2017

TREASURY WINE ESTATES

Annual 2017 Results

17 August 2017

TREASURY
WINE ESTATES

Michael Clarke

Chief Executive Officer

Result headlines[1,2,3,4]

- Reported Net Profit After Tax of $269.1m; up 55%
- Reported Earnings Per Share (EPS) of 36.5 cents per share; up 50%
- Reported EBITS[5] of $455.1m, 36% higher than reported F16 EBITS
- All regions delivered EBITS and EBITS margin growth in F17
- EBITS margin accretion achieved, up 4.0ppts to 19.0%, and ROCE[6] up 2.3ppts to 11.6%
- Robust cash conversion at 84%, despite a strong 2017 vintage in Australia and delays in 2H17 shipments following the implementation of TWE's new global IT system in April / May 2017
- Final dividend of 13 cents per share, 50% franked, bringing F17 annual dividend to 26 cents per share; 6 cents per share higher than the prior period (up 30%)
- Cumulative COGS savings of $80m from Supply Chain Optimisation initiative, with $39m incremental delivered in F17; on track to deliver at least $100m run-rate savings before F20
- Run-rate cash synergies target from Diageo Wine acquisition of US$35m realised in F17, well ahead of plan of F20
- On-market share buyback of up to $300m in F18

1. *Financial information in this report is based on unaudited financial statements. Non-IFRS measures have not been subject to audit or review. The non-IFRS measures are used internally by Management to assess the operational performance of the business and make decisions on the allocation of resources*
2. *Comparative balances have been restated to reflect the final purchase price accounting for Diageo Wine acquisition and change in accounting standards for Agricultural Assets (see Appendix 1)*
3. *All figures and calculations are subject to rounding*
4. *All Result Headlines metrics disclosed on a reported currency basis*
5. *Earnings before interest, tax, SGARA and material items*
6. *Return on capital employed; F16 ROCE restated from 9.6% to 9.3% reflecting a change in accounting standards relating to Agricultural Assets*

TWE

Brand and marketing highlights in 2H17

Introducing TWE's Luxury French Portfolio – Maison de Grand Esprit

Simplifying the complex classification structure of French wine for consumers

MAISON DE GRAND ESPRIT

法国葡萄酒传奇新篇章

LE VIN FRANÇAIS
RÉINVENTÉ

TWE

Brand and marketing highlights in 2H17

Introducing TWE's Luxury French Portfolio – led by Maison de Grand Esprit

Showcasing the very best of French wine regions – Provence, Burgundy, Rhône, Bordeaux and Champagne

Maison de Grand Esprit

Provence | Burgundy | Rhône | Bordeaux

Cuvée Grand Esprit

Champagne

Brand and marketing highlights in 2H17

Expanded Country-of-Origin portfolio propositions

TWE secured the right to exclusively import and distribute in China, Baron Philippe de Rothschild's branded portfolio; led by Mouton Cadet and Escudo Rojo, effective January 2018

Expanded Luxury and Masstige French portfolio

Introducing new Masstige Chilean portfolio

Brand and marketing highlights in 2H17

Penfolds: Luxury brand building and global expansion

Penfolds proprietary bottle

Expansion of white wine offering

Penfolds Max's on allocation

19 Crimes: Bold product extensions and exciting innovation to come

Hard Chard

The Uprising

Augmented Reality[1]

Samuel Wynn: Insight led innovation attracting new millennial consumers to wine and driving category growth

Introducing Samuel Wynn & Co; Extraordinary Stories for Experience Seekers looking for Authenticity and Exploration

Lindeman's: Packaging refresh bringing excitement to the Commercial category

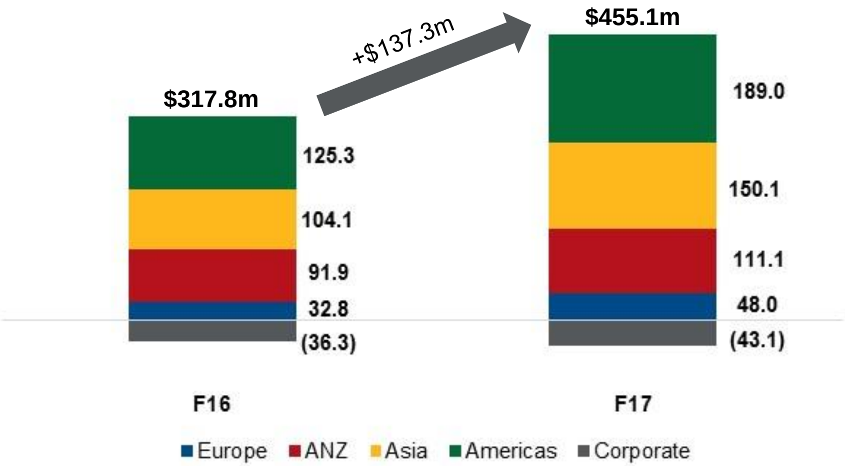
1. *See demonstration of 19 Crimes Augmented Reality on Fox Business by clicking here*

