

TREASURY WINE ESTATES

Treasury Wine Estates Interim 2016 financial result

Treasury Wine Estates will host an investor and media webcast and conference call commencing at 11:00am (AEDT) on 18 February 2016 (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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18 February 2016

MEDIA RELEASE

2016 INTERIM RESULTS

Premiumisation and acceleration of brand performance delivers strong interim 2016 result

Treasury Wine Estates Ltd (ASX:TWE) today announced its interim 2016 financial result, with Net Profit After Tax (before material items) more than double the previous corresponding period (pcp) at \$87.6m, on a reported currency basis and up 39% on a constant currency basis, and Earnings Before Interest, Tax, SGARA and material items (EBITS) up 72% to \$146.8m.

The Board declared an interim dividend of 8 cents per share, 2 cents per share higher than the prior year; representing a 61% payout ratio.

On today's result, TWE's Chief Executive Officer, Michael Clarke commented: "Our interim 2016 result demonstrates a continuation of the momentum delivered in fiscal 2015 and highlights the benefits of having repositioned our business to deliver strong earnings growth on a balanced, sustainable base.

"As foreshadowed at our fiscal 2015 result, we entered 2016 with the strongest line-up of brand and consumer-led innovation and marketing campaigns. This, together with significantly improved global execution, underpinned an acceleration of our Priority Brand portfolio performance globally in the first half; delivering Net Sales Revenue (NSR) growth of 15%.

TWE's regional earnings mix is becoming increasingly balanced, with each region delivering EBITs growth as well as EBITs margin accretion:

- Australia & New Zealand (ANZ) reported EBITs growth of 6% to \$46.7m, driven by solid volume growth – in a flat overall wine market in Australia – and favourable portfolio mix.
- Americas reported a 67% uplift in EBITs to \$56.2m, reflecting an ongoing focus on reshaping the portfolio, double digit growth in Luxury and Masstige volume and favourable foreign currency movements.
- Europe reported EBITs of \$17.2m; more than double the pcp while also managing the business to deliver EBITs margin accretion.
- Asia reported an outstanding first half result with EBITs up \$26m to \$46.5m while also delivering EBITs margin accretion. Volume growth was driven by increasing consumer demand for imported wine in both North and South Asia, enhanced routes-to-market in China, Singapore, Malaysia and Japan and brand health.

A particular highlight during the first half of fiscal 2016 was the acquisition of Diageo Plc's Wine business ("Diageo Wine"). The acquisition drives a crucial step-change for the growth of TWE's Luxury and Masstige portfolio in the US, by providing instant access to more premium fruit. On 1 January 2016, TWE's US business

transitioned from a Commercial wine weighted business, to a portfolio structure where the Luxury and Masstige versus Commercial portfolios are more balanced¹.

TWE has commenced a re-set period for the acquired Diageo Wine business, during which the Company will accelerate investment in consumer marketing in key brands and ensure the business is strongly positioned for long-term, sustainable growth.

TWE targets financial metrics that are consistent with an investment grade credit profile. TWE's balance sheet continues to provide the Company with the flexibility to pursue value accretive opportunities for shareholders, with net debt / EBITDAS of 0.2x² and interest cover of 17.3x. Following settlement of the acquisition on 1 January 2016, TWE's indicative net debt / EBITDAS would be approximately 1.1x³.

Significant improvement in TWE's cash conversion during the period was driven by the strong operating performance, margin accretion and a favourable movement in working capital as the Company focused on improving trade terms with key suppliers and reduced inventory in the period.

On 21 January 2016, TWE announced that it expects EBITs (pre Diageo Wine integration) for the 12 months ending 30 June 2016 to be towards the upper end of its guidance range of \$270m – \$290m⁴.

Michael Clarke commented on TWE's outlook: "I am very pleased with our performance in the fiscal year-to-date. We have continued to embed a sustainable and more balanced business, with revenue and earnings growth being driven by all regions and across the portfolio of brands.

"We remain committed to our guidance range for the full year. From a longer term perspective, we remain highly focused on driving EBITs margin accretion and ROCE improvements; thereby delivering genuine value to our shareholders.

