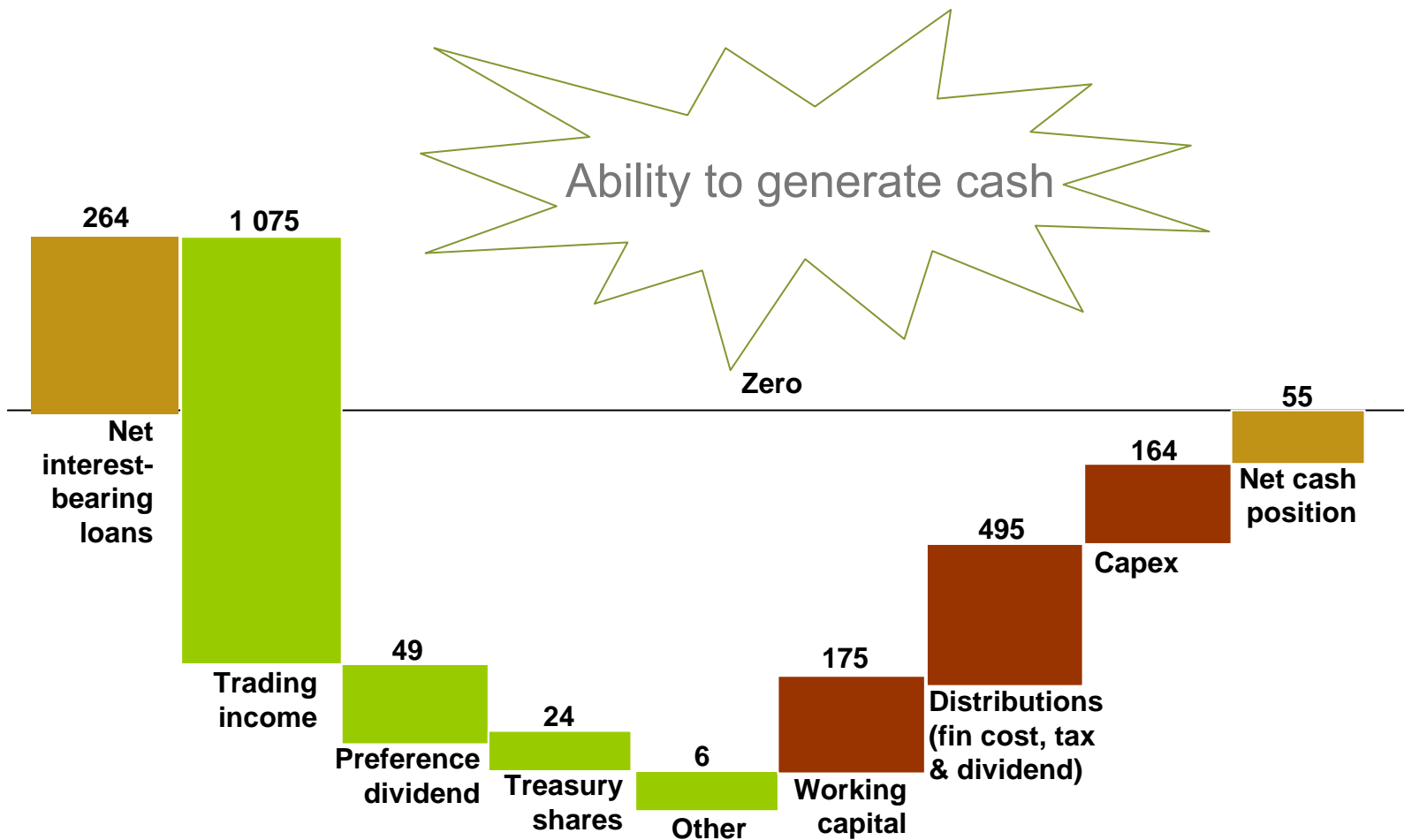
- Property, plant & equipment increased by 2.3%
- Total capex of R164 m (2005: R 95m)
- Depreciation R128m
- Revaluation of vineyards in line with AC137
- 11.3% increase in inventory on 8.3% volume growth
- Accounts receivable increase in line with revenue
 - Domestic 30 days
 - International 46 days

