# 2015

# TREASURY WINE ESTATES
## HALF YEAR RESULTS
27 February

TREASURY
WINE ESTATES

# Michael Clarke

## Chief Executive Officer

# Result headlines[1,2]

- Net sales revenue (NSR) up 8.7% on a reported currency basis and by 6.2% constant currency basis[3], reflecting improved portfolio mix
- On track to deliver 50% uplift in consumer marketing investment and $35 million overhead reduction program in F15
- EBITS[4] $85.2 million, up 86.0% on a reported currency basis and 77.5% on a constant currency basis, reflecting successful transition of Penfolds release date and strategy to invest in consumer marketing while removing overheads
- Statutory net profit after tax $42.6 million
- EPS 7.8 cents per share up strongly on prior period (before material items, SGARA & $80.5 million tax benefit in fiscal 2014); Tax benefit represented 12.4 cents per share in fiscal 2014. Reported EPS 6.6 cents per share
- Interim dividend 6 cents per share, unfranked in line with the prior period
- Distributor inventory realignment program in US on track for completion in F15
- Steps taken to remove unprofitable and unsustainable volume while improving quality of base business

*[1] 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 performance of the business, make decisions on the allocation of resources and assess operational performance*
*[2] All figures and calculations are subject to rounding*
*[3] Unless otherwise stated all percentage or dollar movements from prior periods are pre any material items and on a constant currency basis*
*[4] Earnings before interest, tax, SGARA and material items*

TWE

# TWE's journey towards being the world's most celebrated wine company

***By transitioning from an order-taking, agricultural company to a global, brand-led marketing organisation***

- Challenge "cottage industry" mindset of winemaking: TWE can preserve the mystique and romance of wine and deliver outstanding, quality brands of scale with sustainability
- Bring FMCG supply and marketing principles to wine; not take wine to FMCG
- Build scale and flexibility with global "umbrella brands"
- Satisfy global consumer "needs" for trust-marks (i.e. brands) as well as experimentation and discovery
- Leverage existing brands to innovate while staying ahead of the "next big thing"
- Capture and enlarge wine's share of voice in the global marketing arena; "*bigger, can be better in wine*"
- Strengthen portfolio of brands (beyond Penfolds) with renewed and increased focus and consumer marketing investment
- Broaden and deepen new and existing routes-to-market in growth markets; increase allocation of scarce Luxury wine to build presence and drive value in these markets
- Dispel the myth that wine is complex; optimise supply chain and empower winemakers
- Embed a light-weight capital organisation; challenge mindset that TWE must own entire supply chain

***Globalising TWE's marketing mindset and driving scale – sustainably – will deliver consistent shareholder returns over time, regardless of "mother nature"***

TWE

# F15 re-set year; progress update

## 1H15 achievements

✓ Seamlessly transitioned Penfolds release date to October

✓ Significant step-up in consumer marketing
  - 1Q15: Investment in depleting Penfolds sold to retailers in F14, ahead of F15 release – Penfolds wine cabinet initiative
  - 2Q15: Launched best Penfolds marketing campaign in brand's history; "*Numbers Can be Extraordinary*"

✓ Steps taken to address quality of earnings base:
  - Deliberately removed unsustainable and unprofitable volume; notably in ANZ and UK
  - De-stocked in all four regions in 1H15
  - On track to deliver $35m overhead reduction in F15

✓ Invested in more focused route-to-market in North Asia, notably in China

✓ Completed planning work for supply chain optimisation initiatives

✓ Defended TWE against two PE firms for 3 months

✓ Focused on building confidence; from supply to sales

~ Commenced separate focus on Luxury & Masstige versus Commercial portfolios in Australia; slower than planned

## 2H15 plans

- Accelerate separate focus on Luxury & Masstige versus Commercial portfolios *globally*
- Continue to address quality of earnings base
- Strengthen portfolio of brands (beyond Penfolds) with renewed and increased focus and consumer marketing investment
- Partner with J Walter Thompson to embed global discipline into brand marketing; eliminate "regional trading mindset"
- Execute more, "large" marketing campaigns across all regions
- Embed focused route-to-market in North Asia; support growth with increased allocation of scarce products to North Asia and Americas
- Continue to invest in sales and marketing capability in growth markets
- Progress with plans to identify and implement further cost savings, including supply chain optimisation
- Build scalable and flexible umbrella brands
- Flex innovation capability and execution
- Complete distributor inventory realignment in US