"I am confident margin accretion will be delivered over time as we continue to premiumise our portfolio, optimise our brand building investment, bring margin accretive innovation to consumers, remain vigilant on managing our cost base and deliver on our Supply Chain Optimisation initiatives."

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¹ Prior to acquisition, TWE's portfolio composition (by volume) was circa 80% Commercial and 20% Luxury and Masstige

² Headline net debt / EBITDAS (1.1)x per reported net cash position

³ Indicative net debt / EBITDAS as at 1 January 2016 excludes the impact of Diageo Wine's earnings for the annualised period ended 31 December 2015

⁴ Guidance announced to market on 14 October 2015. Calculated using average F16 forecast exchange rate provided by analysts to TWE as at 14 October 2015: AUD/USD 0.735 and AUD/GBP 0.46



PROFIT REPORT Financial Performance

\$Am (unless otherwise stated)	Reported Currency			Constant Currency	
	H1 16	H1 15	Change	H1 15	Change
Volume (m 9L cases)	15.8	15.1	5 %	15.1	5 %
Net sales revenue	1,079.4	884.1	22 %	970.9	11 %
Other revenue	58.6	51.6	14 %	54.1	8 %
Total revenue	1,138.0	935.7	22 %	1,025.0	11 %
Cost of goods sold	(733.7)	(637.5)	(15)%	(684.6)	(7)%
Cost of goods sold per case (\$)	46.48	42.32	(10)%	45.45	(2)%
Gross profit	404.3	298.2	36 %	340.4	19 %
Gross profit margin	38%	34%	4ppts	35%	3ppts
Cost of doing business	(257.5)	(213.0)	(21)%	(233.3)	(10)%
Cost of doing business margin (% of NSR)	24%	24%	-	24%	-
EBITS	146.8	85.2	72 %	107.1	37 %
EBITS margin (%)	14%	10%	4ppts	11%	3ppts
SGARA	(14.8)	(10.5)	(41)%	(11.1)	(33)%
EBIT	132.0	74.7	77 %	96.0	38 %
Net finance costs	(7.5)	(11.4)	34 %	(11.6)	35 %
Tax expense	(36.9)	(19.8)	(86)%	(21.2)	(74)%
Net profit after tax (before material items)	87.6	43.5	>100%	63.2	39 %
Material items (after tax)	(26.9)	(0.9)	>100%	(1.1)	>100%
Non-controlling interests	(0.1)	-	-	-	-
Net profit after tax	60.6	42.6	42 %	62.1	(2)%
Reported EPS (A¢)	8.8	6.4	38 %		
Net profit after tax (before material items & SGARA)	96.6	50.6	91 %	71.5	35 %
EPS (before material items & SGARA) (A¢)	14.0	7.6	84 %		
Weighted average no. of shares (m)	690.7	662.8			
Dividend (A¢)	8.0	6.0			

Financial headlines

- Net Sales Revenue (NSR) up 22% on a reported currency basis and by 11% on a constant currency basis⁵
- EBITs^{6,7} \$146.8 million, up 72% on a reported currency basis and 37% on a constant currency basis
- 4ppts EBITs margin accretion on the pcg on a reported currency basis
- Statutory net profit after tax \$60.6 million; up 42% on pcg on a reported currency basis
- Reported EPS 8.8 cents per share, up 38% on pcg
- EPS of 14.0 cents per share up 84% on pcg (before material items & SGARA)
- Strong cash conversion at 126%
- Net debt / EBITDAS 0.2x⁸ (excluding the acquisition funding held on the balance sheet at reporting date) and interest cover 17.3x

Business headlines

- Margin accretion delivered by premiumised portfolio mix, optimised consumer marketing, sustained Cost of Doing Business margin and Supply Chain savings
- Acquisition of Diageo Wine completed on 1 January 2016; integration progressing well
- Priority Brand portfolio delivered 15% NSR growth; portfolio now comprises more than 85% of total NSR
- Increased consumer marketing funded by NSR growth
- Supply Chain Optimisation initiative delivered COGS savings in the period
- All regions delivered EBITs margin accretion

Dividend

- Interim dividend 8 cents per share, unfranked, 2 cents per share higher than the pcg (up 33%)
- Dividend payout ratio 61%; consistent with dividend policy⁹

Outlook

- TWE continues to expect fiscal 2016 EBITs to be towards the upper end of its guidance range of \$270m – \$290m (pre Diageo Wine integration)¹⁰

⁵ Unless otherwise stated all percentage or Dollar movements from prior periods are pre any material items and on a constant currency basis.