Drive to Reduce Inventory Levels without compromising on Customer Service Levels

Rm



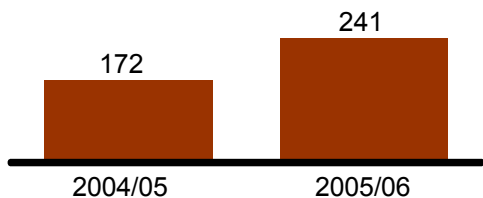
- Investment in bulk inventory planned according to longer term demand
 - Bulk spirits up
 - Surplus wines managed down
- Excise duty included in stock - similar amount included in accounts payable
- Temporary year-end increase in bottled stock and packaging material – average monthly stock duration down (46 to 41 days)



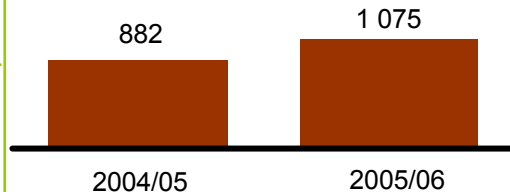
A further Improvement in Net Cash Generated

Rm

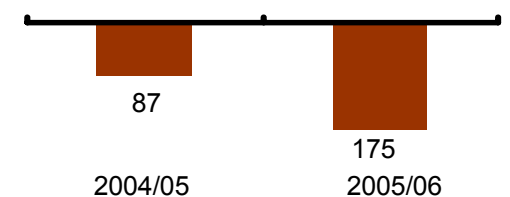
Net cash generated



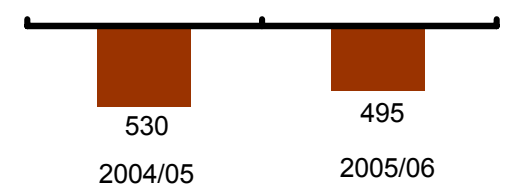
Trading income (cash basis)



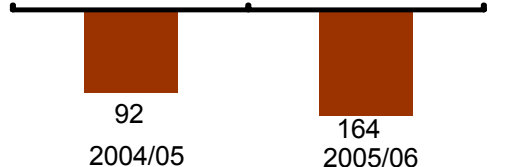
Working capital



Distributions (Fin costs, tax, dividends)



Capex

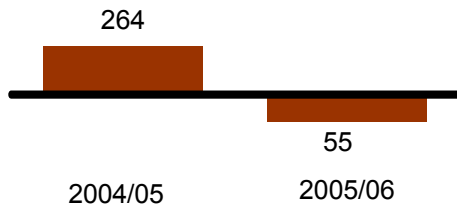


- R193m additional cash generated from trading
- R88m additional investment in working capital
- Capital expenditure mainly on replacement an additional R72m
- Reduction in financing cost