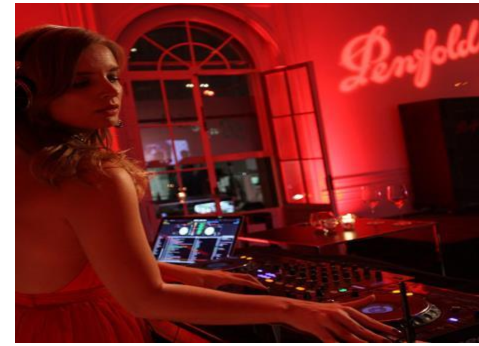
TWE

# Brand activation comes to life at TWE in 1H15

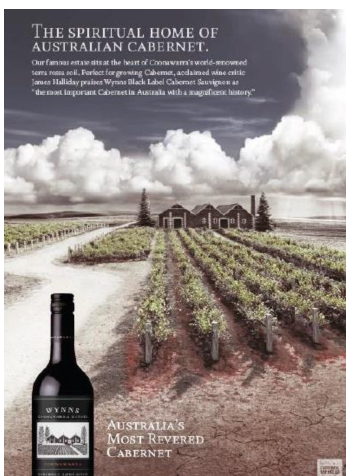
**October new vintage release date**


***Numbers Can Be Extraordinary***


**Global launch at Penfolds House NYC**



**Wynnsday new vintage release**




**Commenced targeted support of Napa Estate brands**


**Strong growth from Masstige innovations in the US**

## Tony Reeves
**Chief Financial Officer**

# Profit & Loss

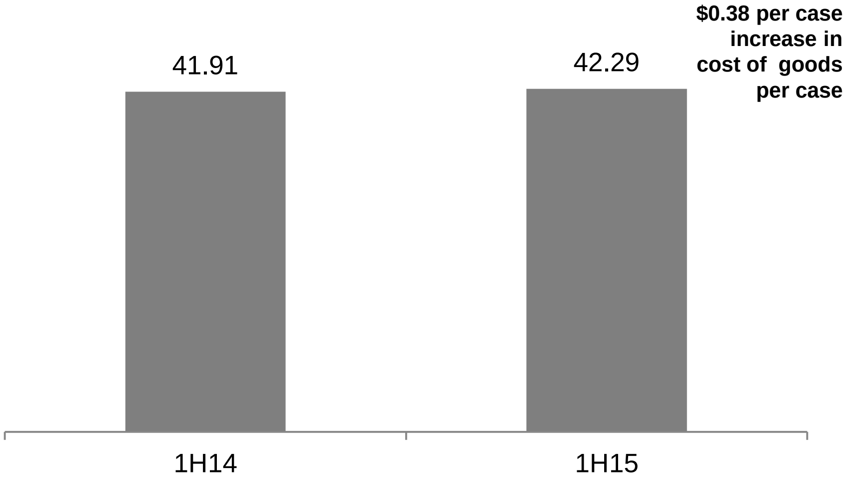
| $Am (unless otherwise stated) | 1H15 | Reported Currency 1H14 | Reported Currency Change | Constant Currency 1H14 | Constant Currency Change |
|---|---|---|---|---|---|
| Volume (m 9L cases) | 15.1 | 15.3 | (1.3)% | 15.3 | (1.3)% |
| Net sales revenue | 882.7 | 811.9 | 8.7 % | 831.0 | 6.2 % |
| Other Revenue | 51.6 | 52.3 | (1.3)% | 53.5 | (3.6)% |
| Cost of goods sold | (637.0) | (624.5) | (2.0)% | (639.6) | 0.4 % |
| *Cost of goods sold per case ($)* | *42.29* | *40.92* | *(3.3)%* | *41.91* | *(0.9)%* |
| Cost of doing business | (212.1) | (193.9) | (9.4)% | (196.9) | (7.7)% |
| *Cost of doing business margin (% of NSR)* | *24.0%* | *23.9%* | *(0.1)ppts* | *23.7%* | *(0.3)ppts* |
| **EBITS** | **85.2** | **45.8** | **86.0 %** | **48.0** | **77.5 %** |
| *EBITS margin (%)* | *9.7%* | *5.6%* | *4.1ppts* | *5.8%* | *3.9ppts* |
| SGARA | (10.5) | - | - | (0.2) | NM |
| **EBIT** | **74.7** | **45.8** | **63.1 %** | **47.8** | **56.3 %** |
| Net finance costs | (11.4) | (9.7) | (17.5)% | (9.8) | (16.3)% |
| Tax expense | (19.8) | 70.6 | NM | 70.2 | NM[1] |
| **Net profit after tax (before material items)** | **43.5** | **106.7** | **(59.2)%** | **108.2** | **(59.8)%** |
| Material items (after tax) | (0.9) | - | - | - | - |
| Minority interests | - | (0.5) | 100.0 % | (0.5) | 100.0 % |
| **Net profit after tax** | **42.6** | **106.2** | **(59.9)%** | **107.7** | **(60.4)%** |
| Reported EPS (A¢) | 6.6 | 16.4 | (59.8)% | | |
| **Net profit after tax (before material items, SGARA & tax benefit)** | **50.6** | **25.7** | **96.9 %** | **27.8** | **82.0 %** |
| EPS (before material items, SGARA and tax benefit) (A¢) | 7.8 | 4.0 | 95.0 % | | |
| Average no. of shares (m) | 649.8 | 647.2 | | | |
| Dividend (A¢) | 6.0 | 6.0 | | | |