Gunther Burghardt

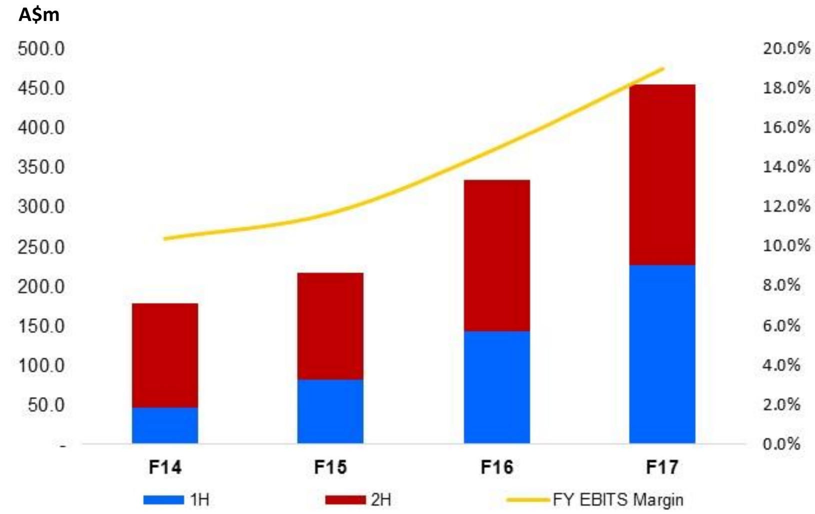
Chief Financial Officer

Profit & Loss[1]

EBITS growth and regional contribution



Historical EBITS and EBITS margin[2]



Strong F17 result delivered by profit growth and margin accretion across all regions

- EBITS up 43% to $455.1m, driven by volume growth, portfolio premiumisation, supply chain savings and Diageo Wine integration
- SGARA loss of $5.7m principally driven by higher costs associated with the 2016 Californian vintage, partially offset by a strong 2017 vintage in Australia, and the unwind of prior vintage losses, notably the lower yielding 2015 Australian vintage
- Higher net finance costs due to increased average borrowings and assumption of finance leases post Diageo Wine acquisition in 2H16
- Higher tax expense due to increased earnings, including the acquisition of Diageo Wine (effective tax rate of 30.8%[3])
- NPAT before material items and SGARA up $91.5m to $293.4m (+45%), principally driven by higher EBITS
- Post tax material item expense of $22.0m reflecting integration costs and implementation of supply chain optimisation

1. *Unless otherwise stated, all percentage or dollar movements from prior periods are pre-material items and on a constant currency basis. F16 CFX EBITS have not been adjusted to reflect the restatements referred to Appendix 1*
2. *Stated on a reported currency basis*
3. *On a pre material items basis*

Balance Sheet[1,2]

A$m	F17	F16
Cash & cash equivalents	240.8	256.1
Receivables	607.9	611.4
Current inventories	947.9	895.7
Non-current inventories	763.9	678.4
Property, plant & equipment	1,328.5	1,347.8
Agricultural assets	37.7	35.8
Intangibles	1,095.8	1,101.5
Tax assets	208.0	270.0
Assets held for sale	36.0	68.2
Other assets	12.8	21.6
Total assets	**5,279.3**	**5,286.5**
Payables	719.9	726.3
Borrowings	600.5	631.1
Tax liabilities	285.0	263.5
Provisions	64.8	83.1
Other liabilities	0.6	13.3
Total liabilities	**1,670.8**	**1,717.3**
Net assets	**3,608.5**	**3,569.2**

Flexibility to pursue future value accretive opportunities

- Net assets up $39.3m on a reported currency basis; adjusting for movements in foreign currency, the increase was $90.3m
- Factors impacting the increase in net assets included:
  - Increase in working capital, principally driven by higher inventory reflecting the 2017 vintage in Australia and 2016 vintage in California
  - Lower borrowings, principally driven by foreign currency movements
  - Lower provisions, driven by utilisation of restructuring-related provisions in respect of the integration of Diageo Wine, TWE's Supply Chain Optimisation Initiative, and route-to-market changes in Canada, Japan and New Zealand
- Return on Capital Employed up 2.3 ppts to 11.6%[3]

1. *Unless otherwise stated, all balance sheet percentage or dollar movements from the previous corresponding period are on a reported currency basis*
2. *Borrowings have been adjusted by $4.1m (F16: $12.9m) to reflect a fair value hedge of a portion of US Private Placement notes*
3. *F16 ROCE restated from 9.6% to 9.3% reflecting a change in accounting standards relating to Agricultural Assets*

Cash flow and net debt[1]