⁶ Earnings before interest, tax, SGARA and material items

⁷ 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

⁸ Headline net debt / EBITDAS (1.1)x per reported net cash position. Post-acquisition settlement on 1 January 2016, TWE's indicative net debt / EBITDAS would be approximately 1.1x, excluding the impact of Diageo Wine's earnings for the annualised period ended 31 December 2015

⁹ TWE targets a dividend payout ratio of between 55%-70% of Net Profit After Tax (pre-material items and SGARA) over a fiscal year

¹⁰ Guidance announced to market on 14 October 2015. Calculated using average F16 forecast exchange rate provided by analysts to TWE as at 14 October 2015: AUD/USD 0.735 and AUD/GBP 0.46



Revenue by region

A\$m	H1 16	H1 15	%	H1 15	%
	Reported currency			Constant currency	
Net Sales Revenue					
ANZ	318.1	304.0	5%	304.0	5%
Asia	157.3	69.5	>100%	70.5	>100%
Americas	450.8	368.4	22%	439.7	3%
Europe & LATAM	153.2	142.2	8%	156.7	(2)%
Total sales revenue	1,079.4	884.1	22%	970.9	11%
Other revenue	58.6	51.6	14%	54.1	8%
Total Revenue	1,138.0	935.7	22%	1,025.0	11%

Volume

- Volume up 722.4k cases (+5%) to 15.8m
- Strong volume growth reported in Asia and Australia, with volume in the Americas broadly in line with the pcg as TWE manages down the Non-Priority Commercial portfolio
- Luxury & Masstige volume growth outpaced Commercial volume by 25pts

Revenue

- Net Sales Revenue up 11% driven by portfolio premiumisation and favourable country mix
- Other Revenue up 8% reflecting third party packaging and wine-making revenue growth and increased bulk wine sales relative to pcg

Cost of Goods Sold (COGS)

- COGS up \$1.03 per case reflecting portfolio premiumisation
- Excluding savings delivered by TWE's Supply Chain Optimisation initiative, COGS per case would have increased \$2.16 per case in the period

Cost of Doing Business (CODB)

- CODB up 10% to \$257.5m driven by continued investment in marketing across all regions
- CODB margin in line with pcg underpinned by continued NSR growth

EBITS by region

A\$m	H1 16	H1 15	%	H1 15	%
	Reported currency			Constant currency	
ANZ	46.7	43.9	6%	42.6	10%
Asia	46.5	20.5	>100%	19.1	>100%
Americas	56.2	33.6	67%	50.2	12%
Europe & LATAM	17.2	7.9	>100%	16.0	8%
Corporate	(19.8)	(20.7)	(4)%	(20.8)	(5)%
TWE EBITs	146.8	85.2	72%	107.1	37%

EBITS

- EBITS up 37% to \$146.8m driven by volume growth, portfolio premiumisation, Supply Chain savings and sustained CODB as a percentage of NSR, partially offset by higher COGS

SGARA

- SGARA loss of \$14.8m principally driven by a reduction in yield and tonnage from the 2015 Californian vintage

Net finance costs

- Lower net finance costs reflects interest earned on funds held in escrow prior to the settlement of the Diageo Wine acquisition on 1 January 2016

Material items

- Material items of \$26.9m driven by Supply Chain Optimisation initiatives and some of the transaction costs associated with the acquisition of Diageo Wine

Net profit after tax (NPAT)

- NPAT before material items up \$24.4m (+39%) driven by higher EBITs and lower net finance costs partially offset by increased tax and a higher SGARA loss

Corporate costs

- Corporate costs remained broadly in line with pcg at \$19.8m

Earnings Per Share (EPS)

