



TREASURY WINE ESTATES

31 March 2015

ASX ANNOUNCEMENT

Supply chain optimisation plans underway and further savings identified as TWE's turnaround gathers pace

Treasury Wine Estates Ltd (ASX: TWE) announced today that it is making significant changes to its supply chain network in both the USA and Australia and that the Company has identified further opportunities to reduce its overhead cost base.

Supply chain optimisation

As foreshadowed at TWE's interim 2015 result announcement, the Company is now executing plans to extract supply chain optimisation savings and accelerate its separate focus on the Luxury & Masstige versus Commercial portfolios globally, by making significant changes to its supply chain network and cost base in both the USA and Australia.

United States of America

In the USA, TWE will consolidate its production facilities such that TWE's Asti winery in Sonoma County, California, will become surplus to the Company's production needs.

Asti's wine production will be transferred to other wineries within TWE's network to increase utilisation, with the majority of Commercial and Masstige wine production transferred to Paso Robles and Luxury wine transferred to Beringer. These actions will increase utilisation at both facilities.

Collectively, these steps will further facilitate TWE's separate focus on the Luxury & Masstige versus Commercial portfolios in the region.

Finally, packaging lines at TWE's Napa Bottling Centre (NBC) are being consolidated to further optimise production efficiency.

Australia

Consistent with actions taken in the USA, the packaging and warehousing of wines previously processed at Karadoc near Mildura Victoria, will now occur at TWE's state-of-the-art Wolf Blass facility in the Barossa, South Australia. The phased closure of packaging and warehouse operations at Karadoc is due to be completed during fiscal 2016.

As a result, the utilisation of the Wolf Blass packaging and warehousing facility will be significantly enhanced.

Furthermore, Commercial wine currently processed at TWE's Great Western and Wynn's Coonawarra facilities will be transferred to the Karadoc site, with Karadoc to become exclusively focused on the production of TWE's Australian Commercial wine portfolio.

At the same time, the processing of Masstige wine at Great Western and Wynns Coonawarra will be transferred to Wolf Blass. This will, in turn, result in increased Luxury wine processing and warehousing capacity at these sites.

As part of TWE's strategy to focus on fewer brands, TWE will also commence a sale process for excess assets in Australia including the Ryecroft winery, T'Gallant and Bailey's properties. The outcomes and any financial implications will be announced to the market at the appropriate time.

Expected outcome of supply chain optimisation

These initiatives are expected to be complete by the end of fiscal 2016. The supply chain network optimisation benefits are not immediate, rather they are recognised through Cost of Goods Sold (COGS) at the time wines are sold.

As a result of actions to optimise the Company's supply chain, TWE expects to recognise a provision in fiscal 2015 for a cash cost of approximately \$35 million. The COGS benefits from this initiative will ramp up from fiscal 2016 and reach \$50 million per annum by fiscal 2020.

TWE plans to reinvest some of the savings from supply chain optimisation into the Company's Commercial portfolio globally, while at the same time improving TWE's base business and delivering enhanced returns to shareholders.

Furthermore, the Company does not expect a net incremental increase in capital expenditure to result from these changes.

Michael Clarke, TWE's Chief Executive Officer, said: "These changes are a tangible example of how TWE is executing its separate focus on its Luxury & Masstige versus Commercial portfolios globally, and are crucial steps designed to better optimise our supply chain network and extract significant cost savings over time."

Overhead reduction program

As reported at the Company's interim 2015 result announcement on 27 February 2015, TWE remains on track to deliver \$35 million in cost savings in fiscal 2015, as part of an overhead reduction program previously announced to the market in May 2014.

Following additional work to 'right size' the Company's cost base, a further \$15 million in overhead cost savings has been identified and is expected to be realised in fiscal 2016.

Accordingly, TWE has raised an additional provision of \$15 million to support these savings.

Michael Clarke, TWE's Chief Executive Officer, said: "I am very pleased that we, at TWE, are now embedding a cost conscious culture. Not only are the cost reductions funding the 50 percent uplift in consumer marketing in fiscal 2015, the savings are also supporting actions to improve the quality of TWE's base earnings, while delivering profit growth for shareholders."

"The changes announced today are significant ones for our business and demonstrate our commitment to delivering on the Company's strategic roadmap. By continuing to reduce costs, and optimising the scale and efficiency of our supply chain networks in

major production areas, TWE is well placed to pursue growth opportunities that exist for our wine brands in key markets around the world.”

Contacts / Further information:

Media

Roger Sharp

Tel: +61 3 8533 3786

Mob: +61 458 883 599

Investors

Jane Betts

Tel: +61 3 8533 3493

Mob: +61 437 965 620