Robust cash conversion; in line with guidance range

A$m (unless otherwise stated)	F17	F16
EBITDAS	**563.4**	**441.0**
Change in working capital	(67.4)	87.1
Other items	(23.5)	16.3
Net operating cash flows	**472.5**	**544.4**
Cash conversion	**83.9%**	**123.4%**
Capital expenditure	(210.4)	(133.8)
Net investment expenditure/other	50.9	(798.3)
Net interest paid	(24.5)	(21.7)
Tax paid	(32.0)	(10.8)
Dividends/distributions paid	(184.6)	(111.2)
Material item cash flows	(3.9)	(13.7)
Issue of shares, less transaction costs	-	475.4
Share purchases	(65.9)	(4.5)
Total cash flows from activities	**2.1**	**(74.2)**
Opening net debt as at 1 July 2016	**(365.0)**	**(213.9)**
Total cash flows from activities (above)	2.1	(74.2)
Proceeds from settlement of derivatives	0.6	10.3
Net debt acquired	-	(85.1)
Debt revaluation and foreign exchange movements	7.5	(2.1)
Decrease / (Increase) in net debt	**10.2**	**(151.1)**
Closing net debt as at 30 June 2017	**(354.8)**	**(365.0)**

- Net debt[2] decreased $10.2m to $354.8m
- Major drivers of the movement in net debt include increased EBITDAS, partially offset by higher working capital and capital expenditure, on-market share purchases in connection with vesting of Long Term Incentive Plans, and increased tax and dividends paid
- Cash conversion of 84%[3]; within guidance range

Continued investment in quality and efficient asset base

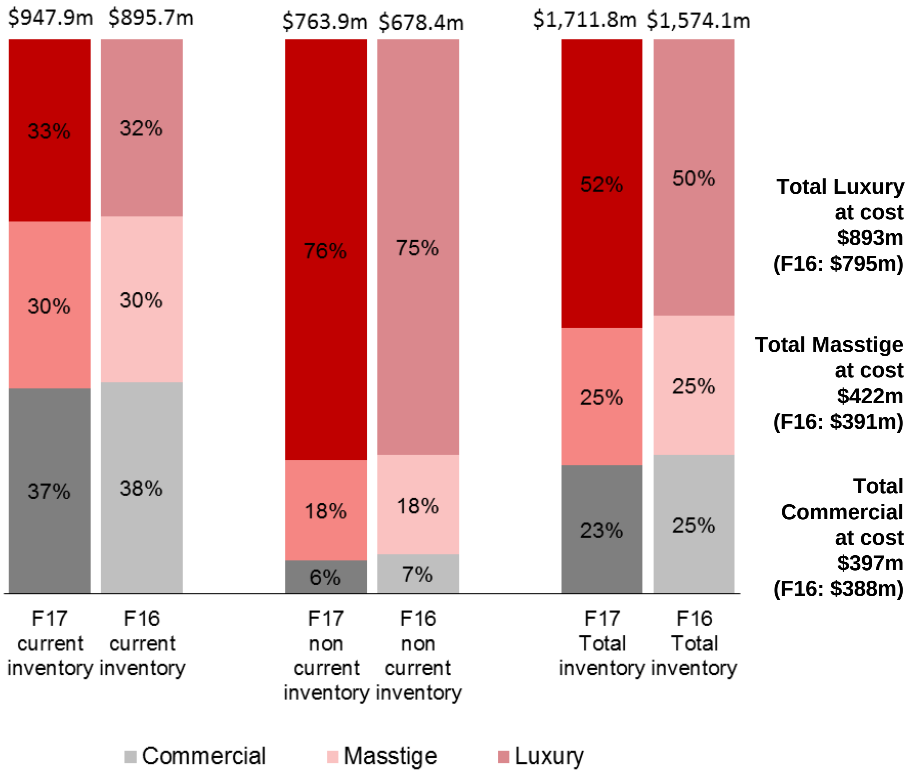
A$m	F17	F16
IT spend	14.8	11.5
Oak purchases	33.5	21.8
Vineyard redevelopments	25.4	24.3
Upgrades to winemaking equipment and facilities	15.5	17.1
Other capital expenditure	20.6	16.7
Total maintenance and replacement capex	**109.8**	**91.4**
Diageo Wine Integration	48.4	15.5
Vineyard acquisitions	37.9	-
Supply Chain Optimisation Initiatives	14.3	26.9
Total growth capex	**100.6**	**42.4**
Gross capital expenditure	**210.4**	**133.8**
Oak barrels under sale and leaseback arrangements	(25.4)	-
Net capital expenditure	**185.0**	**133.8**

- Capital expenditure (capex) up $76.6m to $210.4m comprising:
  - $109.8m for Maintenance & Replacement, in line with guidance
  - $48.4m to deliver integration synergies
  - $37.9m on vineyard acquisitions to drive incremental access to Luxury / Masstige supply
  - $14.3m to execute Supply Chain Optimisation activities
- Offsetting oak purchases were barrels disposed under sale and lease back arrangements of $25.4m
- In F18, Maintenance & Replacement capex not expected to exceed $120m; and remaining planned capex for Diageo Wine integration of circa $32m expected to be deployed

