TREASURY
WINE ESTATES

Treasury Wine Estates

Annual 2018 financial result

Treasury Wine Estates will host an investor and media webcast and conference call commencing at 11:00am (AEST) on 16 August 2018 (dial-in details below). The webcast and presentation material will be available at www.tweglobal.com. A replay of the presentation will also be available on the website from approximately 1:00pm.

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MEDIA RELEASE 16 August 2018

TWE delivers EBITS CAGR[1] of 25% over four years F18 NPAT up 34%[2] to $360m and EPS up 36% to 49.7 cps

Reported highlights

- F18 EBITS[3] up 17% to $530.2m; EBITS margin accretion to 21.8%, up 2.8ppts
- NPAT[4] up 34% to $360.3m; EPS[5] growth to 49.7 cents per share, up 36%
- Execution of transformational route-to-market change in the US in 4Q18
- Depletions exceed shipments and forward days inventory cover in line with prior year, globally
- Proactive exit of more than 2m 9Le cases of lower margin Commercial volume in F18, globally
- Long-term investment in winemaking drives significant increase in Australian Luxury conversion from 2018 vintage
- Simplify for Growth to deliver enhanced operational effectiveness and higher brand investment returns
- F18 EBITS growth contributes to 4yr EBITS CAGR of 25%; TWE reiterates guidance for expected F19 EBITS growth of approximately 25%

F18 result summary

Treasury Wine Estates Ltd (ASX:TWE or "the Company") today announced its annual 2018 financial result, with Reported Net Profit After Tax (NPAT)[4] up 34% to $360.3m and Earnings Per Share (EPS)[5] up 36% to 49.7 cents per share.

TWE reported EBITS of $530.2m, up 17% on a reported currency basis and including a planned one-off $25m adverse EBITS impact from the route-to-market transition in the US.

The Company also delivered EBITS margin accretion of 2.8ppts to 21.8% representing another meaningful step on TWE's journey to a 25% EBITS margin.

Return On Capital Employed (ROCE) increased 1.0ppts to 12.6% in F18, largely underpinned by enhanced profitability in all regions.

The Board declared a final dividend of 17 cents per share, fully franked. F18 full year dividend of 32 cents per share, up 23% on the previous corresponding period (pcp).

On today's result, TWE's Chief Executive Officer, Michael Clarke, commented: "I am delighted to report another stellar financial result for F18; a year we have coined a 'foundation year' for our Company. The momentum in our business, together with the strength of our organisational talent, brand portfolios, operating models and customer partnerships, enabled us to execute transformational changes to our operating model in the US and still deliver strong profit growth. Over the past four years, we have delivered an EBITS CAGR of 25% whilst embedding meaningful changes that will drive continued long term, sustainable growth and value accretion for our shareholders."

Key highlights from a regional perspective include:

- Americas reported a 2% EBITS reduction to $193.0m and an EBITS margin of 20.1% (up 2.0ppts). Underlying premiumisation, strong EBITS growth in Canada, Direct-to-Consumer (DTC) and Latin America, Diageo Wine integration synergies and cost optimisation were offset by the one-off $25m adverse EBITS impact from the route-to-market changes in the US, which largely related to reduced shipments.

[1] Compound Annual Growth Rate
[2] Unless otherwise stated, all percentage movements outlined in TWE's Media Release are stated on a reported currency basis
[3] Earnings before interest, tax, SGARA and material items
[4] Statutory Net Profit After Tax (including material items), includes a one-off tax benefit of $20.9m arising due to the 1H18 restatement of TWE's net deferred tax liability in respect to its US operations, following the enactment of the US Tax Cuts and Jobs Act
[5] Reported basic Earnings Per Share or "EPS" (including material items), including the one-off tax expense benefit referenced in footnote 4

- Asia reported 37% EBITS growth to $205.2m and an EBITS margin of 37.5% (down 0.6ppts) driven by continued demand for TWE's broadened brand portfolio and optimisation of TWE's routes-to-market in priority channels . All country-of-origin brand portfolios delivered volume growth (Australian up 27%, US up 44%[6] and French up 296%).
- Europe reported 21% EBITS growth to $49.5m and an EBITS margin of 15.4% (up 3.1ppts), driven by underlying premiumisation, led by priority Masstige brand growth and exiting lower margin Blossom Hill Commercial volume, as well as continued focus on strategic customer partnerships, ongoing cost optimisation and favourable foreign currency movements.
- Australia & New Zealand (ANZ) reported 23% EBITS growth to $136.1m and an EBITS margin of 22.7% (up 3.9ppts), driven by Masstige-led premiumisation in Australia, strong retail partnerships, and ongoing focus on managing costs.

TWE targets financial metrics that are consistent with an investment grade credit profile, and through the cycle leverage of up to 2.0x net debt / EBITDAS (adjusted for capitalisation of operating leases). As at F18, TWE reported net debt / EBITDAS (adjusted for capitalisation of operating leases) of 1.9x with interest cover of 16.1x[7]. Increased balance sheet efficiency was delivered with the successful completion of TWE's $300m on-market share buyback in F18; executed at an average price of $15.41 per share and delivered EPS accretion.

Underlying cash conversion was 82.5%, adjusting for one-offs and excluding the benefits of working capital financing activities. Headline cash conversion of 68% reflects the planned (and previously communicated) repurchase of inventory as part of TWE's transformational route-to-market change in the US, as well as phasing of sales, driven by industry delays on Australian wine imports into China in 4Q18. In addition, F18 inventory balance was higher due to inclusion of French portfolio inventory (Maison De Grande Esprit (MDGE) and Mouton Cadet).