- EPS (before SGARA and material items) increased 84% to 14.0 cents per share. EPS attributable to shareholders increased 38% to 8.8 cents per share

**Balance Sheet (condensed)**

A\$m	1H 16	FY 15	1H 15
Cash & cash equivalents	1,101.2	122.1	35.1
Receivables	593.8	506.5	473.4
Current inventories	710.9	704.2	727.2
Non-current inventories	461.0	533.8	549.6
Property, plant & equipment	961.3	928.8	983.3
Agricultural assets	255.5	255.1	255.7
Intangibles	812.2	791.1	778.4
Other assets	208.9	308.2	233.8
Total assets	5,104.8	4,149.8	4,036.5
Payables	509.3	460.6	466.8
Borrowings	670.9	324.6	317.9
Provisions	105.9	93.4	66.1
Other liabilities	212.8	220.5	199.4
Total liabilities	1,498.9	1,099.1	1,050.2
Net assets	3,605.9	3,050.7	2,986.3

Balance sheet movements as at December 2015¹¹

Net assets up \$619.6m reflecting the \$475.5m net asset impact of the Diageo Wine acquisition funding. Adjusted for acquisition funding and movements in foreign currency, net assets increased \$147.8m.

Cash and cash equivalents

Higher cash balance principally driven by the receipt of funding related to the Diageo Wine acquisition. These funds were held in escrow as at 31 December 2015 ahead of transaction settlement on 1 January 2016.

Working Capital

Lower working capital driven by:

- Continued focus on optimising payment terms with key suppliers
- Ongoing focus on improving the mix of TWE's inventory as TWE focuses on growing its Priority Brand portfolio; now comprising more than 85% of total NSR i.e. reducing its holdings of Commercial and lower end Masstige wine
- Partially offset by higher receivables following strong OND¹² sales performance across all regions

Inventory

Continued improvement in inventory composition during the period. Total inventory decreased \$104.9m comprising:

- \$88.6m reduction in non-current inventory
- \$16.3m reduction in current inventory

Factors driving the underlying movement in inventory included:

- Supply Chain Optimisation initiatives offsetting underlying increases in inventory costs
- Improved mix from a more concentrated portfolio; Priority Brands now contribute more than 85% of total NSR
- A lower yielding but better quality 2015 Californian vintage

Provisions

Provisions increased \$39.8m relating to:

- Restructuring and redundancy costs associated with the overhead reduction program in F16
- Restructuring costs associated with the Supply Chain Optimisation initiative

Borrowings

Borrowings increased \$353.0m to \$670.9m reflecting the debt funding component of the Diageo Wine acquisition.

Balance sheet leverage

Net debt / EBITDAS 0.2x (excluding the acquisition funding held on the balance sheet at reporting date)¹³ and interest cover 17.3x.

Funding structure

At 31 December 2015, TWE had committed debt facilities totalling circa \$1.2bn, comprising bank facilities \$848.9m and US private placement notes \$343.0m

- Undrawn committed, syndicated debt facilities total \$526.4m
- Weighted average term to maturity of committed facilities 4.4 years

¹¹ Unless otherwise stated all balance sheet percentage or Dollar movements from the previous corresponding period are on a reported currency basis

¹² October, November, December trading period

¹³ Headline net debt / EBITDAS (1.1)x per reported net cash position

Cash Flow – reconciliation of net debt

A\$m (unless otherwise stated)	H1 16	H1 15
EBITDAS	190.6	127.5
Change in working capital	42.5	(29.5)
Other items	6.2	0.6
Net operating cash flows before financing costs, tax & material items	239.3	98.6
Cash conversion¹⁴	126%	77%
Capital expenditure	(43.4)	(34.3)
Asset sale proceeds	2.3	3.3
Cash flows after net capital expenditure, before financing costs, tax & material items	198.2	67.6
Net interest paid	(6.3)	(11.7)
Tax paid	(2.2)	(32.4)
Cash flows before dividends & material items	189.7	23.5
Dividends/distributions paid	(52.1)	(45.6)
Cash flows after dividends before material items	137.6	(22.1)
Material item cash flows	35.8	(37.2)
Issue of shares, less transaction costs	475.5	-
On-market share purchases	(4.6)	-
Finance leases	-	-
Total cash flows from activities	644.3	(59.3)
Opening net debt	(213.9)	(209.4)
Total cash flows from activities	644.3	(59.3)
Proceeds from settlement of derivatives	13.6	25.3
Debt revaluation and foreign exchange movements	(7.2)	(39.7)
Decrease/(increase) in net debt	650.7	(73.7)
Closing net cash/(debt)	436.8	(283.1)