1. *All cash flow percentage or dollar movements from the previous corresponding period are on a reported currency basis*
2. *Borrowings have been adjusted by $4.1m (F16: $12.9m) to reflect a fair value hedge of a portion of US Private Placement notes*
3. *Cash conversion (Net operating cash flows before financing costs, tax and material items divided by EBITDAS)*

Inventory analysis

Inventory at book value split by segment – F17 & F16[1,2,3]



Premiumised inventory mix; positioning TWE to deliver continued earnings and margin growth in F19 and beyond

- Total inventory increased $138m to $1,712m, reflecting:
  - $85.5m increase in non-current inventory
  - $52.2m increase in current inventory
- Total Luxury inventory increased 12% to $893m; current Luxury up 9% to $313m and non-current Luxury up 14% to $580m
- Factors impacting the movement in inventory included:
  - High yielding, high quality 2017 vintage in Australia and strong 2016 vintage in the US
  - Uplift in current inventory reflects growing demand for TWE's Luxury and Masstige wine portfolios
  - F18 allocation of Penfolds in line with F17, with adverse mix
  - Continued focus on optimising TWE's inventory mix; reducing the proportion of Commercial and lower-end Masstige inventory, notably via the divestiture of TWE's NPC[4] brand portfolio in July 2016

1. *Inventory composition subject to rounding. Totals based on sum of Non-Current and Current Inventory. F16 inventory restated to reflect finalisation of Purchase Price Accounting adjustments*
2. *TWE participates in three segments: Luxury (A$20+), Masstige (A$10-A$20) and Commercial (A$5-A$10). Segment price points are retail shelf prices*
3. *Maison de Grand Esprit inventory will be reflected in the 1H18 balance once finished goods inventory is received*
4. *Divested Non-Priority Commercial (NPC) brands include: Little Penguin, Stone Cellars, Cellar No 8, Colores Del Sol, Black Opal, Century Cellars, Great American Wine Company, Chateau La Paws, Once Upon A Vine, Rosenblum, Snapdragon and Orogeny*

TWE

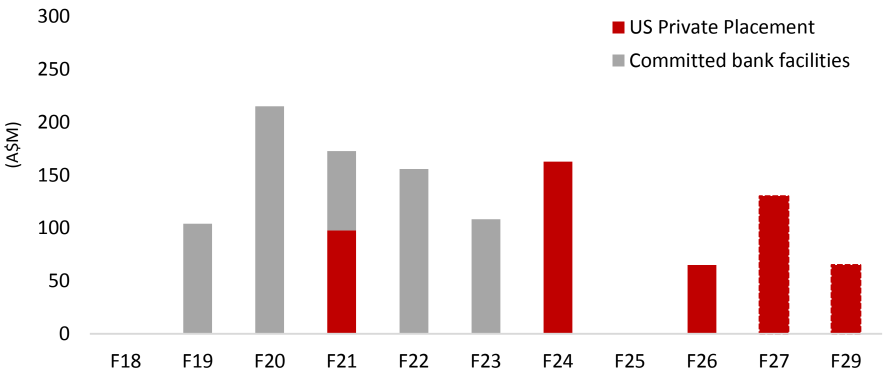
Capital Management

Strengthened debt financing structure

Optimised debt financing profile in F17 resulting in improved mix, spread and tenor of committed debt facilities, including:

- Refinanced bank facilities, with term extensions achieved on a portion of existing commitments totalling A$150m and US$145m
- New US Private Placement issue, totalling US$150m:
  - US$100m 10 year bonds maturing June 2027
  - US$50m 12 year bonds maturing June 2029
- Average duration of commitments increased to 5.3 years, without materially increasing the cost of funds
- Available liquidity comprising cash of $240.8m and undrawn committed debt facilities of $658.0m

Maturity profile – committed debt facilities



Disciplined capital management to drive sustainable value

Continued focus on maintaining balance sheet metrics consistent with an investment grade credit profile:

- Lease adjusted net debt / EBITDAS of 1.5x at F17 versus target of up to 2.0x through the cycle

Continued focus on maximising shareholder value in a disciplined and sustainable manner:

- Final dividend of 13 cents per share, 50% franked, bringing the total dividend for F17 to 26 cents per share, representing a 6 cent per share increase (+30%) and a 65% payout ratio in accordance with TWE's stated dividend policy of targeting payout between 55-70% of NPAT per fiscal year

Establishment of on-market share buyback program of up to $300m in F18[1]:

- Complements dividend policy
- On-market share buyback is an appropriate mechanism to return capital to shareholders at this point in time
- Balance sheet strength and flexibility maintained, ensuring appropriate capacity and flexibility to pursue inorganic and value accretive opportunities
- Reflects TWE's confidence in its future outlook
- To be funded from existing, available liquidity