Future perspectives

Investment over the past four years has facilitated TWE entering F19 and beyond with increased availability of Luxury wine, a strong pipeline of innovation and New Product Development, strengthening customer partnerships in all regions and with a number of brand portfolio initiatives that have the potential to be incremental to the Company's existing 5-year expectations.

Additionally, TWE has also commenced a 'Simplify for Growth' (S4G) program in F18. S4G is primarily targeting operational efficiency, enhanced returns on brand building investment as well as growth opportunities. Future growth and cost outcomes are expected and TWE will update the market at the appropriate time.

TWE will continue to embed its new operating model in the US and invest in new ways of working with customers. The Company expects the new operating model to be embedded in 2HF19.

TWE reiterates guidance of approximately 25% EBITS growth in F19 and journey to deliver an EBITS margin of 25%.

On TWE's outlook, Michael Clarke commented: "F19 is set to be an exciting year for TWE. We have the wine, the brands, the business models and the organisational talent to propel our Company into its next phase of growth that will see TWE become the world's most celebrated wine company and deliver a 5yr EBITS CAGR of 25%".

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[6] Excluding volume exited in South East Asia, Middle East and Africa (SEAMEA) as part of TWE's exit of lower margin Commercial volume
[7] Interest cover is calculated as the ratio of earnings to net interest expense, where earnings is the consolidated pre-tax profit (pre material items and SGARA) plus the sum of the amount of net interest expense adjusted for amortised interest costs, per financial covenants

Profit Report
Financial Performance

$Am (unless otherwise stated)	F18	Reported Currency F17	Reported Currency Change	Constant Currency F17	Constant Currency Change
Volume (m 9L cases)	34.6	36.4	(5.1)%*	36.4	(5.1)%*
Net sales revenue	2,429.0	2,401.7	1.1%*	2,387.9	1.7%*
NSR per case ($)	*70.25*	*65.96*	*6.5 %*	*65.58*	*7.1 %*
Other Revenue	67.4	132.5	(49.1)%	131.3	(48.7)%
Cost of goods sold	(1,435.6)	(1,568.3)	8.5 %	(1,560.7)	8.0 %
Cost of goods sold per case ($)	*41.52*	*43.07*	*3.6 %*	*42.86*	*3.1 %*
Gross profit	1,060.8	965.9	9.8%*	958.5	10.7%*
Gross profit margin (% of NSR)	*43.7%*	*40.2%*	*8.7 %*	*40.1%*	*9.0 %*
Cost of doing business	(530.6)	(510.8)	(3.9)%	(509.3)	(4.2)%
Cost of doing business margin (% of NSR)	*21.8%*	*21.3%*	*(0.5)ppts*	*21.3%*	*(0.5)ppts*
EBITS	**530.2**	**455.1**	**16.5 %**	**449.2**	**18.0 %**
EBITS margin (%)	*21.8%*	*19.0%*	*2.8ppts*	*18.8%*	*3.0ppts*
SGARA	(15.1)	(5.7)	NM	(5.2)	NM
EBIT	**515.1**	**449.4**	**14.6 %**	**444.0**	**16.0 %**
Net finance costs	(33.4)	(27.1)	(23.2)%	(26.7)	(25.1)%
Tax expense	(116.7)	(130.4)	10.5 %	(131.4)	11.2 %
Net profit after tax (before material items)	**365.0**	**291.9**	**25.0 %**	**285.9**	**27.7 %**
Material items (after tax)	(4.6)	(22.0)	79.1 %	(21.0)	78.1 %
Non-controlling interests	(0.1)	(0.8)	87.5 %	(0.8)	87.5 %
Net profit after tax	**360.3**	**269.1**	**33.9 %**	**264.1**	**36.4 %**
Reported EPS (A¢)	49.7	36.5	36.2 %		
Net profit after tax (before material items and SGARA)	**376.0**	**293.4**	**28.2 %**	**286.9**	**31.1 %**
EPS (before material items and SGARA) (A¢)	51.8	39.8	30.2 %		
Average no. of shares (m)	725.7	736.8			
Dividend (A¢)	32.0	26.0	23%		

** As part of TWE's route-to-market transition, TWE proactively destocked a former distributor partner primarily in states where TWE is now directly distributing. These actions resulted in a negative impact to volume, NSR and Gross Profit in TWE's F18 results*

Financial headlines[8,9]

- Underlying volume up 2.7%; lower headline volume principally reflects exit from more than 2m 9Le cases of lower margin Commercial volume and route-to-market transition in the US
- Net Sales Revenue (NSR) up 1.7%. Strong NSR per case growth, up 7.1% driven by portfolio premiumisation and price realisation, despite supply constrained Luxury brands
- EBITS of $530.2m, up 18%. One-off $25m adverse EBITS impact from route-to-market transition in the US included within EBITS
- EBITS margin accretion of 3.0ppts to 21.8%
- Strong uplift in NPAT, Reported EPS and EPS (before material items & SGARA)
- Underlying cash conversion was 82.5% (adjusting for the impact of one-off items and working capital financing activities). Headline cash conversion was 68.0%
- ROCE accretion delivered; up by 1.0ppts to 12.6%
- Net debt[10] / EBITDAS, adjusted for operating leases of 1.9x and interest cover of 16.1x[11]