Movement in net debt

Net debt decreased \$650.7m to a net cash position of \$436.8m, partially offset by \$7.2m related to lower period-end exchange rates used to revalue foreign currency borrowings at balance sheet date.

Adjusted for net proceeds from the Entitlement Offer for the Diageo Wine acquisition of \$475.5m (reflected in "Issue of shares, less transaction costs"), underlying net debt was \$38.7m.

Other drivers of the movement in net debt included:

Movement in EBITDAS

EBITDAS increased \$63.1m on a reported currency basis driven by premiumisation across all regions, strong sales and marketing execution and continued focus on managing costs.

Movement in working capital

Favourable movement in working capital of \$42.5m largely driven by:

- Lower inventory holdings as TWE continues to improve inventory composition and lower yielding 2015 Californian vintage
- Higher payables as TWE optimises payment terms with key suppliers
- Partially offset by increased receivables resulting from a strong OND trading period

Movement in capital expenditure

Capital expenditure up \$9.1m to \$43.4m driven by the execution of Supply Chain Optimisation initiatives, investment in premiumisation activities and IT spend on a new, fit-for-purpose IT system.

Maintenance and replacement expenditure expected to be less than \$100m in F16. Capital expenditure required to deliver TWE's Supply Chain Optimisation initiative is broadly in line with guidance of c.\$26m in F16.

Movement in material items

Favourable movement in net material items inflow driven by:

- Proceeds from the sale of the Asti Winery in the US as part of TWE's Supply Chain Optimisation initiative
- Restructuring and redundancy outflows relating to TWE's overhead reduction program and Supply Chain Optimisation initiative
- Outflows relating to the close-out of Special Depletions Allowance

Proceeds from issue of shares, less transaction costs

Proceeds from issue of shares, net of transaction costs of \$475.5m related to the cash inflow from the equity funding component of the Diageo Wine acquisition.

Tax paid

Lower tax paid driven by payment of franking deficits tax in the pcg to bring TWE's franking account balance to nil.

Exchange rate impact

The lower period-end exchange rates used to revalue foreign currency borrowings as at 31 December 2015 increased net debt by \$7.2m. Cash flows from the close out of foreign currency exchange swap contracts on inter-company loans decreased net debt by \$13.6m. These cash flows have nil impact on the Profit & Loss Statement.

Cash conversion

Cash conversion¹⁴ was 126%, up significantly on the pcg.

Elevated cash conversion in 1H16 supported by strong trading performance – with the Priority Brand portfolio now comprising more than 85% of NSR – together with higher payables and lower inventory due to lower yielding, better quality 2015 Californian vintage. TWE currently expects cash conversion for F16 to be in excess of 80%.

¹⁴ Cash conversion calculated as Net Operating Cash flow (before financing costs, tax and material items) divided by EBITDAS

Regional Summaries

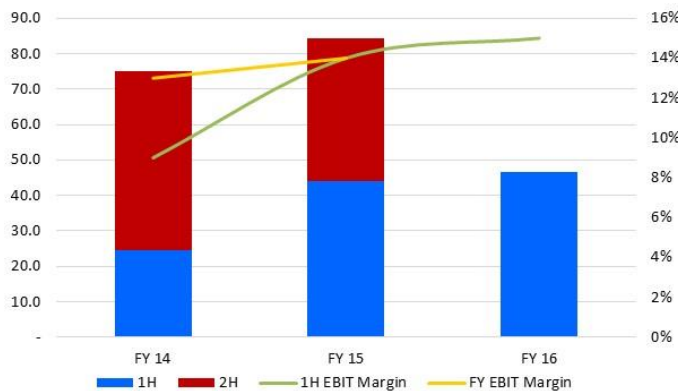
Australia & New Zealand (ANZ)

