Treasury Wine Estates

Interim 2019 financial result

Treasury Wine Estates will host an investor and media webcast and conference call commencing at 11:00am (AEDT) on 14 February 2019 (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.

TELECONFERENCE DIAL IN NUMBERS:

Participant Passcode	**932684**
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Australia – NSW	02 9007 3187
UK	0800 051 8245
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Canada	1855 8811 339
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TREASURY WINE ESTATES

MEDIA RELEASE 14 February 2019

TWE delivers strongest organic NSR growth rate in its history. NPAT up 17%[1] and EPS up 19%

Announcement highlights

- NSR[2] up 16% to $1,507.7m; NSR increase of 13% on a constant currency basis represents the strongest organic growth rate in company history.[3]
- 1H19 EBITS[4] up 19% to $338.3m; EBITS margin accretion to 22.4%, up 0.5ppts.
- NPAT[5] up 17% to $219.2m; EPS[6] up 19% to 30.5 cents per share with an 18.0 cents per share interim dividend declared, up 20%.
- EBITS growth delivered in all regions through top line execution - volume growth, portfolio premiumisation and price realisation. One off investments and charges included, and offset, within EBITS.
- TWE's competitively advantaged business model, brand portfolio and outstanding sales execution enabled strong performance in Asia with 31% EBITS growth to $153.1m and an EBITS margin of 38.9%.
- Execution of US route-to-market transition progressing well and on track.
- Shipments broadly in line with depletions and forward days inventory cover in line with prior year, globally.
- Simplify for Growth initiatives to deliver operational efficiencies. Establishment of the Global Business Services division commenced in 1H19 with investments and restructuring costs included within EBITS.
- TWE reiterates guidance for F19 reported EBITS growth of approximately 25% and expects growth in F20 reported EBITS in the range of approximately 15% to 20%[7], which is broadly in line with consensus.

1H19 result summary

Treasury Wine Estates Ltd (ASX:TWE or "the Company") today announced its interim 2019 financial result, with NSR increasing by the largest organic growth rate in the Company's history.

EBITS were $338.3m, up 19%, with growth delivered across all regions. The Company also delivered EBITS margin accretion of 0.5ppts to 22.4%, representing another step forward on TWE's journey to a 25% EBITS margin.

Reported NPAT up 17% to $219.2m and EPS up 19% to 30.5 cents per share.

The Board declared an interim dividend of 18.0 cents per share, fully franked, up 20% on the previous corresponding period (pcp) and has reinstated its Dividend Reinvestment Plan (DRP), which will be available to Australian resident shareholders for the 2019 interim dividend.

On today's result, TWE's Chief Executive Officer, Michael Clarke, commented: "I am very proud to see the foundation established in the previous years continuing to deliver sustainable growth, as shown by yet another strong set of financial results for the Group. Like in previous years, we've delivered on expectations while continuing to implement significant changes to the business and investing for future growth."

[1] Unless stated otherwise, all percentage movements in Media Release are on a reported currency basis.
[2] Net sales revenue
[3] Excludes the impact from the Diageo Wine acquisition in F16
[4] Earnings before interest, tax, SGARA and material items
[5] Statutory Net Profit After Tax (including material items)
[6] Reported basic Earnings Per Share
[7] Assuming no material changes due to vintage or foreign exchange movements, and does not include impacts from the application of AASB16 Leases in F20

Key highlights from a regional perspective include:

- Americas reported 12% EBITS growth to $112.1m and an EBITS margin of 18.5%. NSR grew 20% through positive execution under the new route-to-market model combined with underlying premiumisation, offset by higher costs of doing business (CODB) reflecting a new sales organisation, and including transitional overhead investment carried above the line, not in material items.
- Asia reported 31% EBITS growth to $153.1m and an EBITS margin of 38.9%. NSR growth of 32% driven by increased availability of Luxury and Masstige wine and outstanding sales execution. TWE continued to optimise and expand its distribution presence across the region.
- Europe reported 10% EBITS growth to $26.3m and an EBITS margin of 15.0%. NSR growth of 10% was driven by Masstige-led premiumisation as well as continued focus on the strengthening of strategic customer partnerships.
- Australia & New Zealand (ANZ) reported 13% EBITS growth to $77.4m, and an EBITS margin of 23.2%. Masstige-led premiumisation delivered 4% NSR growth in Australia, offset by impacts of cycling New Zealand distributor model transition. COGS and CODB optimisation continues.

TWE targets financial metrics that are consistent with an investment grade credit profile. As at 1H19, TWE reported net debt/EBITDAS of 2.0x[8] with interest cover of 13.9x[9]. The new US$350m syndicated debt facility established in November 2018 has increased balance sheet flexibility and will support key investment priorities.