Business headlines

- Delivered 18% EBITS growth in a 'foundation year' where TWE invested in its global people capability, brand portfolios, customer partnerships and business models
- Route-to-market changes in the US executed in 4Q18. Embedding new operating model and ways-of-working expected to be completed in 2HF19
- Completion of global initiative to proactively exit lower margin Commercial volume; more than 2m 9Le cases exited in F18 with no adverse impact to Group COGS per case
- EBITS margin accretion largely driven by underlying portfolio premiumisation, above category growth in Australia and Asia, Supply Chain savings and Diageo Wine synergies
- Diageo Wine supply chain integration and cumulative run-rate COGS savings target of $100m from Supply Chain Optimisation initiative delivered in 1H18

Dividend and share buyback

- Final dividend of 17 cents per share, fully franked; bringing F18 full year dividend to 32 cents per share; up 23% on pcp and representing a pay-out ratio of 65%[12]
- $300m on-market share buyback completed in F18 at average price of $15.41 and delivering EPS accretion

Outlook

- Continued investment in brand portfolio initiatives aimed at delivering incremental sales, EBITS and EBITS margin
- Focus on embedding new operating model in US and investing in new ways of working with customers. Operating model expected to be embedded in 2HF19
- Long term investment in winemaking expected to deliver step-up in Luxury conversion capabilities, globally
- 'Simplify for Growth' initiative commenced in F18; expected to deliver process efficiency, brand returns and future cost savings
- TWE reiterates guidance for expected F19 EBITS growth of approximately 25%
- Commitment to EBITS margin accretion and journey towards EBITS margin of 25% reiterated

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[8] 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
[9] Unless otherwise stated, all percentage or dollar movements from prior periods contained in the Profit report are pre material items and on a constant currency basis
[10] Borrowings have been reduced by $12.7m (F17: $4.1m increase) to reflect a fair value hedge of a portion of US Private Placement notes
[11] Interest cover is calculated as the ratio of earnings to net interest expense, where earnings is the consolidated pre-tax profit (pre material items and SGARA) plus the sum of the amount of net interest expense adjusted for amortised interest costs, per financial covenants
[12] TWE targets a dividend payout ratio of between 55%-70% of Net Profit After Tax (pre-material items and SGARA) over a fiscal year. F18 payout ratio excludes the $20.9m one-off tax benefit from US tax reform

Revenue by region[13]

A$m	F18	F17	%	F17	%
		Reported currency		Constant currency	
Net Sales Revenue					
ANZ	598.7	591.3	1.3%	589.9	1.5%
Asia	547.6	394.3	38.9%	393.7	39.1%
Americas	961.8	1,083.8	(11.3)%*	1,061.1	(9.4)%*
Europe	320.9	332.3	(3.4)%	343.2	(6.5)%
Total sales revenue	**2,429.0**	**2,401.7**	**1.1%**	**2,387.9**	**1.7%**
Other revenue	67.4	132.5	(49.1)%	131.3	(48.7)%
Total Revenue	**2,496.4**	**2,534.2**	**(1.5)%**	**2,519.2**	**(0.9)%**

** As part of TWE's route-to-market transition, TWE proactively destocked a former distributor partner primarily in states where TWE is now directly distributing. These actions resulted in a negative impact to volume, NSR and Gross Profit in TWE's F18 results*

Volume

- Underlying volume growth of 2.7% delivered by Asia and ANZ through strategic customer partnerships, focused brand investment and optimised routes-to-market
- Headline reduction in volume driven by:
  - Ongoing focus on driving premiumisation by proactively driving portfolio mix change
  - Proactive exit from more than 2m 9Le cases of lower margin Commercial tiers and customer arrangements (notably in US, UK and SEAMEA)
  - Planned shipment reduction associated with the US route-to-market change
  - Prior model deep discounting in the US in 4Q17 not repeated in 4Q18

Revenue

- Net Sales Revenue up 1.7%, with NSR per case up 7.1%, driven by portfolio premiumisation, top line momentum in Asia and ANZ, and price realisation across key, supply constrained Luxury brands
- Other revenue down 49%, reflecting the exit of third party distribution arrangements in New Zealand as part of the route-to-market change in 1H18 and revenue in 1H17 recognised on sale of bulk wine associated with the divestment of the NPC brand portfolio in July 2016

Cost of Goods Sold (COGS)

- COGS per case lower than pcp driven by Supply Chain Optimisation savings and realisation of Diageo Wine synergies, partially offset by portfolio premiumisation and higher underlying COGS in US
- Cumulative run-rate COGS savings target of $100m from TWE's Supply Chain Optimisation initiative delivered in 1H18

Cost of Doing Business (CODB)

- CODB up $21.3m (up 4%) to $530.6m largely due to increased investment in A&P and organisational capability in Asia and a step-up in Overheads in 2H18 in the US to align organisational structure with the new direct route-to-market

EBITS by region[13]

A$m	F18	F17	%	F17	%
		Reported currency		Constant currency	
ANZ	136.1	111.1	22.5%	108.1	25.9%
Asia	205.2	150.1	36.7%	149.2	37.5%
Americas	193.0	196.0	(1.5)%	189.7	1.7%
Europe	49.5	41.0	20.7%	45.3	9.3%
Corporate	(53.6)	(43.1)	(24.4)%	(43.1)	(24.4)%
TWE EBITS	530.2	455.1	16.5%	449.2	18.0%