Financial performance

A\$m	H1 16	H1 15	%	H1 15	%
		Reported currency		Constant currency	
Volume (m 9Le)	4.2	4.0	4%	4.0	4%
NSR (A\$m)	318.1	304.0	5%	304.0	5%
NSR per case (A\$)	76.37	75.67	1%	75.67	1%
EBITS (A\$m)	46.7	43.9	6%	42.6	10%
EBITS margin (%)	15%	14%	1ppts	14%	1ppts

Historical EBITs and EBITs margin

A\$m



* Chart presented on a reported currency basis

Business performance

- Volume up 147.8k cases (+4%) to 4.165m
- TWE volume growth driven by particularly strong customer and consumer demand in key OND trading period
- Luxury & Masstige volume up 10%; Commercial volume broadly in line with pcg
- NSR up 5% underpinned by volume growth and favourable portfolio mix
- NSR per case up 1% driven by portfolio mix and margin accretion, partially offset by increased promotional investment via Discounts & Rebates
- Priority Brand portfolio delivered solid NSR growth, led by Wolf Blass, Pepperjack and Lindeman's
- TWE gaining share in Australian Luxury category driven by outstanding consumer and brand-led marketing campaigns
- Adverse COGS per case driven by favourable portfolio mix and increased vintage costs
- Favourable CODB margin as lower overheads and NSR growth more than offset increased consumer marketing investment
- Exit from less profitable volume and growth in the Masstige segment delivered positive mix and EBITs growth in New Zealand in the period
- EBITs up 10% to \$46.7m; EBITs margin accretion delivered, up 1ppts to 15%

ANZ regional perspectives

- Wine category in Australia is broadly flat in terms of volume. TWE expects F16 volume to be slightly ahead of category growth
- >\$20 category in Australia continues to be highly attractive to TWE with the segment in c.10% value growth. TWE focused on building share via consumer and brand-led marketing and building long term partnerships with key customers
- TWE focused on investment in innovation that drives portfolio premiumisation, optimisation of brand building investment and ongoing focus on cost management

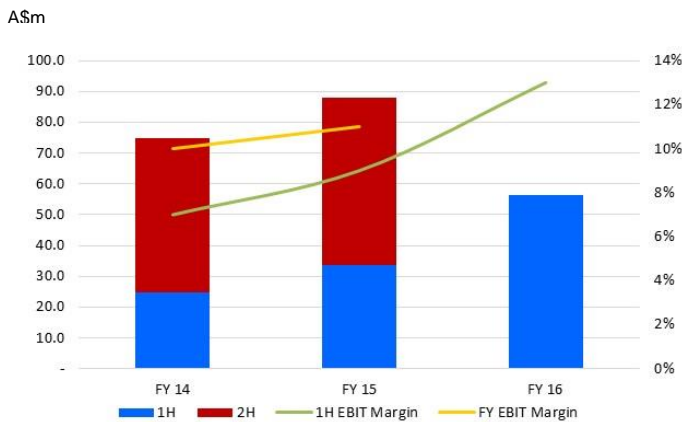


Regional Summaries Americas¹⁵

Financial performance

A\$m	H1 16	H1 15	%	H1 15	%
	Reported currency			Constant currency	
Shipments (m 9Le)	7.1	7.2	(1)%	7.2	(1)%
NSR (A\$m)	450.8	368.4	22%	439.7	3%
NSR per case (A\$)	63.87	51.49	24%	61.46	4%
EBITS (A\$m)	56.2	33.6	67%	50.2	12%
EBITS margin (%)	13%	9%	4ppts	11%	2ppts