Cash conversion of 53.5% principally reflects revenue growth and the timing of sales execution in the Americas and Asia within 1H19, and the foreign currency translation of working capital balances in the US. Cash conversion for the seven months ended January was 85%.

Future perspectives

TWE entered F19 with increased availability of Luxury wine, a strong pipeline of innovation and New Product Development, strengthening customer partnerships in all regions and brand portfolio initiatives that have the potential to be incremental to the Company's existing 5-year expectations.

Current macro-economic uncertainty has created challenges for some global consumer companies, however the strength of the Company's routes-to-market, particularly in key markets like China and the US, has provided TWE with a significant competitive advantage, and supported the delivery of another strong result. Through these optimised business models, and the underlying strength of its people and brands, TWE is well placed to capitalise on its current momentum and deliver sustainable growth through 2H19 and beyond.

In China, TWE sees tremendous opportunity to continue growing its share of the imported wine market from the current sub 5% level[10] by leveraging its brands and multiple country of origin portfolio. The French category is one where the Company is particularly focussed on gaining share given it is the largest import category, accounting for around 30 to 40% of the market, and remains highly fragmented. TWE will aim to build on its existing French country of origin proposition, Maison de Grand Esprit, using the Penfolds and Beaulieu Vineyard brands.

TWE reiterates guidance of approximately 25% EBITS growth in F19 and expects reported EBITS growth in F20 in the range of approximately 15% to 20%, which is broadly in line with consensus. The Company will provide a further update on expectations for F20 at the time of the full year results release in August 2019.

On TWE's outlook, Michael Clarke commented: "The results presented today demonstrate not only the strength of our premiumisation strategy and global balance, but in particular they highlight the strength of our competitively advantaged regional business models. We are confident we have the brands, the people and

[8] Net debt adjusted for capitalisation of operating leases. Operating leases capitalised using the S&P lease capitalisation methodology
[9] 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.
[10] Sources: IWSR, China customs data, TWE management estimates

the business models in place to maintain the momentum of this half and continue delivering sustainable growth for shareholders."

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Profit Report
Financial Performance

		Reported Currency		Constant Currency	
$Am (unless otherwise stated)	**1H19**	**1H18**	**Change**	**1H18**	**Change**
Net sales revenue	1,507.7	1,295.4	16.4 %	1,338.2	12.7 %
NSR per case ($)	*80.64*	*70.26*	*14.8 %*	*72.59*	*11.1 %*
Other Revenue	30.1	41.2	(26.9)%	42.5	(29.2)%
Cost of goods sold	(893.5)	(790.8)	(13.0)%	(820.8)	(8.9)%
Cost of goods sold per case ($)	*47.79*	*42.89*	*(11.4)%*	*44.52*	*(7.3)%*
Gross profit	644.3	545.8	18.0 %	559.9	15.1 %
Gross profit margin (% of NSR)	*42.7%*	*42.1%*	*1.4 %*	*41.8%*	*2.2 %*
Cost of doing business	(306.0)	(262.5)	(16.6)%	(272.7)	(12.2)%
Cost of doing business margin (% of NSR)	*20.3%*	*20.3%*	*-*	*20.4%*	*0.1ppts*
EBITS	**338.3**	**283.3**	**19.4 %**	**287.2**	**17.8 %**
EBITS margin (%)	*22.4%*	*21.9%*	*0.5ppts*	*21.5%*	*0.9ppts*
SGARA	(6.2)	(24.0)	74.2 %	(25.4)	75.6 %
EBIT	**332.1**	**259.3**	**28.1 %**	**261.8**	**26.9 %**
Net finance costs	(24.1)	(15.1)	(59.6)%	(15.7)	(53.5)%
Tax expense	(88.8)	(56.1)	(58.3)%	(55.9)	(58.9)%
Net profit after tax (before material items)	**219.2**	**188.1**	**16.5 %**	**190.2**	**15.2 %**
Material items (after tax)	-	(0.9)	100.0 %	(1.0)	100.0 %
Net profit after tax	**219.2**	**187.2**	**17.1 %**	**189.2**	**15.9 %**
Reported EPS (A¢)	30.5	25.6	19.1 %	25.9	17.8 %
Net profit after tax (before material items and SGARA)	**223.8**	**203.2**	**10.1 %**	**209.8**	**6.7 %**
EPS (before material items and SGARA) (A¢)	31.2	27.8	12.2 %	28.7	8.7 %
Average no. of shares (m)	718.3	731.2		731.2	
Dividend (A¢)	18.0	15.0	20.0 %	15.0	20.0 %

Financial headlines[11,12]