1. *Circa 3% of issued capital based on closing share price of $12.52 on 15 August 2017*

Angus McPherson | Managing Director, ANZ

Tim Ford | Managing Director, Europe, SEAMEA & Global Supply Chain

Bob Spooner | President, Americas

Robert Foye | Chief Operating Officer, Managing Director, North Asia

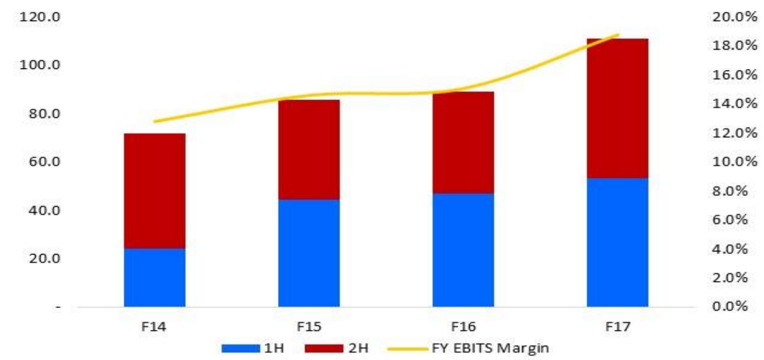
Michael Clarke | Summary & Outlook

Australia & New Zealand

ANZ regional performance

A$m	F17	F16	%	F16	%
		Reported currency		Constant currency	
Volume (m 9Le)	7.8	7.8	0.2%	7.8	0.2%
NSR (A$m)	591.3	590.7	0.1%	592.3	(0.2)%
NSR per case (A$)	75.84	75.88	(0.1)%	76.09	(0.3)%
EBITS (A$m)	111.1	89.3	24.4%	91.9	20.9%
EBITS margin (%)	18.8%	15.1%	3.7ppts	15.5%	3.3ppts

Historical EBITS & EBITS margin performance[1]



Strengthened category leadership position by investing in consumer and brand-led activations and strategic customer partnerships

- EBITS growth and EBITS margin accretion delivered in F17
- Strengthened strategic customer partnerships in Australia underpinned by category-leading insights and strong in-market execution
- Adjusted volume growth of 2% achieved in Australia[2], outpacing the category[3]
- Enhanced price realisation on key brands, notably Penfolds, Pepperjack and Annie's Lane, and focus on Masstige portfolio expansion (Gem brand portfolio volume up 15%), offset portfolio mix impact from global reallocation of Luxury wine
- Masstige-led portfolio growth to support future Australia market share target of 25% volume and value (currently at 22% value share[4])
- Category-leading sales execution and ongoing tight cost management to support further margin accretion in F18 and beyond

1. *Presented on a reported currency basis*
2. *TWE deliberately reallocated Australian customers who serviced Asia to the Asia region*
3. *Due to TWE's route-to-market changes impacting market data, Management estimates the category is growing at 0-1%*
4. *Source: Aztec Sales Data | Bottled Wine Only | Australia Liquor Weighted I Scan MAT to 16 July 2017 and Management estimates*

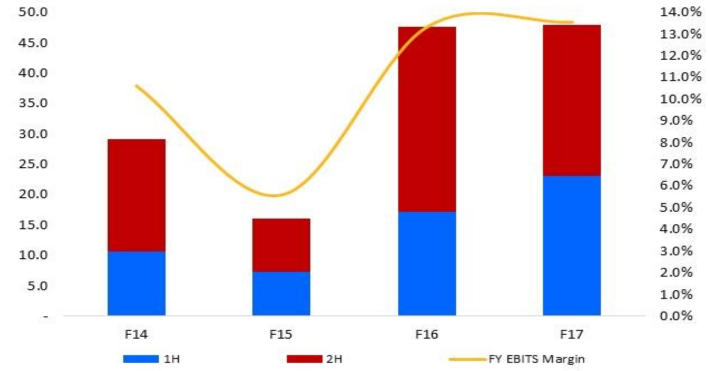
TWE

Europe

Europe regional performance

A$m	F17	F16	%	F16	%
		Reported currency		Constant currency	
Volume (m 9Le)	9.6	8.4	14.4%	8.4	14.4%
NSR (A$m)	354.1	357.7	(1.0)%	312.1	13.5%
NSR per case (A$)	36.76	42.46	(13.4)%	37.05	(0.8)%
EBITS (A$m)	48.0	47.7	0.6%	32.8	46.3%
EBITS margin (%)	13.6%	13.3%	0.3ppts	10.5%	3.1ppts

Historical EBITS & EBITS margin performance[1]



Double-digit EBITS margin maintained, supported by targeted brand building investment, strengthened customer partnerships and Diageo Wine integration