Corporate costs

- Corporate costs up $10.5m to $53.6m reflecting investment in organisational capability and higher amortisation as a result of investment in TWE's global IT system in F17

EBITS

- EBITS of $530.2m, up 18% on a constant currency basis, principally driven by premiumisation, strong momentum in Asia, ANZ and Europe, Supply Chain savings and Diageo Wine synergies, partially offset by increased CODB
- EBITS includes a one-off $25m adverse EBITS impact associated with the route-to-market transition in the US
- EBITS margin up 3.0ppts to 21.8%

SGARA

- SGARA loss of $15.1m ($9.9m higher than pcp) driven by the 2017 Californian vintage; partially offset by the 2018 ANZ vintage and the unwind of prior vintage losses, notably the 2016 Californian and 2015 Australian vintages

Net finance costs

- Net finance costs higher than pcp, principally driven by increased average borrowings

Tax expense

- Lower tax expense reflects a one-off benefit of $20.9m arising due to the restatement of TWE's net deferred tax liability in respect to its US operations, following the enactment of the US Tax Cuts and Jobs Act
- Effective tax rate in F18 of 24.2% (F17: 30.8%). Excluding the one-off benefit, TWE's effective tax rate was 28.6% in F18

Material items

- Post-tax material items expense of $4.6m reflects final integration costs associated with the integration of Diageo Wine

Net profit after tax (NPAT)

- NPAT before material items up to $365m (+28%) driven by higher EBITS and lower tax expense, partially offset by higher SGARA loss and net finance costs

Earnings Per Share (EPS)

- EPS (before SGARA and material items) increased 30% to 51.8cps and Reported EPS up 36% to 49.7cps; both on a reported currency basis. EPS (before SGARA, material items and one-off tax benefit) up 22.9% to 48.9cps

[13] Prior year comparatives have been restated to reflect the transition of the LATAM business from Europe to Americas

Balance Sheet (condensed)[14]

A$m	F18	F17
Cash & cash equivalents	89.4	240.8
Receivables	593.3	607.9
Current inventories	1,012.3	947.9
Non-current inventories	952.1	763.9
Property, plant & equipment	1,416.5	1,328.5
Agricultural assets	41.3	37.7
Intangibles	1,128.9	1,095.8
Tax assets	154.5	208.0
Assets held for sale	45.2	36.0
Other assets	12.2	12.8
Total assets	**5,445.7**	**5,279.3**
Payables	759.3	719.9
Borrowings	879.6	600.5
Tax liabilities	245.3	285.0
Provisions	49.4	64.8
Other liabilities	15.8	0.6
Total liabilities	**1,949.4**	**1,670.8**
Net assets	**3,496.3**	**3,608.5**

Balance sheet movements as at 30 June 2018

Net assets down $112.2m to $3,496.3m, principally driven by an increase in net debt, partially offset by increased inventory. Adjusting for movements in foreign exchange rate movements, net assets decreased by $168.9m

Cash and cash equivalents

Lower cash balance principally driven by $300m share buyback, increased dividends and tax paid and higher working capital (driven by higher inventory); partially offset by continued earnings growth

Working Capital

Higher working capital relative to 30 June 2017, reflecting:

- Increased inventory, up $252.6m to $1,964.4m vs. F17 driven by:
  - Intake from the high quality, lower yielding vintages in California in 2017 and in Australia in 2018
  - A significant increase in Luxury grape grade conversion drove a strong uplift in production of Luxury Australian wine in 2018
  - Planned repurchase of distributor inventory associated with the route-to-market change in the US
  - Inclusion of French brand portfolio inventory (MDGE and Mouton Cadet)
  - Continued focus on premiumising TWE's overall inventory mix; increasing Luxury & Masstige availability and exiting lower margin Commercial volume
- Higher payables driven by business growth as well as increased brand building investment in North Asia to support Australian, US and French brand portfolios
- Lower receivables driven by exit from lower margin Commercial volume and working capital financing initiatives, partially offset by phasing of sales due to the US route-to-market change and industry delays on Australian wine imports into China in 4Q18

Property, Plant & Equipment

Property, Plant & Equipment increased $88.0m to $1,416.5m reflecting investments in Australia, the US and New Zealand, notably the acquisition of the Wetherall vineyard; a premium vineyard in Coonawarra, South Australia

Agricultural assets

Agricultural assets at 30 June 2018 represent the market value of unharvested grapes prior to the 2018 US vintage with the increase reflecting recent investments in vineyard redevelopment

Intangibles

Adjusting for foreign currency movements, intangible assets increased by $17.0m, principally reflecting TWE's investment in IT systems, notably to support its new route-to-market in the US

Provisions

Lower provisions relative to pcp, driven by utilisation of restructuring-related provisions in respect of the integration of Diageo Wine (now complete)

Tax and other assets

Increase in net deferred tax liabilities principally relates to the unwind of DTAs recognised on the Diageo Wine acquisition, partially offset by the revaluation of net US deferred tax liabilities following the enactment of the US Tax Cuts and Jobs Act

Assets held for sale

Increase in assets held for sale reflects barrels to be sold under sale and lease back arrangements and surplus supply assets in the US and Australia

Borrowings[15]

Borrowings increased $279.1m to $879.6m, predominantly reflecting funding associated with TWE's share buyback program