- Net Sales Revenue (NSR) increased 16.4% on a reported currency basis and 12.7% on a constant currency basis; benefitting from a 1.4% increase in volume, portfolio premiumisation and price realisation on Luxury and Masstige wine
- EBITS of $338.3m, up 19.4% on a reported currency basis and 17.8% on a constant currency basis, with EBITS margin up 0.9ppts to 22.4%
- Strong uplift in NPAT, Reported EPS and EPS (before material items & SGARA)
- Net debt[13] / EBITDAS, adjusted for operating leases of 2.0x and interest cover 13.9x
- Cash conversion of 53.5%, principally reflecting revenue growth and timing of sales execution in the Americas and Asia within 1H19, along with the foreign exchange translation impact on US working capital balances. Cash conversion for the seven months to January was 85%

Business headlines

- NSR growth delivered through volume growth, portfolio premiumisation and price realisation. Excluding the prior year impacts from the New Zealand route to market transition, all regions delivered volume and NSR growth
- Strong EBITS growth delivered by all regions, driven by TWE's premiumisation strategy which has increased availability of Luxury wine for allocation in key markets
- Execution of US route-to-market changes are progressing well and are on track; margin accretion expected from F20 onwards
- Continued strong momentum in Asia, notably in China, where TWE is executing on plans to increase market share and expand its distribution footprint in an import category that remains in growth, leveraging its Australian and French portfolios
- Investment in strategic partnerships with distributor and retail partners in priority markets, supported by joint business planning and insight-led category growth initiatives
- Global Business Services division established as part of Simplify for Growth, with operational efficiencies starting to be realised

Interim Dividend

- Interim dividend of 18.0 cents per share, fully franked; delivering 20% growth vs. 1H18, and a pay-out ratio of 58%[14]
- Dividend reinvestment plan re-activated

Outlook

- TWE reiterates guidance of approximately 25% reported EBITS growth in F19, with a balanced earnings outcome across the fiscal year to reflect the even phasing of Luxury shipments between 1H19 and 2H19
- TWE expects growth in F20 reported EBITS in the range of approximately 15% to 20%[15], which is broadly in line with consensus. Additional updates to be provided as part of the F19 results release in August 2019
- Commitment to EBITS margin accretion and journey towards EBITS margin of 25% reiterated

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[11] Financial information in this report is based on reviewed 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
[12] Unless otherwise stated, all percentage or dollar movements from prior periods are pre any material items and on a constant currency basis
[13] Net debt has been adjusted by $(6.3)m (1H18: $0.4m, F18: ($12.7)m) to reflect hedges on a portion of US Private Placement notes and the US$ term loan
[14] TWE targets a dividend payout ratio of between 55%-70% of Net Profit After Tax (pre-material items and SGARA) over a fiscal year
[15] Assuming no material changes due to vintage or foreign exchange movements and does not include impacts from the application of AASB16 Leases in F20

Revenue by region

A$m	1H19	1H18	%	1H18	%
		Reported currency		Constant currency	
Net Sales Revenue					
Americas	604.6	503.8	20.0%	537.4	12.5%
Asia	393.8	297.5	32.4%	299.7	31.4%
Europe	175.6	160.2	9.6%	167.2	5.0%
ANZ	333.7	333.9	(0.1)%	333.9	(0.1)%
Total sales revenue	**1,507.7**	**1,295.4**	**16.4%**	**1,338.2**	**12.7%**
Other revenue	30.1	41.2	(26.9)%	42.5	(29.2)%
Total Revenue	**1,537.8**	**1,336.6**	**15.1%**	**1,380.7**	**11.4%**

Revenue

- NSR up 12.7%. Volume growth of 1.4% and NSR per case up 11.1% driven by strong sales execution in all regions, portfolio premiumisation and price realisation, particularly for key Luxury brands
- Other revenue reflects the exit of third party distribution and packaging arrangements in New Zealand and Australia

Cost of Goods Sold (COGS)

- COGS per case up 7.3%, driven by portfolio mix impact. Short-term pricing pressures on Australian sourced Commercial wine offset by ongoing benefits of Supply Chain Optimisation savings

Cost of Doing Business (CODB)

- CODB up $33.3m, or 12.2%, to $306.0m, driven by investment in Overheads relating to sales and other organisational capabilities across the Americas and Asia, as well as one off costs associated with Simplify for Growth initiatives and the US route-to-market changes, taken above the line and not in material items.
- CODB margin largely unchanged

Corporate costs

- Corporate costs up $4.3m to $30.6m, principally driven by costs associated with establishment of the Global Business Services division and higher amortisation as a result of investment in TWE's global IT system, offset by other corporate savings