- Higher[2] volume, NSR and EBITS, with EBITS margin accretion
- Focused and more targeted brand investment drove 17% growth in Masstige volume led by Wolf Blass, Rosemount and 19 Crimes
- Strengthened customer partnerships supported by ongoing joint business planning; distribution gains achieved on priority brands
- 2H17 volume impacted by exit from UK underbond trading, particularly impacting Blossom Hill
- Favourable CODB margin versus pcp; marginally higher overheads from the integration of Diageo Wine more than offset by NSR growth
- Focus in F18 remains on optimising business model and delivering a double-digit EBITS margin

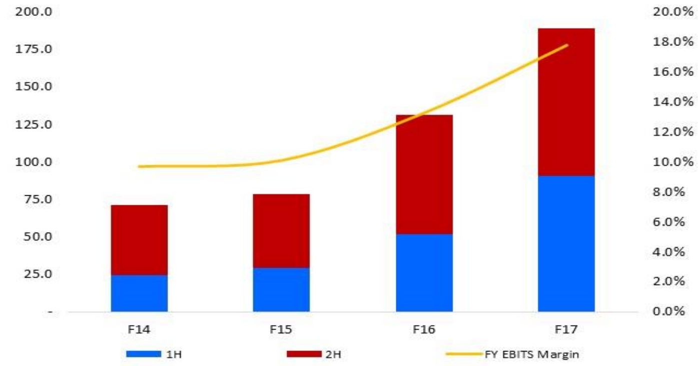
1. *Presented on a reported currency basis*
2. *On a constant currency basis*

Americas

Americas regional performance

A$m	F17	F16	%	F16	%
		Reported currency		Constant currency	
Volume (m 9Le)	15.5	15.0	3.1%	15.0	3.1%
NSR (A$m)	1,062.0	991.0	7.2%	962.2	10.4%
NSR per case (A$)	68.72	66.10	4.0%	64.18	7.1%
EBITS (A$m)	189.0	131.5	43.7%	125.3	50.8%
EBITS margin (%)	17.8%	13.3%	4.5ppts	13.0%	4.8ppts

Historical EBITS & EBITS margin performance[1]



Strong margin accretion supported by organic and inorganic volume growth, premiumisation and Supply Chain savings

- Robust headline volume growth driven by underlying portfolio growth and integration of Diageo Wine, partially offset by divestment of Non-Priority Commercial (NPC) portfolio in July 2016[2]
- Adjusting for NPC brand divestment, Americas delivered 2% growth in 2H17 relative to pcp, with the US growing ahead of the category[3,4]
- Re-set and distribution rebuild of US portfolio in 2H17; Sterling Vintners Collection relaunch in 2H17 highly successful with +23% growth in US retail sales volume during this period[3] and accelerated growth of 19 Crimes in 2H17 with +137% volume growth[3]
- Lower NSR per case reflected reallocation of brand building investment from A&P to D&R in 2H17 to drive brand availability in-store
- Improved profitability in Canada in 2H17 vs 1H17, reflecting new RTM with exclusive distributor partner, Mark Anthony Wine & Spirits
- Continued margin accretion expected to be delivered by volume growth and portfolio premiumisation, enhanced returns from the Diageo Wine business, optimisation of brand investment and cost management

1. *Presented on a reported currency basis*
2. *Non-Priority Commercial portfolio comprised approximately 1m cases sold annually*
3. *As per IRI Market Advantage, Table $4+ excluding Box and Aseptic Wine Size Package, 26 weeks ending 02/07/17, Total US Multi Outlet + Liquor*
4. *Category volume and value growth was 0.2% and 1.6%, respectively, as per IRI (see footnote 3)*

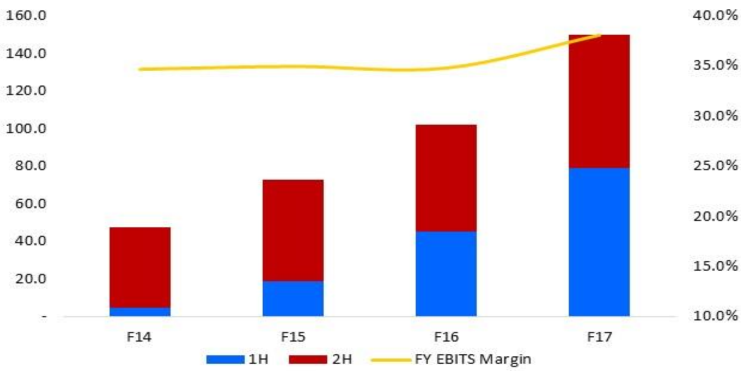
TWE

Asia

Asia regional performance

A$m	F17	F16	%	F16	%
		Reported currency		Constant currency	
Volume (m 9Le)	3.5	2.4	48.7%	2.4	48.7%
NSR (A$m)	394.3	293.2	34.5%	291.9	35.1%
NSR per case (A$)	111.70	123.48	(9.5)%	122.93	(9.1)%
EBITS (A$m)	150.1	102.0	47.2%	104.1	44.2%
EBITS margin (%)	38.1%	34.8%	3.3ppts	35.7%	2.4ppts