Balance sheet leverage

Net debt / EBITDAS of 1.9x (adjusted for operating leases) and interest cover of 16.1x

Funding structure

At 30 June 2018, TWE had committed debt facilities totalling approximately $1.3bn, comprising;

- Drawn bank facilities of $274.1m and $544.3m of US Private Placement notes
- Undrawn committed, syndicated debt facilities totalling $483.1m

Weighted average term to maturity of committed facilities of 4.5 years

[14] Unless otherwise stated, balance sheet percentage or dollar movements from the previous period are on a reported currency basis and in respect of pcp.
[15] Borrowings have been reduced by $12.7m (F17: $4.1m increase) to reflect a fair value hedge of a portion of US Private Placement notes

Cash flow – reconciliation of net debt

A$m (unless otherwise stated)	F18	F17
EBITDAS	**627.7**	**563.4**
Change in working capital	(177.1)	(67.4)
Other items	(23.8)	(23.5)
Net operating cash flows before financing costs, tax & material items	**426.8**	**472.5**
Cash conversion	**68.0%**	**83.9%**
Capital expenditure	(215.4)	(210.4)
Net investment proceeds / (expenditure)	50.1	50.9
Cash flows after net capital expenditure, before financing costs, tax & material items	**261.5**	**313.0**
Net interest paid	(29.3)	(24.5)
Tax paid	(93.7)	(32.0)
Cash flows before dividends & material items	**138.5**	**256.5**
Dividends/distributions paid	(203.7)	(184.6)
Cash flows after dividends before material items	**(65.2)**	**71.9**
Material item cash flows	(8.1)	(3.9)
On-market share buyback	(300.0)	-
On-market share purchases	(42.9)	(65.9)
Total cash flows from activities	**(416.2)**	**2.1**
Opening net debt	**(354.8)**	**(365.0)**
Total cash flows from activities (above)	(416.2)	2.1
Proceeds from settlement of derivatives	-	0.6
Debt revaluation and foreign exchange movements	(31.3)	7.5
Increase in net debt	**(447.5)**	**10.2**
Closing net debt	**(802.3)**	**(354.8)**

Movement in net debt

Net debt increased $447.5m to $802.3m. Drivers of the movement in net debt included:

EBITDAS

EBITDAS increased $64.3m on a reported currency basis driven by premiumisation, strong momentum in Asia, ANZ and Europe, Supply Chain savings and Diageo Wine synergies, partially offset by increased CODB

Movement in working capital[16]

Net working capital outflow driven by:

- Increased inventory reflecting intake from the high quality, lower yielding vintages in California in 2017 and Australia in 2018, the inclusion of French brand portfolio inventory as well as inventory repurchased as part of TWE's route-to-market change in the US
- Higher payables, driven by business growth as well as increased brand building investment in North Asia to support Australian, US and French brand portfolios
- Lower receivables driven by exit from lower margin Commercial volume and working capital finance initiatives, partially offset by phasing of sales due to the US route-to-market change, and industry delays on Australian wine imports into China in 4Q18

Other items

Other items reflects movements in provisions and profit on sale of assets

Capital expenditure

Capital expenditure (capex) of $215.4m comprising:

- Maintenance & Replacement capex of $128.3m; slightly higher than guidance due to incremental expenditure in 2H18 associated with vineyard investment;
- Capex of $36.9m for Diageo Wine integration (now complete);
- Vineyard acquisitions of $36.8m to increase access to Luxury and Masstige supply, notably the acquisition of the Wetherall vineyard; a premium vineyard in Coonawarra; and
- Other investment in growth initiatives of $13.3m.

In F19, Maintenance and Replacement capex expected in the range of $130m to $140m (including oak barrels), reflecting increased growth and scale of Luxury operations.

Net investment proceeds / (expenditure)

Net investment expenditure reflects proceeds received from the sale and leaseback of oak barrels and the sale of surplus supply assets

Net interest paid

Increased net interest paid driven by higher average drawn debt

Dividends paid

Increase in dividends paid reflects F18 interim dividend of 15 cents per share and F17 final dividend of 13 cents per share, representing an increase of 12% relative to pcp

Tax paid

Increase in tax paid predominantly reflects Australia being in a full tax paying position in F18

Material items

Material items outflow driven by restructuring and redundancy costs associated with the integration of Diageo Wine (now complete)

On-market share purchases

Increase in issued shares transactions reflects:

- Purchase and cancellation of $300m of issued capital under TWE's share buyback program; executed at an average price of $15.41 per share; and
- Upfront acquisition of shares in connection with vesting of TWE's Long Term Incentive Plans, and underlying appreciation in TWE's share price

Exchange rate impact

Lower period-end exchange rates used to revalue foreign currency borrowings and cash as at 30 June 2018 increased net debt by $31.3m

Cash conversion

Underlying cash conversion was 82.5% after adjusting for inventory repurchased as part of TWE's route-to-market transition in the US, delayed sales due to clearance delays of Australian wine imports into China in 4Q18 and the inclusion of French brand portfolio inventory (MDGE and Mouton Cadet), partially offset by working capital financing activities. Headline cash conversion was 68.0%