EBITS by region

A$m	1H19	1H18	%	1H18	%
		Reported currency		Constant currency	
Americas	112.1	100.4	11.7%	109.6	2.3%
Asia	153.1	117.0	30.9%	112.0	36.7%
Europe	26.3	24.0	9.6%	25.1	4.8%
ANZ	77.4	68.2	13.5%	66.8	15.9%
Corporate	(30.6)	(26.3)	(16.3)%	(26.3)	(16.3)%
TWE EBITS	**338.3**	**283.3**	**19.4%**	**287.2**	**17.8%**

EBITS

- EBITS up 17.8% on a constant currency basis to $338.3m, principally driven by premiumisation, continued strong momentum in Asia and above category growth in ANZ
- EBITS margin up 0.9ppts to 22.4%. Americas EBITS margin reflects the transition and investment associated with new US route-to-market and is expected to return to growth from F20

SGARA

- SGARA loss of $6.2m ($24.0m loss in pcp) driven by the 2018 Californian vintage loss, partially offset by the unwinding of the prior vintage losses, notably the 2016 and 2017 Californian and 2018 Australian vintages

Net finance costs

- Increased net finance costs reflect higher average borrowings, driven by implementation of the $300m on-market share buyback throughout F18, higher working capital and ongoing capital investment supporting premiumisation

Tax expense

- TWE's effective tax rate was 28.8% in 1H19, down from 31.5% in 1H18 (excludes the one-off tax benefit of $20.9m in 1H18 following enactment of the US Tax Cuts and Jobs Act). The lower tax expense reflects the reduction in the US federal tax rate from 35% to 21%

Material items

- There were no material items recognised in 1H19. All investments and one-off costs were recognised within EBITS. Other than costs related to the Diageo acquisition, since F16 TWE has incurred all charges above the line

Net profit after tax (NPAT)

- NPAT before material items up to $219.2m (+15.2%) driven by higher EBITS and lower SGARA loss, partially offset by higher net finance costs and tax expense

Earnings Per Share (EPS)

- EPS (before SGARA and material items) increased 8.7% to 31.2cps. Reported basic EPS up 17.8% to 30.5cps

Balance Sheet (condensed)[16]

A$m	1H19	F18	1H18
Cash & cash equivalents	183.0	89.4	202.5
Receivables	829.1	593.3	662.1
Current inventories	1,092.4	1,012.3	1,051.5
Non-current inventories	912.8	952.1	662.2
Property, plant & equipment	1,440.5	1,416.5	1,319.1
Agricultural assets	40.7	41.3	37.0
Intangibles	1,156.7	1,128.9	1,090.6
Tax assets	145.4	154.5	138.7
Assets held for sale	39.1	45.2	15.5
Other assets	17.7	12.2	13.8
Total assets	**5,857.4**	**5,445.7**	**5,193.0**
Payables	809.9	759.3	764.7
Borrowings	1,128.0	879.6	699.1
Tax liabilities	236.9	245.3	197.8
Provisions	49.8	49.4	50.8
Other liabilities	15.2	15.8	3.3
Total liabilities	**2,239.8**	**1,949.4**	**1,715.7**
Net assets	**3,617.6**	**3,496.3**	**3,477.3**

Balance sheet movements as at 31 December 2018

Net assets increased by $121.3m to $3,617.6m, principally driven by an increase in receivables and the high quality Californian vintage which increased inventory, partially offset by higher payables and net debt

Adjusting for movements in foreign exchange, net assets increased by $64.8m

Cash and cash equivalents

Higher cash balance principally driven by continued earnings growth, offset by increased dividends, tax paid, working capital investment and capital expenditure

Working Capital

Higher working capital relative to 30 June 2018, driven by;

- Higher receivables, reflecting the growth in revenues during the period combined with the timing of sales execution in 1H19
- Higher payables driven by business growth and increased brand building investment in Asia and the Americas to support Australian, US and French brand portfolios

Inventory

Total inventory increased by $40.8m in 1H19 to $2,005.2m. Versus the pcp, inventory increased by $291.5m , reflecting:

- Intake from high quality, high volume 2018 vintages from Australia and California
- The increase in yields and grade conversion rates, which drove a strong uplift in production in Australia and California
- The balanced allocation for Luxury and Masstige wine across fiscal halves in F19 (versus F18 which was first half weighted)
- Continued focus on premiumising TWE's overall inventory mix, through increasing Luxury and Masstige availability

Luxury inventory increased 22% to $1,172.1m versus the pcp:

- 2017 Australian vintage, lower in volume than the 2016 vintage, to commence release in F20
- High quality and high volume 2018 vintages from Australia and California to commence release from F21
- Current expectations are for a high quality, high volume 2019 Australian vintage which will be released from F22 onwards

Property, Plant & Equipment

Property, Plant & Equipment increased by $24.0m to $1,440.5m reflecting investments in Australia and the US, partially offset by asset depreciation

Agricultural assets

Agricultural assets at 31 December reflect the market value of unharvested grapes prior to the 2019 Australian and New Zealand vintages