1 *Not meaningful*

TWE

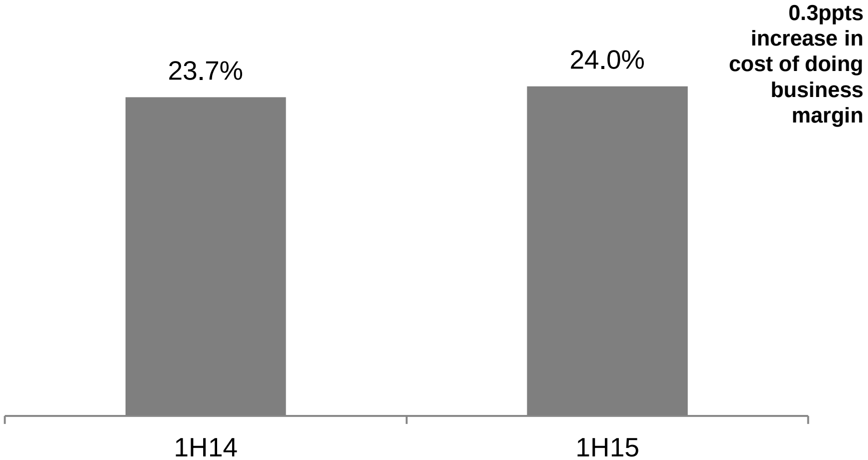
# Cost update

## Cost of goods sold per case[1]




- Cost of goods sold (COGS) per case increased $0.38 on a constant currency basis reflecting:
  - Improved portfolio mix in Luxury segment across all regions relative to the prior period
  - Favourable COGS per case in the US largely underpinned by increased production overhead recoveries driven by higher shipments relative to the prior period

## Cost of Doing Business margin[2]




- Cost of Doing Business margin broadly in line with prior period, up 0.3 percentage points to 24.0% reflecting benefits of TWE's significant overhead reduction initiative to support the 50% step-up in consumer marketing investment and improvement in earnings base across all regions
- TWE remains on track to deliver $35m overhead reduction in F15

[1] *Cost of goods per case calculated as cost of goods sold / volume*

[2] *Cost of doing business margin calculated as (gross profit less EBITS) / net sales revenue, on a constant currency basis*

# US distributor inventory realignment

## Program on track to be completed in F15

| Action | Est. cost @ 30 June 2013 FX rates | # of cases | Progress as at 1H15 |
|---|---|---|---|
| **1. Reduction in shipments (EBITS)** | Up to $30.0m | Up to 1.5m less than depleted | US Depletions 282k cases ahead of shipments in 1H15<br>Cumulative short-ship: 882k cases |
| **2. Destruction of old and obsolete wine (Provision)** | $33.8m | Previously c.600k<br>Revised at F14: to 240k | Opportunity for sale of 335k cases resulted in reallocation from destruction to SDA provision in 2H14<br>Destruction completed in 2H14 |
| **3. Special depletions allowance – SDA (Provision)** | $38.1m | Previously: up to 1.5m cases<br>Revised at F14: up to 1.8m cases | Provision revised to c.$60m at F14<br>Circa 65% of revised SDA provision committed as at 1H15<br>Remaining SDA expected to be committed in 2H15 |
| **3. NRV write down – Bulk wine & Finished Goods (Provision)** | $82.4m | n/a | $63.1m of provision utilised |