[16] Change in working capital reflects operating cash flow movements

Regional Summaries

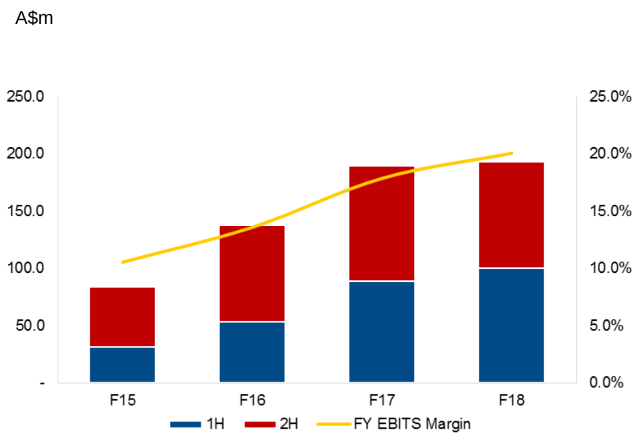
Americas

Financial performance[17]

A$m	F18	F17	%	F17	%
	Reported currency			Constant currency	
Volume (m 9Le)	13.7	15.8	(13.3)%*	15.8	(13.3)%*
NSR (A$m)	961.8	1,083.8	(11.3)%*	1,061.1	(9.4)%*
NSR per case (A$)	70.43	68.81	2.4%	67.37	4.5%
EBITS (A$m)	193.0	196.0	(1.5)%	189.7	1.7%
EBITS margin (%)	20.1%	18.1%	2.0ppts	17.9%	2.2ppts

** As part of TWE's route-to-market transition, TWE proactively destocked a former distributor partner primarily in states where TWE is now directly distributing. These actions resulted in a negative impact to volume, NSR and Gross Profit in TWE's F18 results*

Historical EBITS and EBITS margin*



** Chart presented on a reported currency basis*

Business performance

- Underlying volume growth flat vs. pcp, before taking into account the following adverse impacts:
  - Exit from lower margin Commercial volume;
  - Shipment reduction associated with the US route-to-market changes
  - Prior model deep discounting in 4Q17 not repeated in 4Q18
  - Total shipments below depletions by >400k cases
- Luxury and Masstige depletions growth continued to be strong, up 6%, combined
- NSR down 9.4%, driven by lower volume. NSR per case growth driven by favourable portfolio mix, price realisation on some supply constrained Luxury brand tiers, partially offset by continued reallocation of brand building investment to D&R to drive on-shelf availability
- Ongoing impact of lower yielding, high quality vintages driving higher COGS, notably across leased vineyards. Increased underlying COGS per case offset by supply chain savings in F18. TWE working to offset higher COGS in F19
- Favourable CODB driven by ongoing reallocation of A&P to D&R to drive distribution availability, partially offset by investment in Overheads ahead of US direct route-to-market changes in 1H18 and one-off items netting to $8m included in EBITS in pcp, principally relating to profit on asset sales
- Strong EBITS growth and margin accretion in Canada; partnership with Mark Anthony Wine & Spirits delivering significant improvement in in-market execution
- LATAM EBITS up 37% versus pcp driven by premiumisation and expansion in markets including Mexico and the Caribbean region
- Americas EBITS up 1.7% to $193.0m, reflecting underlying premiumisation, partially offset by the $25m one-off adverse EBITS impact from the route-to-market transition in 4Q18

Americas regional perspectives

- US wine industry volume (excl. bag in box) continues to be flat; Commercial in decline and Masstige and Luxury segments in growth[18]
- Integration of Diageo Wine completed in 1H18, following the consolidation of packaging to Sonoma Bottling Centre
- Route-to-market transition executed in the US in 4Q18; TWE continuing to invest in self-distributing 25% of its business in large, direct states and transitioned 15% of its business to new, growth-oriented distributor partners
- Positive initial signs of new operating model; gross profit per case delivered by direct states in the US in 4Q18 higher than pcp reflecting early benefits of route-to-market change
- Positive feedback from strategic, national retail customers in 4Q18 as TWE leverages global sales and marketing capability to further strengthen direct customer partnerships and drive category growth
- TWE continuing to embed new operating model in the US and investing in new ways of working with customers; new operating model expected to be embedded in 2HF19

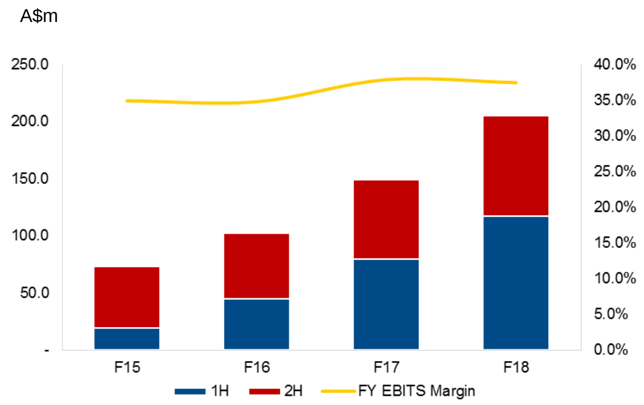
[17] Prior year comparatives have been restated to reflect the transition of the LATAM business from Europe to Americas; F17 EBITS restated from $189.0m to $196.0m
[18] IRI Market Advantage, Table $4+ excluding bag in box, 52 weeks ending 1 July 2018, Total US Multi Outlet + Liquor