Historical EBITs and EBITs margin



* Chart presented on a reported currency basis

Business performance

- Volume broadly in line with pcg at 7.058m cases after adjusting for 40k cases relating to the sale of Souverain in July 2015
- Consistent with local wine industry trends, TWE's Luxury & Masstige portfolio in double digit volume growth while Priority Commercial volume broadly in line with pcg
- Non-Priority Commercial (NPC) volume down 20%; TWE continues to manage down this portfolio
- NSR up 3%; NSR per case up 4% driven by favourable portfolio and channel mix and price increases on select brands
- Priority Brand portfolio delivered solid NSR growth, led by Beringer, Chateau St Jean, Stags' Leap, 19 Crimes and Penfolds
- Consumer and brand-led marketing campaigns on core Priority Brands supported price increases in the period and drove positive NSR momentum
- Adverse COGS per case driven by favourable portfolio mix
- Favourable CODB margin with flat overheads and NSR growth more than offsetting increased consumer marketing investment
- Lower EBITs reported in Canada principally driven by macro-economic conditions
- EBITs up 12% to \$56.2m; EBITs margin accretion delivered, up 2ppts to 13%

Americas regional perspectives

- Fundamentals of the US wine market remain highly attractive. The total US bottled wine market is in mid-single digit volume and value growth and is premiumising. The US is also expected to continue to be a net importer of wine
- Continued strong depletions momentum delivered by TWE's US Luxury and Masstige portfolio, up 21% and 19% respectively¹⁶
- Acquisition of Diageo Wine effective on 1 January 2016; integration on track and re-set period commenced to invest in key brands and drive a sustainable base business
- TWE continues to manage down the NPC portfolio
- Consumer marketing investment weighted to 1H16 to support price increases, notably on Stags' Leap, Chateau St Jean and Beringer Founders Estate
- Strong focus on continued margin accretion via portfolio premiumisation, optimisation of brand investment and managing overheads

¹⁵ LATAM has been transitioned to the Europe business. LATAM contributed EBITs of \$1.5m in 1H16 vs \$2.5m in 1H15. 1H15 comparatives have been restated to ensure like-for-like comparison

¹⁶ Depletions growth excludes impact of Special Depletions Allowance in the prior period

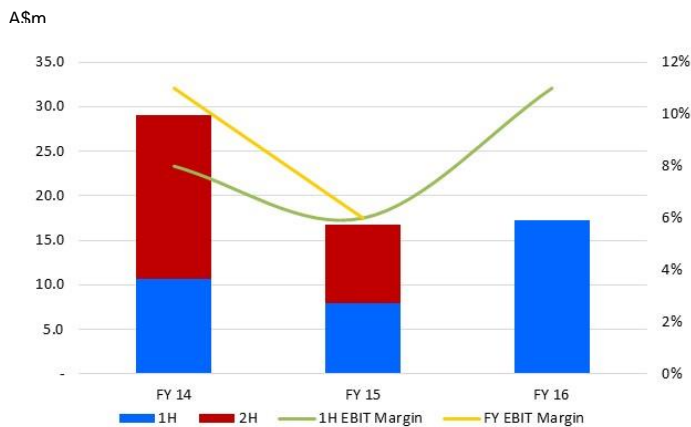


Regional Summaries Europe¹⁷

Financial performance

A\$m	H1 16	H1 15	%	H1 15	%
	Reported currency			Constant currency	
Volume (m 9Le)	3.4	3.3	2%	3.3	2%
NSR (A\$m)	153.2	142.2	8%	156.7	(2)%
NSR per case (A\$)	45.50	42.99	6%	47.37	(4)%
EBITS (A\$m)	17.2	7.9	>100%	16.0	8%
EBITS margin (%)	11%	6%	5ppts	10%	1ppts

Historical EBITs and EBITs margin



* Chart presented on a reported currency basis

Business performance

- Volume broadly in line with pcg at 3.367m cases
- Volume growth principally delivered by UK & Ireland
- NSR down 2% and down \$1.87 per case driven by unfavourable country and channel mix and reallocation of Luxury wine to optimise global margins. Excluding impact of reallocation, Europe reported NSR growth in the period
- Key Priority Brand Wolf Blass and Lindeman's core tiers delivering NSR growth
- Lower COGS per case reflected unfavourable portfolio mix and supply efficiencies
- Lower consumer marketing investment due to cycling of accelerated investment in the pcg to support the change of Penfolds release date
- Despite lower NSR, flat overheads and reduced consumer marketing investment underpinned reduction in the CODB and CODB margin
- EBITs reduction in LATAM reflected investment in sales and marketing capability in the region and rephasing of Luxury volume into 2H16
- EBITs up 8% to \$17.2m; EBITs margin accretion delivered, up 1ppts to 11%