Historical EBITS & EBITS margin performance[1]



Asia is a key growth engine for TWE; strong performance supported by increased portfolio breadth and continued route-to-market (RTM) optimisation

- Strong volume growth in North Asia (+43%) and SEAMEA (+58%) led by both Australian and US brand portfolios. Value share of US wine imports to China increased from 2% to 20%[2]
- Price increases taken on key Australian brands; lower NSR per case driven by lower-Masstige tier-led portfolio expansion
- TWE's recent launch of French luxury brand, Maison De Grand Esprit to be complemented by distribution agreement with Baron Philippe de Rothschild, led by Mouton Cadet and Escudo Rojo, to strengthen the French portfolio offering in Asia
- Establishment of warehouse facilities in China in 1H18 expected to significantly improve customer service and access to brand portfolio; TWE to work closely with customer partners and expects some re-phasing of shipments between 1H18 and 2H18
- TWE is #1 imported wine business by value[3]; targeting #1 by volume and value supported by portfolio growth and RTM optimisation
- F18 margin guidance of 30-35% reiterated, however seeking opportunities for improvement of 1-2% driven by enhanced mix from new brand portfolios and strengthened regional business model, whilst transitioning to new warehouse facility and continuing to diversify within portfolios

1. *Presented on a reported currency basis*
2. *Global Trade Atlas*
3. *IWSR Global Database 2016*

Summary and outlook

- TWE continues to transition from an agricultural to a brand-led, high performance organisation
- A key priority is delivering executional excellence across all regions
- On track to deliver at least $100m of run-rate COGS savings from Supply Chain Optimisation initiative before F20
- Investment in business models, brand portfolios, people and partnerships a key focus in F18
- Targeting EBITS growth and EBITS margin accretion in F18, whilst positioning for acceleration in F19 and beyond
- TWE remains committed to a journey of margin improvement that over time delivers an EBITS margin of 25%

Questions


SEPPELT
ST. PETERS
GRAMPIANS SHIRAZ
SALTRAM
No.1
BAROSSA
RIESLING
PROSECCO
T'GALLANT
BRIGHT & ZESTY
DEVIL'S LAIR
PINOT NOIR
YARRA VALLEY
heemskerk
The Stag
BAILEYS
of GLENROWAN
CLASSIC MUSCAT
750ML

Disclaimer

Treasury Wine Estates (TWE) advises that this presentation contains forward looking statements which may be subject to significant uncertainties outside of TWE's control.

No representation is made as to the accuracy or reliability of forecasts or the assumptions on which they are based.

Actual future events may vary from these forecasts and you are cautioned not to place undue reliance on any forward looking statement.

Supplementary Information

Appendix 1: Prior year comparative reconciliation

Group Profit & Loss

$Am (unless otherwise stated)	F16	SGARA adjustment[1]	Restated F16
Volume (m 9L cases)	33.6		33.6
Net sales revenue	2,232.6		2,232.6
NSR per case ($)	*66.50*		*66.50*
Other Revenue	110.7		110.7
Cost of goods sold	(1,508.3)	(7.8)	(1,516.1)
Cost of goods sold per case ($)	*44.92*		*45.16*
Gross profit	835.0	(7.8)	827.2
Gross profit margin (% of NSR)	*37.4%*		*37.1%*
Cost of doing business	(493.0)		(493.0)
Cost of doing business margin (% of NSR)	*22.1%*		*22.1%*
EBITS	**342.0**	**(7.8)**	**334.2**
EBITS margin (%)	*15.3%*		*15.0%*
SGARA	(8.5)	(2.5)	(11.0)
EBIT	**333.5**	**(10.3)**	**323.2**
Net finance costs	(21.2)		(21.2)
Tax expense	(94.7)	4.2	(90.5)
Net profit after tax (before material items)	**217.6**	**(6.1)**	**211.5**
Material items (after tax)	(38.1)		(38.1)
Non-controlling interests	(0.1)		(0.1)
Net profit after tax	**179.4**	**(6.1)**	**173.3**
Reported EPS (A¢)	25.1	(0.8)	24.3
Net profit after tax (before material items and SGARA)	**221.8**	**(4.4)**	**217.4**
EPS (before material items and SGARA) (A¢)	31.1	(0.6)	30.5
Average no. of shares (m)	713.7	-	713.7

Regional Profit & Loss

A$m	F16	SGARA adjustment[1]	Restated F16
ANZ	92.3	(3.0)	89.3
Asia	102.0		102.0
Americas	136.3	(4.8)	131.5
Europe & LATAM	47.7		47.7
Corporate	(36.3)		(36.3)
TWE EBITS	**342.0**	**(7.8)**	**334.2**