# Cash Flow

| A$m (unless otherwise stated) | 1H15 | 1H14 |
|---|---|---|
| **EBITDAS** | **127.5** | **88.4** |
| Change in working capital | (29.5) | (63.2) |
| Other items | 0.6 | (0.1) |
| **Net operating cash flows before financing costs, tax & material items** | **98.6** | **25.1** |
| **Cash conversion**[1] | **77.3%** | **28.4%** |
| Capital expenditure | (34.3) | (33.1) |
| Net investment expenditure | - | (12.7) |
| Total investment expenditure | (34.3) | (45.8) |
| Asset sale proceeds | 3.3 | 0.4 |
| **Cash flows after net capital expenditure, before financing costs, tax & material items** | **67.6** | **(20.3)** |
| Net interest paid | (11.7) | (9.3) |
| Tax paid | (32.4) | (7.1) |
| **Cash flows before dividends & material items** | **23.5** | **(36.7)** |
| Dividends/distributions paid | (45.6) | (45.5) |
| **Cash flows after dividends before material items** | **(22.1)** | **(82.2)** |
| Material item cash flows | (37.2) | (0.7) |
| Share re-purchase (employee share plan) | - | (0.8) |
| Finance leases | - | (2.7) |
| **Total cash flows from activities** | **(59.3)** | **(86.4)** |
| ***Opening net debt*** | **(209.4)** | **(210.9)** |
| Total cash flows from activities (above) | (59.3) | (86.4) |
| Proceeds from foreign exchange swaps[2] | 25.3 | 3.6 |
| Debt revaluation and foreign exchange movements | (39.7) | (9.8) |
| **Increase in net debt** | **(73.7)** | **(92.6)** |
| ***Closing net debt*** | **(283.1)** | **(303.5)** |

## Significantly improved cash conversion

- Net debt increased $73.7m to $283.1m; $39.7m related to lower period-end exchange rates used to revalue foreign currency borrowings at balance date
- Other significant drivers of movement in net debt included:
  - $39.1m uplift in EBITDAS
  - Favourable movement in working capital
  - Reduction in capital and investment expenditure
  - Increased material items outflows
  - Payment of franking deficits tax to bring TWE's franking account balance to nil
- Adjusting for increased utilisation of receivable purchasing agreements (from $108.0m as at 30 June 2014 to $128.3m as at 31 December 2014), net debt increased by $94m for the period

*1 Cash conversion (Net operating cash flows before financing costs, tax and material items divided by EBITDAS)*
*2 Prior period includes reclassifications to align with current year reporting. The "Proceeds from settlement of foreign exchange swaps" represents cash flows from the close out of foreign currency exchange swap contracts*

TWE

# Capital expenditure

| A$m | 1H15 | 1H14 |
|---|---|---|
| IT spend | 3.7 | 6.6 |
| Vineyard redevelopments | 10.7 | 8.6 |
| Oak purchases | 6.7 | 0.9 |
| Upgrades to Luxury wine making equipment & facilities | 8.6 | 14.5 |
| Other capex | 4.6 | 2.5 |
| **Total capital** | **34.3** | **33.1** |
| Investment (M&A) | - | 12.7 |
| **Total capital & investment** | **34.3** | **45.8** |

## Continued investment in premiumisation

- TWE continues to invest in premiumisation and future growth; with total capital expenditure of $34.3m
- Capital expenditure in the period principally reflected premiumisation activities, including investment in vineyard redevelopments, oak purchases and upgrades to Luxury wine making equipment and facilities during the period
- Capital expenditure during the period also included upgrades to the Penfolds Cellar Door and office space at Magill, South Australia
- TWE does not expect capital expenditure in F15 to exceed $100m

TWE

# Balance Sheet

| A$m | 1H15 | FY14 | 1H14 |
|---|---|---|---|
| Cash & cash equivalents | 35.1 | 52.0 | 30.0 |
| Receivables | 473.4 | 414.9 | 456.1 |
| Current inventories | 727.2 | 707.1 | 706.1 |
| Non-current inventories | 549.6 | 525.2 | 498.0 |
| Property, plant & equipment | 983.3 | 958.3 | 1,047.8 |
| Agricultural assets | 255.7 | 229.9 | 251.5 |
| Intangibles | 778.4 | 747.1 | 1,033.0 |
| Tax assets | 211.0 | 217.1 | 319.0 |
| Other assets | 22.8 | 8.9 | 8.0 |
| **Total assets** | **4,036.5** | **3,860.5** | **4,349.5** |
| Cash & cash equivalents | 4.5 | - | - |
| Payables | 466.8 | 451.2 | 434.7 |
| Borrowings | 317.9 | 265.6 | 337.7 |
| Tax liabilities | 182.9 | 198.6 | 328.6 |
| Provisions | 66.1 | 89.8 | 92.4 |
| Other liabilities | 12.0 | 6.5 | 15.5 |
| **Total liabilities** | **1,050.2** | **1,011.7** | **1,208.9** |
| **Net assets** | **2,986.3** | **2,848.8** | **3,140.6** |