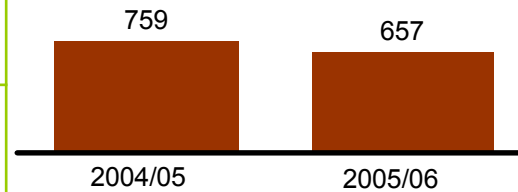
Calculation of Net Cash Position

Rm

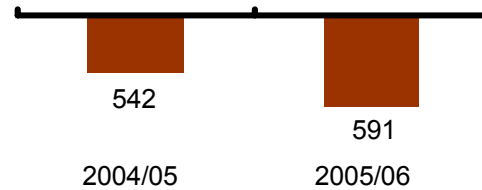
Net interest bearing borrowings



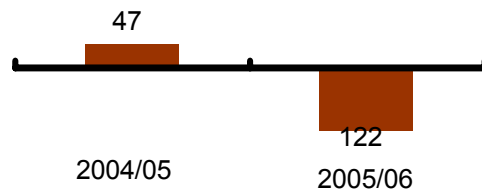
Long-term Loans



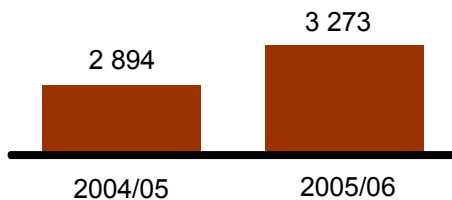
Preference shares



Net short-term loans and cash



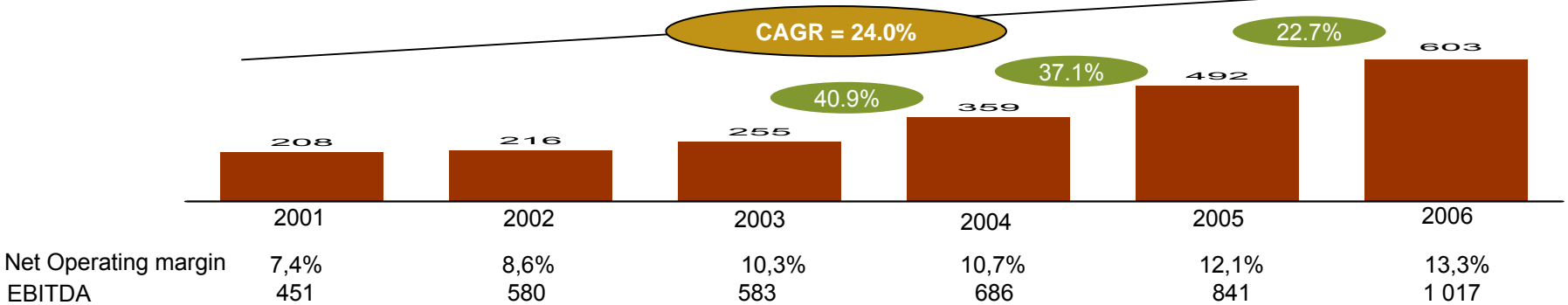
Equity



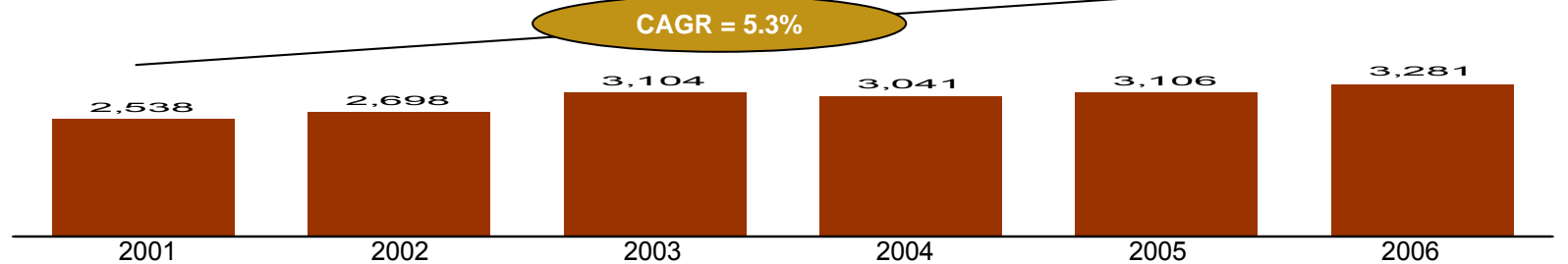
- Structured finance arrangement
- Preference shares and corresponding loans
- Sufficient borrowing capacity

Improving Shareholder Value ...

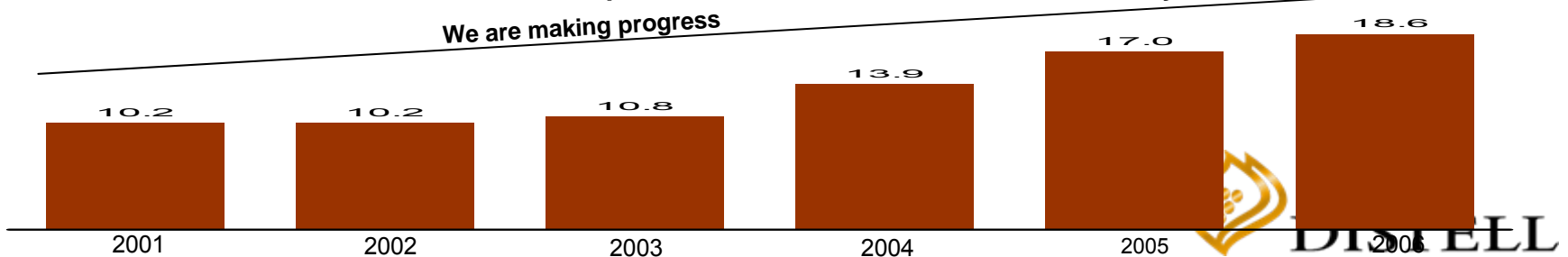
...through considerable growth in adjusted headline earnings



...and by extracting better performance from our assets



...and as a result, return on shareholders funds improved from 10.2% in 2001 to 18.6% this year



Thank you



This presentation contains forward-looking statements about the company's operations, production activities and financial conditions.

They are based on Distell Limited's best estimates and information at the time of writing. They are nonetheless subject to significant uncertainties and contingencies many of which are beyond the control of the company. Unanticipated events will occur and actual future events may differ materially from current expectations due to explorations results, new business opportunities, changes in priorities by the company or its joint ventures as well as other factors. Any of these factors may materially affect the company's future business activities and its ongoing financial results.