Balance Sheet

A$m	F16	Final purchase price accounting - Diageo Wine	SGARA adjustment[1]	Restated F16
Cash & cash equivalents	256.1		-	256.1
Receivables	611.4		-	611.4
Current inventories	904.0	(8.3)	-	895.7
Non-current inventories	678.4	-	-	678.4
Property, plant & equipment	1,154.5	(13.1)	206.4	1,347.8
Agricultural assets	340.0	(2.2)	(302.0)	35.8
Intangibles	1,060.2	41.3	-	1,101.5
Tax assets	252.2	17.8	-	270.0
Assets Held for Sale	98.8	(30.6)	-	68.2
Other assets	21.6	-	-	21.6
Total assets	**5,377.2**	**4.9**	**(95.6)**	**5,286.5**
Payables	725.4	0.9	-	726.3
Borrowings	630.9	0.2	-	631.1
Tax liabilities	292.1	1.1	(29.7)	263.5
Provisions	80.4	2.7	-	83.1
Other liabilities	13.3	-	-	13.3
Total liabilities	**1,742.1**	**4.9**	**(29.7)**	**1,717.3**
Net assets	**3,635.1**	**-**	**(65.9)**	**3,569.2**

1. *SGARA adjustment reflects a change in accounting standards for Agricultural Assets*

TWE

Appendix 2: Foreign exchange rate movements & hedging

F17 constant currency impact

CFX Impact relative to prior year (A$m)			
Currency	**Underlying**	**Hedging**	**Total**
AUD/USD and AUD/GBP	(31.9)	10.2	(21.7)
Net other currencies	5.5	(0.2)	5.3
F17	**(26.4)**	**10.0**	**(16.4)**
AUD/USD and AUD/GBP	44.3	5.1	49.4
Net other currencies	(8.4)	-	(8.4)
F16	**35.9**	**5.1**	**41.0**

- $(16.4)m adverse constant currency impact in F17 (comprising transaction and translation impacts)
- TWE has a diversified portfolio of currency exposures where production cost currencies and revenue generating currencies are not matched
  - $(31.9)m adverse impact from appreciation of the AUD relative to the main currency pairs (USD and GBP), offset by $5.5m benefit largely reflecting movements in TWE's primary revenue currencies[1]
  - $10.0m relative benefit from hedging in F17 versus the prior year ($5.0m realised gain in F17 versus $5.0m loss in the prior year based on constant currency)

F18 EBITS sensitivity and risk management

Currency Pair	Primary Exposure	Movement	EBITS Sensitivity (A$m)
AUD/USD	COGS, EBITS	+ 1%	(3.4)
AUD/GBP	COGS, EBITS	+ 1%	(1.3)
CAD/USD	NSR	+ 1%	1.1
EUR/GBP	NSR	+ 1%	0.8
USD/GBP	COGS	+ 1%	(0.4)

- The sensitivity of EBITS to a 1% change in primary cost and revenue currencies is shown in the table above (excludes potential impact of currency hedging)
- TWE maintains an active foreign exchange risk management strategy, focused on the transactional exposures associated with the Commercial and lower Masstige price segments:
  - AUD/GBP: c.65% of F18 exposure protected against appreciation of the exchange rate above 0.59
  - AUD/USD: c.55% of F18 exposure protected against appreciation of the exchange rate above 0.79
  - Modest hedge positions in place for other currency exposures, with hedge positions structured to provide significant participation in favourable exchange rate movements

[1] *USD relative to the CAD in the Americas, GBP relative to the EUR, SEK and NOK in Europe*

Definitions

Term	Definition
Constant currency	Throughout this presentation, constant currency assumes current and prior period earnings of foreign operations are translated and cross border transactions are transacted at current year exchange rates
NSR	Net sales revenue
EBITDAS	Earnings before interest, tax, depreciation, amortisation, material items & SGARA
EBITS	Earnings before interest, tax, material items and SGARA
EBIT	Earnings before interest, tax and material items
Exchange rates	Average exchange rates used for profit and loss purposes in the F17 results are: $A1 = $US 0.7542 (F16: $A1 = $US 0.7283), $A1 = GBP 0.5952 (F16 $A1 = GBP 0.4915). Period end exchange rates used for balance sheet items in F17 results are: $A1 = $US 0.7681 (F16: $A1 = $US 0.7449), $A1 = GBP 0.5904 (F16: $A1 = GBP 0.5537)
SGARA	Australian accounting standard AASB 141 "Agriculture". From 1 July 2016, changes to AASB 141 applied in respect of vine assets. Vines are no longer recorded at fair value, but are recorded at cost and depreciated
Shipment	Shipments refer to volume movement from TWE to a third party off-premise or on-premise distributor or retailer
Depletion	Depletions refer to volume movements from a distributor to an on-premise or off-premise retailer