Regional Summaries

Asia
Financial performance

A$m	F18	F17	%	F17	%
	Reported currency			Constant currency	
Volume (m 9Le)	4.3	3.5	23.2%	3.5	23.2%
NSR (A$m)	547.6	394.3	38.9%	393.7	39.1%
NSR per case (A$)	125.93	111.70	12.7%	111.53	12.9%
EBITS (A$m)	205.2	150.1	36.7%	149.2	37.5%
EBITS margin (%)	37.5%	38.1%	(0.6)ppts	37.9%	(0.4)ppts

Historical EBITS and EBITS margin*



** Chart presented on a reported currency basis*

Business performance

- Volume growth of 23% to 4,348k 9Le cases; North Asia up 41% versus pcp, and South East Asia, Middle East & Africa (SEAMEA) down 6%
- F18 volume growth led by Australian and French brand portfolios, up 27% and 296%, respectively partially offset by deliberate exit of lower margin Commercial volumes in SEAMEA, largely relating to Blossom Hill
- Excluding Blossom Hill, US brand portfolio volume up 44% led by Luxury tiers of Beringer, Beaulieu Vineyard and Sterling Vineyards
- Forward days of inventory cover broadly in line with previous corresponding period
- Higher NSR per case driven by increased Luxury volume, proactive reduction in Blossom Hill Commercial volume in SEAMEA and price realisation on select supply-constrained Luxury brands
- Higher A&P investment in F18; 2H18 A&P investment more than double pcp to support Australian, US and French brand portfolios in North Asia
- Ongoing investment in sales, marketing and organisational capabilities and presence in Asia underpinned increased Overheads
- Despite higher CODB, notably in 2H18, positive operating leverage from stronger NSR growth drove lower CODB margin in F18
- EBITS up 38% to $205.2m and EBITS margin of 37.5%; slightly higher than the stated guidance range of 32-37%

Asian regional perspectives

- Fundamentals of Asian wine market continue to be attractive; imported wine category taking share from declining local wine category[19]
- Industry delays on Australian wine imports into China in 4Q18 appear to have abated. Strong engagement with regional and national government authorities
- Shanghai warehouse facility operational in F18. Warehouse model already providing increased access to regional retailers in China, with customer transition ongoing
- Successful in-market launch of Maison De Grand Esprit in 1H18; with 1,000+ distribution points achieved in North Asia in F18
- China distribution agreement with Baron Philippe de Rothschild commenced in January; positive momentum seen in 2H18
- Focus on premiumisation and leveraging organisational capability to deepen strategic retail and e-commerce customer partnerships in SEAMEA
- TWE continues to focus on driving portfolio growth in Asia; including Penfolds, other Australian, US, French and Italian wines
- Asia expected to deliver EBITS margin of 35%+ in F19 and beyond

[19] As per IWSR Global Database 2017

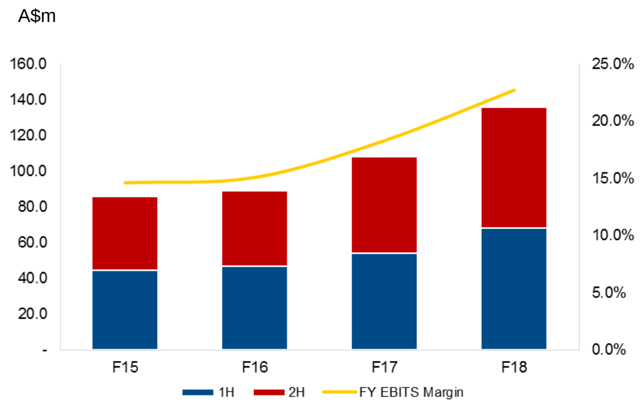
Regional Summaries

Australia & New Zealand (ANZ)

Financial performance

A$m	F18	F17	%	F17	%
	Reported currency			Constant currency	
Volume (m 9Le)	7.9	7.8	1.7%	7.8	1.7%
NSR (A$m)	598.7	591.3	1.3%	589.9	1.5%
NSR per case (A$)	75.47	75.84	(0.5)%	75.66	(0.3)%
EBITS (A$m)	136.1	111.1	22.5%	108.1	25.9%
EBITS margin (%)	22.7%	18.8%	3.9ppts	18.3%	4.4ppts

Historical EBITS and EBITS margin*



** Chart presented on a reported currency basis*

Business performance

- ANZ volume growth of 1.7% to 7,933k 9Le cases; Australia volume growth outperformed Australian wine category [20]
- NSR per case in line with pcp; strong Masstige portfolio growth, offset by the impact of the transition to distributor model in New Zealand. Adjusting for the route-to-market transition, underlying NSR per case increased 4%
- Lower COGS per case supported by continued realisation of Supply Chain savings
- Lower-cost distributor model in New Zealand and reduced COGS per case offset increased investment in organisational capability (Overheads), largely incurred in 1H18
- CODB margin broadly unchanged, with a one-off benefit of $4m relating to profit on asset sales in 1H18 offsetting the impact of increased Overheads
- EBITS up 26% to $136.1m with margin accretion of 4.4ppts to 22.7%

ANZ regional perspectives

- Australian wine market volume is growing at c.0 - 1%[20], with premiumisation driving higher value growth
- Successfully relaunched Seppelt Luxury Collection in 2H18 with nationwide in-store execution and outstanding online and print media marketing campaign
- A'Tivo cans launched in 2H18 in Australia; strengthening TWE's share of refreshment category growth
- TWE continues to target aspirational 25% volume and value market share in Australia, driven by investment in portfolio growth and innovation within the Masstige segment
- Relationships with strategic customers remain strong and collaborative; joint business planning processes are maturing
- TWE's on-premise channel returned to growth in F18; continued investment in Wine On Tap and Choice of Pour
- Successful transition to distributor route-to-market model in New Zealand in 1H18; distributor model and realigned portfolio mix positions New Zealand for growth in F19
- NSR per case growth expected in F19 in ANZ underpinned by Luxury and Masstige volume and value growth and lapping of the impact of the route-to-market transition in New Zealand in F18