## Strong and flexible balance sheet maintained

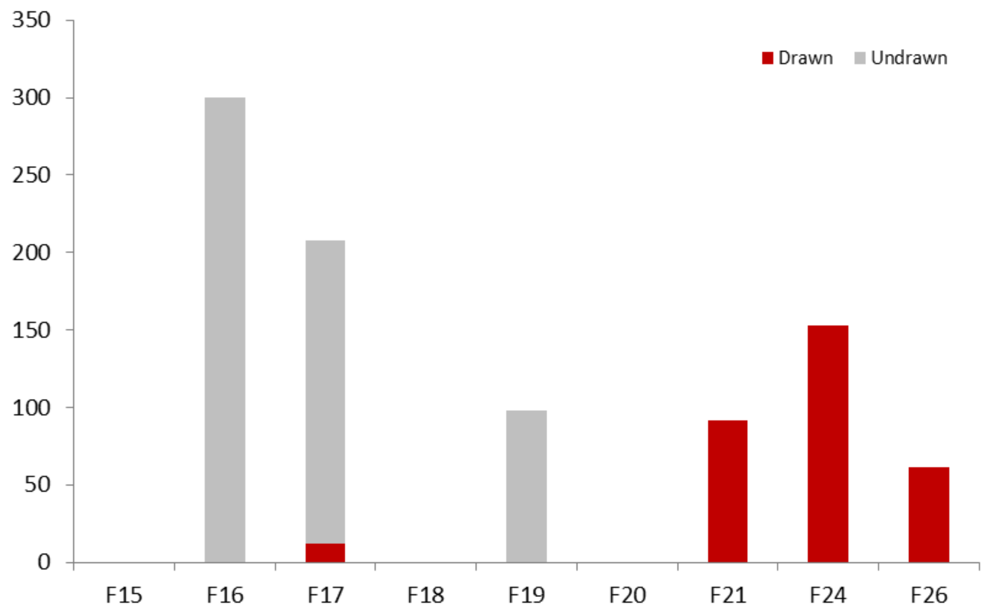
- TWE maintains financial metrics consistent with an investment grade credit profile with net debt / EBITDAS and interest cover at 1.0x and 9.8x respectively[1,2]
- Strong and flexible balance sheet provides TWE with scope to pursue growth opportunities
- Higher inventory principally driven by foreign exchange rate movements
- Lower net assets in 1H15 relative to the previous corresponding period principally reflect the impairment charge recognised in F14 relating to TWE's Commercial brands and related PP&E and IT, partially offset by the impact of foreign exchange rate movements

[1] *Metrics calculated using 12 month trailing EBITDAS adjusted for bank guarantees and excluding material items*
[2] *Interest cover calculated as the ratio of earnings to net interest expense, where earnings is the consolidated pre-tax profit (pre any material items and SGARA) plus the sum of the amount of net interest expense*

TWE

# Capital structure and debt profile

## Group debt maturity profile



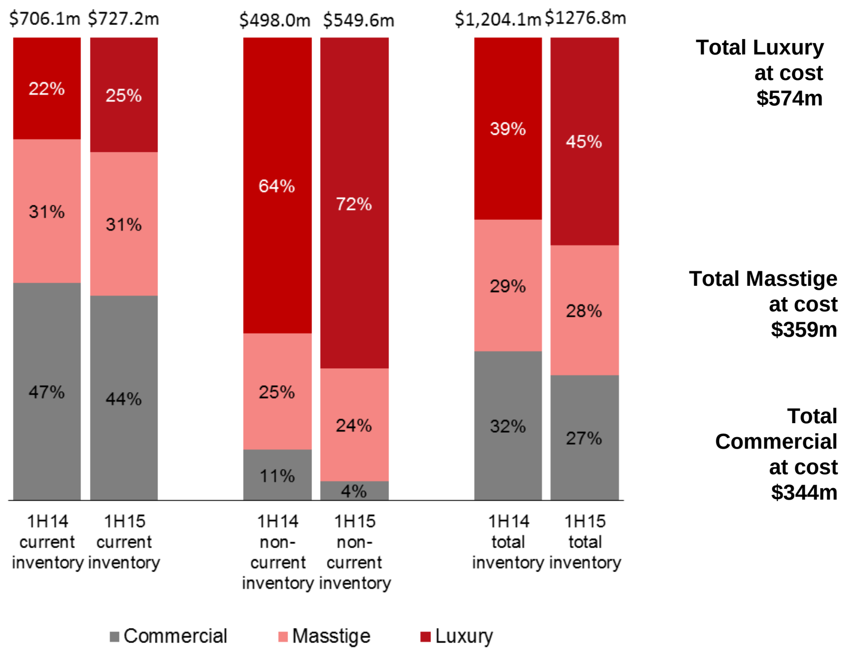

## Robust capital structure and debt profile

- $593.3m of committed undrawn syndicated debt facilities versus $525.8m in the previous corresponding period
- Weighted average term to maturity of committed facilities 4.0 years, with earliest maturity in April 2016 ($300m syndicated debt facility), followed by August 2016 (US$170m) and August 2018 (US$80m)
- Gross debt 62% floating, 38% fixed
- Net debt / EBITDAS and interest cover 1.0x and 9.8x, respectively