Intangibles

Adjusting for foreign currency movements, intangible assets increased by $3.4m, principally reflecting IT related investments, offset by amortisation of intangible assets

Provisions

Provisions balance is broadly in line with pcp

Tax assets and liabilities

Increase in net deferred tax liabilities principally relates to the unwind of DTAs recognised on the Diageo Wine acquisition and a weakening of the Australian dollar

Assets held for sale

Higher assets held for sale balance relative to pcp, principally reflecting the addition of barrels under sale and leaseback for the US and Australia, and the sale of select supply assets in the US

Borrowings[17]

Borrowings increased $248.4m to $1,128.0m, reflecting drawing of new US$ syndicated term loan and foreign exchange translation of US$ denominated Private Placement (USPP) notes, offset by repayment of revolving bilateral debt facilities

Balance sheet leverage

Net debt / EBITDAS of 2.0x (adjusted for operating leases) and interest cover of 13.9x

Funding structure

At 31 December 2018, TWE had committed debt facilities totalling approximately $1.8bn, comprising;

- Drawn bank facilities of $496.9m and US Private Placement notes of $567.9m
- Undrawn committed, bilateral debt facilities totalling $773.8m

Cash flow – reconciliation of net debt

A$m (unless otherwise stated)	1H19	1H18
EBITDAS	**388.3**	**330.8**
Change in working capital	(188.5)	(44.6)
Other items	8.0	(10.8)
Net operating cash flows before financing costs, tax & material items	**207.8**	**275.4**
Cash conversion	**53.5%**	**83.3%**
Capital expenditure	(93.6)	(83.9)
Net investment expenditure/other	26.6	35.8
Cash flows after net capital expenditure, before financing costs, tax & material items	**140.8**	**227.3**
Net interest paid	(25.3)	(13.2)
Tax paid	(88.7)	(70.2)
Cash flows before dividends & material items	**26.8**	**143.9**
Dividends/distributions paid	(122.2)	(96.0)
Cash flows after dividends before material items	**(95.4)**	**47.9**
Material item cash flows	(0.7)	(7.8)
Issue of shares, less transaction costs	-	(162.7)
On-market share purchases	(16.6)	(24.4)
Total cash flows from activities	**(112.7)**	**(147.0)**
Opening net debt	**(802.3)**	**(354.8)**
Total cash flows from activities (above)	(112.7)	(147.0)
Proceeds from settlement of derivatives	-	(0.2)
Debt revaluation and foreign exchange movements	(35.4)	6.5
Increase in net debt	**(148.1)**	**(140.7)**
Closing net debt	**(950.4)**	**(495.5)**

Movement in net debt

Net debt increased $148.1m to $950.4m in 1H19. Drivers of the movement in net debt included:

EBITDAS

EBITDAS of $388.3m on a reported currency basis driven by earnings growth across all regions

Movement in working capital[18]

Net working capital outflow driven by higher receivables as a result of growth in revenues in the period, combined with the timing of sales execution in 1H19 in Americas and Asia. Sales timing execution was impacted by the US route-to-market transition, flow on effects from the China customs clearance delays in Q418 and a reduction in Australian import tariffs to zero in China effective 1 January 2019. Foreign exchange translation of US working capital balances also had an unfavourable impact

Other items

Other items reflect profit or loss on the disposal of assets and the movement in provisions

Capital expenditure

Capital expenditure (capex) of $93.6m comprising:

- Maintenance & Replacement capex of $82.0m; and
- Growth capex of $11.6m

F19 Maintenance and Replacement capex expected to be in line with guidance, in the range of $130 to $140m (including oak barrels)

Net investment expenditure / Other

Net investment expenditure reflects proceeds received from the sale of supply assets, notably V18 oak barrels in Australia and the Clear Mountain vineyard in the US

Net interest paid

$25.3m net interest paid, increase vs pcp driven by higher average drawn debt

Dividends paid

Reflects F18 final dividend of 17 cents per share (13 cents per share in pcp)

Tax paid

Increase in tax paid reflects earnings growth, the timing of tax payments and the profile of tax loss utilisation

On-market share purchases

On-market share purchases reflects the upfront acquisition of shares in connection with vesting of TWE's Long Term Incentive Plans

Exchange rate impact

Lower period-end exchange rates used to revalue foreign currency borrowings and cash flows as at 31 December 2018 increased net debt by $35.4m

Cash conversion

Cash conversion of 53.5% principally reflects revenue growth, the timing of sales execution in the Americas and Asia within 1H19 and the foreign exchange translation impact on US working capital balances. Full year cash conversion is expected to be in the range of 60% to 70%, reflecting the flow on effect of 1H19 impacts, accelerated growth in 2H19 and current expectations for a high quality, high volume 2019 Australian vintage. Cash conversion for the seven months to January 2019 was 85%.