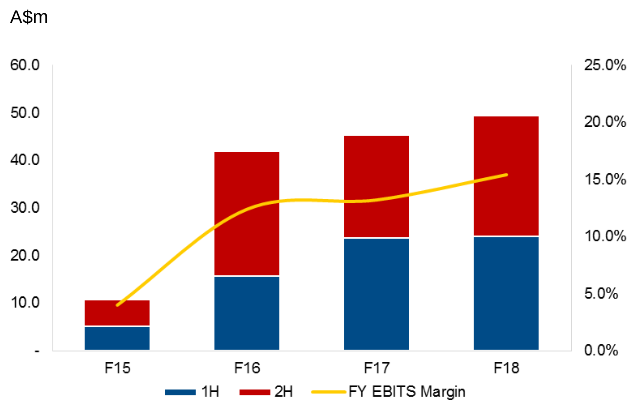
[20] Due to incompleteness of available market data, this is a Management estimate

Regional Summaries
Europe

Financial performance[21]

A$m	F18	F17	%	F17	%
	Reported currency			Constant currency	
Volume (m 9Le)	8.6	9.3	(7.5)%	9.3	(7.5)%
NSR (A$m)	320.9	332.3	(3.4)%	343.2	(6.5)%
NSR per case (A$)	37.16	35.59	4.4%	36.76	1.1%
EBITS (A$m)	49.5	41.0	20.7%	45.3	9.3%
EBITS margin (%)	15.4%	12.3%	3.1ppts	13.2%	2.2ppts

Historical EBITS and EBITS margin*



** Chart presented on a reported currency basis*

Business performance

- Volume decline of 8% to 8,637k 9Le cases, reflecting exit from lower margin Blossom Hill Commercial volume as well as the exit from under-bond wholesale market in the UK
- Higher NSR per case driven by continued focus on driving priority Masstige brands, notably Wolf Blass, Lindeman's Gentlemen's Collection and 19 Crimes and favourable mix within the Commercial segment
- Favourable COGS per case reflects integration of Diageo Wine and continued Supply Chain savings
- Overheads largely in line with pcp, reflecting implementation of organisational structure changes made in F17 and continued focus on managing costs
- EBITS up 9% to $49.5m, and EBITS margin accretion delivered, up 2.2ppts to 15.4%

Europe regional perspectives

- UK wine market conditions remain challenging, with a declining wine category and continued uncertainty from Brexit
- Premiumisation continues in the UK with Luxury and Masstige wine volume growing at c.16%, and Commercial declining c.7%[22]
- Continued prioritisation of key markets (UK, Sweden and Netherlands) and priority brands (Wolf Blass, Lindeman's, Blossom Hill and 19 Crimes)
- Targeted brand building investment supporting priority brands including launch of three year partnership between Wolf Blass and the International Cricket Council and relaunch of Lindeman's packaging
- Fit for purpose organisational structure now implemented and driving cost efficiencies
- Strengthened partnerships with key European retailers driving improved distribution of priority brands; focus continues to be on joint business planning and increasing share of shelf space
- Europe positioned to deliver positive volume growth and continued double digit EBITS margin in F19, supported by strengthening customer partnerships, focused investment on priority brands and maintaining an efficient organisational structure

[21] Prior year comparatives have been restated to reflect the transition of the LATAM business from Europe to Americas; F17 EBITS restated from $48.0m to $41.0m
[22] Nielsen, Total Coverage, Total Still Light Wine, 52 weeks ending 14 July 2018 (750ml bottle still wine only)

Vintage update

California

A dry and warm winter concluded with late rainfalls and cooler conditions in March. The late winter rains and moderate growing season thereafter are expected to result in the 2018 harvest being later than 2017, with timing more aligned to long term averages. The remainder of the growing season is expected to be warm, with overall yields anticipated to be higher than 2017. Key varietals, including Cabernet in Napa; and Chardonnay and Pinot Noir in Sonoma and the Central Coast are currently benefitting most from the favourable growing conditions and continued investments in estate vineyards. The quality of the 2018 vintage will not be impacted by the California wildfires from late 2017.

Australia

The 2018 Australian harvest reflects a high quality vintage, with yields returning to long term averages. Despite seasonal challenges of early frost and then some new year heat spikes, an extended and moderate ripening period leading into harvest has produced a high quality vintage across most of TWE's growing regions and varietals – Barossa Valley Shiraz; McLaren Vale Shiraz and Cabernet Sauvignon; Coonawarra and Robe Cabernet Sauvignon; Tasmanian Pinot Noir and Chardonnay; and Western Australian Chardonnay and Cabernet Sauvignon.

New Zealand

The 2018 vintage experienced warm to hot conditions during the early growing season, followed by late season rains. Regional variations of these conditions were evident, with the extreme growing conditions resulting in wines showing high levels of concentration and character. Overall industry yields were higher than 2017, with TWE experiencing notable uplift in Central Otago Pinot Noir.