TWE

# Inventory analysis

## Inventory at book value split by segment – 1H15 and 1H14




** 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*

## Outstanding inventory composition maintained

- Total inventory up $72.7m; $41.6m related to the depreciation of the AUD versus the USD
- Non-current inventory increased $51.6m relative to the previous corresponding period, principally reflecting:
  - Foreign exchange rate impact of +$17.6m
  - Favourable portfolio mix including steps taken to reduce the level of Commercial bulk wine during the period
  - Accelerated conversion of bulk wine to finished goods to support the successful transition of the 2015 Penfolds release
  - TWE's deliberate decision to hold wine back for sale in future years to international markets
- Increased current inventory driven by +$24.0m foreign exchange rate movements, offset by depletions of Luxury wine
- TWE monetising inventory; Luxury volume up 20% in 1H15

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# Foreign currency impact & risk management

**Foreign exchange risk management**

- Realised hedge losses of $2.8m in 1H15 ($1.9m EMEA and $0.9m Americas), included in COGS

*AUD / USD transactional exposures*

- 2H15 exposure 50% hedged at a weighted average rate of $0.92, fully participating to $0.83
- F16 exposure 41% hedged at a weighted average rate of $0.93, fully participating to $0.75

*AUD / GBP transactional exposures*

- 2H15 exposure 56% hedged at a weighted average rate of £0.61, fully participating to £0.56
- F16 exposure 44% hedged at a weighted average rate of £0.61, fully participating to £0.49

**FX sensitivity**

- TWE's EBITS sensitivity to FX (pre FX risk management) for a +1% change in primary currency exposures in 2H15 is as follows:

| Currency Pair | Primary Exposure | Movement | EBITS Sensitivity (A$m) |
|---|---|---|---|
| AUD/USD | COGS | +1% | (1.2) |
| AUD/GBP | COGS | +1% | (0.8) |
| CAD/USD | NSR | +1% | 0.5 |
| EUR/GBP | NSR | +1% | 0.4 |

# Michael Clarke

## Chief Executive Officer

# ANZ – Outstanding brand execution in challenging market

| A$m | 1H15 | 1H14 | % | 1H14 | % |
|---|---|---|---|---|---|
| | Reported currency | | | Constant currency | |
| Volume (m 9Le) | 4.0 | 4.2 | (5.3)% | 4.2 | (5.3)% |
| NSR (A$m) | 304.0 | 277.6 | 9.5% | 278.5 | 9.2% |
| NSR per case (A$) | 75.67 | 65.46 | 15.6% | 65.67 | 15.2% |
| EBITS (A$m) | 43.9 | 24.4 | 79.9% | 23.8 | 84.5% |
| EBITS margin (%) | 14.4% | 8.8% | 5.6ppts | 8.5% | 5.9ppts |

- EBITS performance driven by favourable portfolio mix and outstanding brand-led campaigns in a challenging retail environment
- Stable Cost of Doing Business margin reflected uplift in consumer marketing investment partially offset by overhead reduction initiative, together with solid NSR growth
- Volume down 5.3%; adjusting for the production of non-TWE brands in F14 not repeated in the current period, increased focus on sustainable and profitable volume and continued destocking in select, major retailers, volume in line with the prior year
- Depletions led by Penfolds, Pepperjack and Wynns
- NSR per case up, driven by favourable, overall portfolio mix
- Challenges in concentrated retail landscape and proliferation of Private & Exclusive Label in all segments reinforcing need to accelerate separate focus on Luxury & Masstige versus Commercial segments

TWE

# Asia – Brand health and execution driving profit growth

| A$m | 1H15 | 1H14 | % | 1H14 | % |
|---|---|---|---|---|---|
| | Reported currency | | | Constant currency | |
| Volume (m 9Le) | 0.5 | 0.5 | 9.7% | 0.5 | 9.7% |
| NSR (A$m) | 67.4 | 36.8 | 83.2% | 37.0 | 82.2% |
| NSR per case (A$) | 124.19 | 74.40 | 66.9% | 74.81 | 66.0% |
| EBITS (A$m) | 19.9 | 4.9 | NM | 4.7 | NM |
| EBITS margin (%) | 29.5% | 13.3% | 16.2ppts | 12.7% | 16.8ppts |