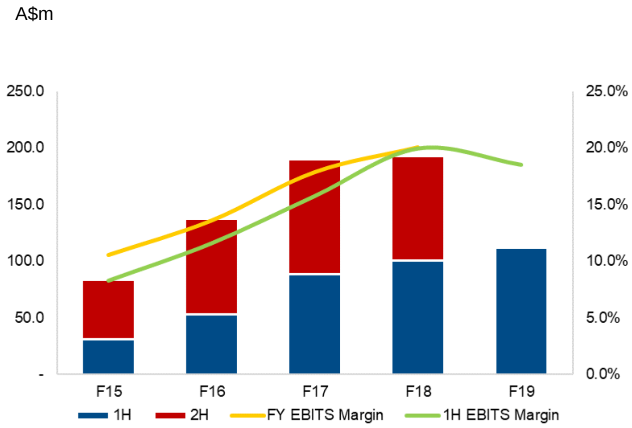
[16] Unless otherwise stated, balance sheet percentage or dollar movements from the previous period are on a reported currency basis and in respect of the 6 months from 30 June 2018.
[17] Borrowings have been adjusted by $(7.4)m (1H18: $0.4m, F18: ($12.7)m) to reflect hedges on a portion of US Private Placement notes
[18] Change in working capital reflects operating cash flow movements

Regional Summaries
Americas

Financial performance

A$m	1H19	1H18	%	1H18	%
		Reported currency		Constant currency	
NSR (A$m)	604.6	503.8	20.0%	537.4	12.5%
NSR per case (A$)	81.40	69.15	17.7%	73.76	10.4%
EBITS (A$m)	112.1	100.4	11.7%	109.6	2.3%
EBITS margin (%)	18.5%	19.9%	(1.4)ppts	20.4%	(1.9)ppts

Historical EBITS and EBITS margin*



** Chart presented on a reported currency basis*

Business performance

- Shipments and depletions in line during 1H19; Luxury / Masstige depletions up 5% versus pcp
- NSR up 12.5% in 1H19, driven by:
  - Higher volume, up 1.9%, reflecting positive execution under the new route-to-market model and cycling of the proactive destock in 1H18 ahead of transition; and
  - 10.4% increase in NSR per case, led by volume growth in the Luxury and Masstige segments, and the overall benefits from route-to-market changes in the US
- Higher COGS per case reflects logistics costs associated with the new route-to-market model, portfolio mix improvement and ongoing impact of lower yielding, high quality vintages, notably across leased vineyards
- Canada continues to perform strongly through partnership with Mark Anthony Wine & Spirits; EBITS higher with 1.5ppts margin accretion achieved
- LATAM EBITS higher, with strong customer relationships driving growth across all price segments
- Americas EBITS up 2.3% to $112.1m, reflecting positive execution under the new route-to-market model combined with underlying premiumisation, partially offset by higher COGS and higher overheads
- EBITS margin declined 1.9ppts, to 18.5%, driven by unfavourable CODB which includes incremental sales and merchandising teams to support growth under the new operating model; transitional overheads and costs, taken above the line and not in material items, which will be removed from 2H19 onwards

Americas regional perspectives

- US wine market volume (excl. bag in box) continues to be flat; Masstige and Luxury segments are in growth, with Commercial (excl. bag in box) declining[19]
- TWE continues to focus on growing its Luxury and Masstige portfolios. TWE proactively exited lower margin Commercial volumes in previous years, ahead of other market players
- Implementation of transformational route-to-market changes are on-track and progressing well:
  - Strong performance in California and Florida, with NSR/case and EBITS up across both states
  - Increased points of distribution achieved in key states from the transition to new distributor partners
  - Continuing to drive broad market distribution across all transition markets is a priority for 2H19
  - New ways of working with distributor and retail partners focused on expanding availability and distribution, complemented by activation of consumer led pull through programs
- Margin accretion expected from F20 onwards

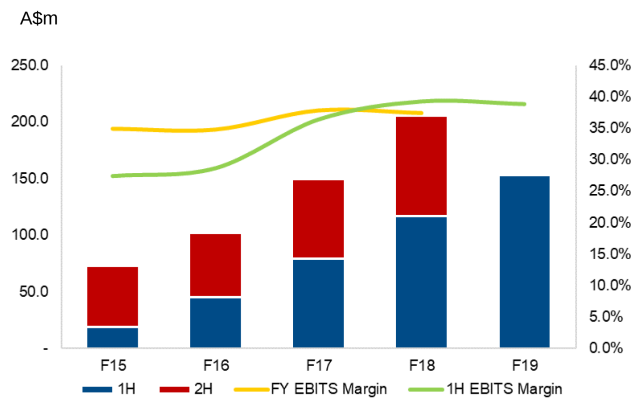
[19] IRI Market Advantage, Table $4+ excluding bag in box, 26 weeks ending 30 December 2018, Total US Multi Outlet + Liquor

Regional Summaries
Asia

Financial performance

A$m	1H19	1H18	%	1H18	%
		Reported currency		Constant currency	
NSR (A$m)	393.8	297.5	32.4%	299.7	31.4%
NSR per case (A$)	163.02	125.16	30.2%	126.09	29.3%
EBITS (A$m)	153.1	117.0	30.9%	112.0	36.7%
EBITS margin (%)	38.9%	39.3%	(0.4)ppts	37.4%	1.5ppts

Historical EBITS and EBITS margin*



** Chart presented on a reported currency basis*

Business performance

- Strong NSR growth driven by increased availability of Luxury and Masstige wine and outstanding sales execution. Volume growth reflects more balanced sales profile of Rawson's Retreat volumes and the continued exit of lower margin commercial volumes in SEAMEA, in 1Q19
- Continued focus on execution of multiple country of origin (COO) portfolio strategy, with Australian and French brand portfolio NSR up 33% and 111% respectively[20]
- Forward days of inventory cover broadly in line with the prior year
- Higher NSR per case reflecting mix improvement, price realisation within the Luxury and Masstige segments, and new Luxury product launches
- Higher CODB reflects:
  - Higher A&P investment to support future brand growth and portfolio expansion. Highlights include the Lot 518 launch and development of Living Wine Labels app in China
  - Ongoing investment in sales, marketing and functional capabilities across the region to support growth
- EBITS up 36.7% to $153.1m, with EBITS margin accretion of 1.5ppts to 38.9%

Asian regional perspectives

- Fundamentals of Asian wine market remain attractive; imported wine category continues to grow
- TWE sees tremendous opportunity to continue growing market share from the current sub 5% level[21] using its multiple country of origin portfolio
- TWE's route-to-market provides a key competitive advantage to maintaining growth momentum across the region, particularly in China; working closely with customers to drive a portfolio of brands
- New strategic partnerships in Singapore, the Middle East and Africa are delivering revenue and earnings growth
- TWE is focused on driving growth across its Australian and French COO portfolios. US COO portfolio remains a small but attractive part of the product offering and investment behind US brands will increase when US/China trade relationship improves
- 2H19 growth rate will be slightly ahead of 1H19 growth rate, given balanced H1/H2 allocation of Luxury wine
- Asia expected to deliver EBITS margin of 35%+ in F19 and beyond

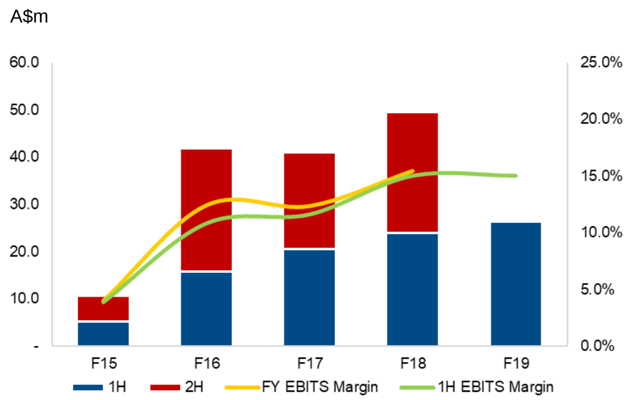
[20] French brand portfolio growth includes third party distributed brands
[21] Sources: IWSR, China customs data, TWE management estimates

Regional Summaries
Europe

Financial performance

A$m	1H19	1H18	%	1H18	%
		Reported currency		Constant currency	
NSR (A$m)	175.6	160.2	9.6%	167.2	5.0%
NSR per case (A$)	38.83	35.90	8.2%	37.47	3.6%
EBITS (A$m)	26.3	24.0	9.6%	25.1	4.8%
EBITS margin (%)	15.0%	15.0%	-	15.0%	-

Historical EBITS and EBITS margin*



** Chart presented on a reported currency basis*

Business performance

- NSR increased 5.0% versus pcp, driven by volume growth across key regional markets as well as NSR per case growth of 3.6%, driven predominantly by Masstige-led mix improvement
- Unfavourable COGS per case reflects short term pricing pressure on Australian sourced Commercial fruit
- EBITS up 4.8% to $26.3m, with EBITS margin flat