- EBITS rebound underpinned by brand health, robust execution of brand-led campaigns and successful transition of Penfolds release date
- China depletions in growth and continue to significantly exceed shipments in 1H15
- Volume growth driven by key growth markets in North Asia; Hong Kong, China and Taiwan. Softer trading conditions in Thailand
- NSR per case growth reflects favourable portfolio mix
- Higher Cost of Doing Business margin reflected ongoing investment in sales and marketing capability across the region and uplift in consumer marketing investment
- Outstanding marketing campaigns underpinned TWE's continued outperformance of the total Hong Kong wine market in 1H15, led by Penfold and Wolf Blass
- Launched channel-based route-to-market in North Asia in 1H15; TWE expected to increase investment in sales and marketing capability to support route-to-market
- Exciting brand marketing initiatives planned for 2H15 including launch of Penfolds wine cabinet promotions in key markets

TWE

# EMEA – Brand investment in challenging markets

| A$m | 1H15 | 1H14 | % | 1H14 | % |
|---|---|---|---|---|---|
| | Reported currency | | | Constant currency | |
| Volume (m 9Le) | 3.2 | 3.5 | (7.7)% | 3.5 | (7.7)% |
| NSR (A$m) | 132.0 | 135.7 | (2.7)% | 140.8 | (6.3)% |
| NSR per case (A$) | 41.35 | 39.23 | 5.4% | 40.71 | 1.6% |
| EBITS (A$m) | 6.3 | 10.7 | (41.1)% | 12.7 | (50.4)% |
| EBITS margin (%) | 4.8% | 7.9% | (3.1)ppts | 9.0% | (4.2)ppts |

- Significantly lower EBITS reported in EMEA
- Despite distribution gains and robust brand representation on shelf, heightened competition in Commercial segment and decision to exit unsustainable volume in 1H15, resulted in a 12% decline in UK volume
- Nordic markets continue to be challenging; Australian category down 10% and competition for advertising space intensifying
- TWE focused on core brands and portfolio diversification in Nordic markets; recent listings of New Zealand brands and innovation showing positive momentum, particularly in 2Q15
- Significant step-up in consumer marketing in 1H15 to support depletions of Penfolds sold in F14, with further benefits expected in 2H15
- Penfolds wine cabinet promotion to be launched in UK, Switzerland and Germany in 2H15
- Emerging markets – largely Eastern European countries – providing initial but positive avenues for future growth

TWE

# Americas – Executing portfolio premiumisation strategy

| A$m | 1H15 | 1H14 | % | 1H14 | % |
|---|---|---|---|---|---|
| | Reported currency | | | Constant currency | |
| Shipments (m 9Le) | 7.3 | 7.1 | 3.4% | 7.1 | 3.4% |
| Depletions (m 9Le)[1] | 7.7 | 7.6 | 1.3% | 7.6 | 1.3% |
| NSR (A$m) | 379.3 | 361.8 | 4.8% | 374.7 | 1.2% |
| NSR per case (A$) | 51.88 | 51.19 | 1.3% | 53.02 | (2.2)% |
| EBITS (A$m) | 35.8 | 24.6 | 45.5% | 25.6 | 39.8% |
| EBITS margin (%) | 9.4% | 6.8% | 2.6ppts | 6.8% | 2.6ppts |

- EBITS growth reflects brand health, portfolio premiumisation and shipments growth in USA and Canada
- EBITS growth partially offset by increased consumer marketing and impact of Napa earthquake in 1H15
- TWE outperformed US category growth in Luxury and Masstige segments by both volume and value in 1H15
- Consistent with market conditions in the Commercial category and despite SDA support, TWE's Commercial depletions declined in 1H15
- Luxury and Masstige depletions up 8% and 17%, respectively in 1H15 underpinned by improved supply, renewed focus on on-premise channel, innovation and brand activation
- Unfavourable NSR per case driven by shift in brand mix within the price segments and adverse market/state mix
- Canada showing positive momentum; Luxury and Masstige shipments and depletions in strong growth