Europe regional perspectives

- UK wine market conditions remain challenging, with overall volumes remaining in decline however Australian wine is performing ahead of the market
- Premiumisation trends continue in the UK; Masstige and Luxury wine volume is growing at almost 10%, while Commercial volume has declined in the half by around 7%[22]
- Continued prioritisation of key markets (UK, Sweden and Netherlands) and priority brands (Wolf Blass, Lindeman's, Blossom Hill and 19 Crimes) delivering success
- 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 for growth in 2H19, through strengthening partnerships with strategic customers, maintaining an efficient organisational structure and delivering against the double-digit EBITS margin objective

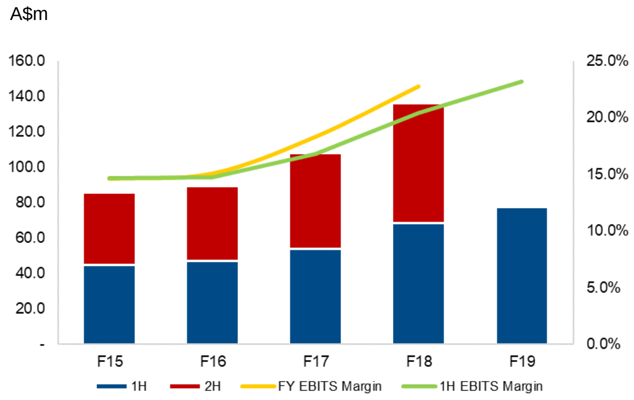
[22] Nielsen, Total Coverage, Total Still Light Wine, 52 weeks ending 1 December 2018 (750ml bottle still wine only)

Regional Summaries
Australia & New Zealand (ANZ)

Financial performance

A$m	1H19	1H18	%	1H18	%
		Reported currency		Constant currency	
NSR (A$m)	333.7	333.9	(0.1)%	333.9	(0.1)%
NSR per case (A$)	77.02	77.45	(0.6)%	77.45	(0.6)%
EBITS (A$m)	77.4	68.2	13.5%	66.8	15.9%
EBITS margin (%)	23.2%	20.4%	2.8ppts	20.0%	3.2ppts

Historical EBITS and EBITS margin*



** Chart presented on a reported currency basis*

Business performance

- NSR in line with pcp, reflecting:
  - Volume increase of 3.8% in Australia, with Masstige-led growth supported by gains in distribution across key customers
  - Volume decline in New Zealand reflecting the transitional impact of the change to distributor model in 1H18. New model showing positive momentum with depletions up 12% on pcp
  - NSR per case decline of 0.6%, driven by a lower weighting of luxury shipments in 1H19 versus pcp and lower wholesale pricing under the New Zealand distributor model, offset by price realisation on certain Luxury brands
- Lower COGS per case supported by continued realisation of Supply Chain savings, offsetting short term pricing pressure on Australian sourced Commercial fruit
- Improvement in CODB reflects ongoing focus and discipline around cost management
- EBITS up 15.9% to $77.4m with margin accretion of 3.2ppts to 23.2%

ANZ regional perspectives

- Australian wine market volume is flat, with premiumisation driving higher value 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; current value market share 22%[23]
- Relationships with strategic customers remain strong and collaborative, supported by well-established joint business planning processes
- TWE's performance in the on-premise channel continues to improve, driven by category growth initiatives such as Wine On Tap
- Robust innovation pipeline across in-demand categories and varietals to maintain growth momentum; TWE making strong gains in the growing refreshment category
- NSR per case growth expected in F19, underpinned by continued strong performance in Australia driving Luxury and Masstige volume and value growth

[23] Aztec Sales Value Data, bottled wine only, Australia Liquor Weighted, Scan 52 weeks to 6 January 2019

Vintage update

California

The consistently moderate weather of the 2018 growing season led to solid yields at or above long-term averages, with the 2018 harvest being recognised as a top vintage for quality across most of California. It was a strong harvest across the board, with yields greater than vintage 2017 and superior quality across TWE's luxury portfolio, particularly Napa Cabernet Sauvignon and Sonoma Pinot Noir which are showing complex flavours, intense colour and bright acidity that will lead to good ageing of these wines. A focus on yields and grade conversion also contributed to the strong harvest intake for TWE.

Australia

Season 2019 commenced with a drier than average winter with cool spells that extended into spring. Supplementary winter irrigation was applied across most regions to ensure vine health was maintained into budburst. Spring temperatures were cool to mild which has delayed the flowering period. All regions have good canopy growth, and vines are disease free heading into vintage. Yields are expected to be around long-term averages, and while some areas have been influenced by the dry winter, quality is anticipated to be in line with vintage 2018.

New Zealand

The 2019 New Zealand vintage has experienced good conditions for quality grapes with early season rain providing soil moisture ahead of the warm to hot mid-summer temperatures. The growing conditions to date are supportive of a high-quality vintage, with yields anticipated to be in line with long term averages. The growing season has most notably favoured Central Otago Pinot Noir and Marlborough Sauvignon Blanc.