*[1] Total Americas depletions includes US depletions and Canada consumption*

TWE

# Summary

- 1H15 EBITS of $85.2m was in line with company expectations; TWE remains on track to deliver plan in F15
- Luxury & Masstige portfolio showing solid momentum in all regions
- Continued challenges in Commercial segment in all major markets; intensified by proliferation of Private & Exclusive labels
- Separate focus of Luxury & Masstige and Commercial portfolio to rapidly accelerate in 2H15, globally
- Executing plan to expand routes-to-market in growth markets and channels; expected to have significant and imminent impact on already strong demand for scarce Penfolds wine
- Outstanding brand campaigns planned in all regions for TWE's brand portfolio – beyond Penfolds – in 2H15
- $35m overhead reduction program on track for completion in F15
- Exciting Penfolds innovation planned for mid-CY2015 combining a highly collectable proposition from TWE's cellars and the promise of delivering an accessible Luxury wine for new entrants into Penfolds family
- Movements in foreign exchange rates favour exports of Australian wine to growth market; TWE expects recent declines in the Australian Dollar to have a meaningful translation impact in 2H15
- TWE's balance sheet strength provides TWE with flexibility to explore inorganic growth opportunities intended to strengthen the Company's position to build scale and flexibility in its Luxury and Masstige portfolios around the world
- 1H15 result demonstrates TWE is executing against its plan to fix the quality of its earnings base and re-set the business
- Re-setting TWE's base business is a journey; TWE is being managed for the long-term

TWE

# Questions


BERINGER
NAPA VALLEY
BERINGER
PASO ROBLES
THE WAYMAKER
RED WINE
BERINGER
NAPA VALLEY
MERLOT
BERINGER
KNIGHTS VALLEY
CABERNET SAUVIGNON
BERINGER
NAPA VALLEY
CHARDONNAY
ESTD 1876
BERINGER
NAPA VALLEY
CABERNET SAUVIGNON

## 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

# Foreign currency impact on prior period EBITS

| Foreign exchange impacts on 1H14 EBITS(A$m) | | | | | |
|---|---|---|---|---|---|
| | **Primary Currencies** | **Translation Impact** | **Transaction impact** | **EBITS Impact** | |
| Americas | USD<br>CAD | 3.0 | (2.0) | 1.0 | Americas result benefited from significant depreciation of AUD/USD (late in 1H15), partially offset by weaker CAD/USD which impacted Canadian revenues and a $(0.9)m hedge loss |
| EMEA | GBP<br>EUR<br>NOK<br>SEK | 0.7 | 1.3 | 2.0 | Depreciation of the AUD/GBP the core driver of the FX benefit in 1H15, partially offset by weaker EUR/GBP and SEK/GBP which impacted revenues in Continental Europe and Nordics, respectively, and a $(1.9)m hedge loss |
| Other | NZD<br>SGD | (0.2) | (0.6) | (0.8) | Stronger NZD an unfavourable impact to NZ sourced COGS in Australia |
| **Total** | | **3.5** | **(1.3)** | **2.2** | |

# Segment Information

| | Reported currency | | | Constant currency | |
|---|---|---|---|---|---|
| A$m | 1H15 | 1H14 | Change | 1H14 | Change |
| ANZ Volume[1] | 4,017.5 | 4,240.9 | (5.3)% | 4,240.9 | (5.3)% |
| ANZ NSR | 304.0 | 277.6 | 9.5% | 278.5 | 9.2% |
| ANZ EBITS | 43.9 | 24.4 | 79.9% | 23.8 | 84.5% |
| Americas Shipments[1] | 7,310.5 | 7,067.5 | 3.4% | 7,067.5 | 3.4% |
| Americas NSR | 379.3 | 361.8 | 4.8% | 374.7 | 1.2% |
| Americas EBITS | 35.8 | 24.6 | 45.5% | 25.6 | 39.8% |
| Asia Volume[1] | 542.7 | 494.6 | 9.7% | 494.6 | 9.7% |
| Asia NSR | 67.4 | 36.8 | 83.2% | 37.0 | 82.2% |
| Asia EBITS | 19.9 | 4.9 | NM | 4.7 | NM |
| EMEA Volume[1] | 3,191.9 | 3,458.8 | (7.7)% | 3,458.8 | (7.7)% |
| EMEA NSR | 132.0 | 135.7 | (2.7)% | 140.8 | (6.3)% |
| EMEA EBITS | 6.3 | 10.7 | (41.1)% | 12.7 | (50.4)% |

*Note: Numbers are subject to rounding*

*[1] Thousand of 9L cases*

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# 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 2015 interim year results are: \$A1 = \$US0.8909 (1H14: \$A1 = \$US 0.9220), \$A1 = GBP0.5474 (1H14 \$A1 = GBP 0.5821). Period end exchange rates used for balance sheet items in 1H15 results are: \$A1 = \$US0.8184 (1H14: \$A1 = \$US 0.8904), \$A1 = GBP0.5260 (1H14: \$A1 = GBP 0.5396). |
| **SGARA** | Australian accounting standard AASB141 "Agriculture" |
| **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 |

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