Europe regional perspectives

- Challenging pricing and trading environment in Europe, characterised by highly competitive customer landscape and currency headwinds
- Australian category in the Nordics showing signs of recovery; TWE well positioned with >40% volume share; leading the lighter / non-alcohol segment
- TWE in investment phase in LATAM focused on Mexico and the Caribbean
- Region continues to focus on delivering margin accretion over time via sustainable volume growth and overhead reductions

¹⁷ Europe now includes LATAM and the Middle East & Africa (MEA) business has been transitioned to Asia. LATAM contributed EBITs of \$1.5m in 1H16 versus \$2.5m in 1H15, while MEA contributed EBITs of \$0.5m in 1H16 versus \$0.7m in 1H15. 1H15 comparatives have been restated to ensure like-for-like comparison

Regional Summaries

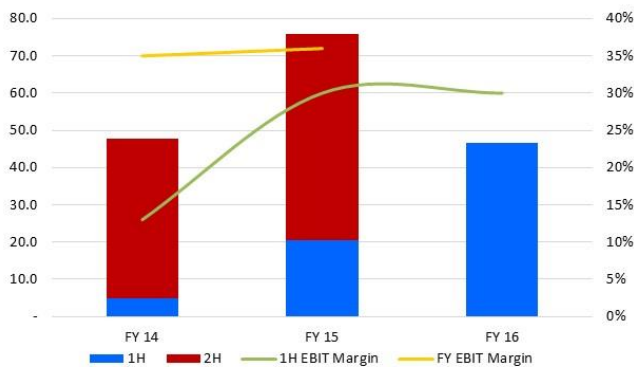
Asia¹⁸

Financial performance

A\$m	H1 16	H1 15	%	H1 15	%
	Reported currency			Constant currency	
Volume (m 9Le)	1.2	0.6	>100%	0.6	>100%
NSR (A\$m)	157.3	69.5	>100%	70.5	>100%
NSR per case (A\$)	131.65	119.25	10%	120.97	9%
EBITS (A\$m)	46.5	20.5	>100%	19.1	>100%
EBITS margin (%)	30%	30%	-	27%	3ppts

Historical EBITs and EBITs margin

A\$m



* Chart presented on a reported currency basis

Business performance

- Volume up 612k cases to 1.195m cases
- Volume growth delivered by both North Asia (+149%) and South Asia (+47%)
- Volume growth driven by growing consumer demand for imported wine, enhanced routes-to-market in China, Singapore, Malaysia and Japan and brand health
- NSR up 123% driven by strong volume and brand portfolio growth
- NSR up \$10.68 per case underpinned by favourable portfolio and country mix, brand building activations and more efficient routes-to-market
- Priority Brand portfolio NSR up strongly led by Penfolds, Wolf Blass, Rawson's Retreat, Beringer and Lindeman's
- Higher COGS per case driven by favourable portfolio mix
- Significant increase in consumer marketing supported outstanding consumer and brand-led marketing campaigns on key Priority Brands
- Investment in consumer marketing and on-the-ground sales and marketing capabilities to support new routes-to-market offset by NSR growth; CODB margin down 5.5ppts
- EBITs up \$27.4m to \$46.5m; EBITs margin accretion delivered, up 3ppts to 30%

Asian regional perspectives

- Fundamentals of Asian wine markets continue to be highly attractive with Asian consumers increasingly turning to imported wine as the alcoholic beverage of choice
- TWE's accelerated growth in developing wine markets including China, Taiwan and Malaysia reflects more efficient routes-to-market, enhanced partnerships with key customers and brand strength
- Free Trade Agreements are expected to further support TWE's expansion in Asia
- Investment in TWE's brands and sales and marketing capability expected to continue
- Asia represents significant opportunity for TWE's US brand portfolio, notably Beringer, Sterling, Beaulieu Vineyards and Chateau St Jean
- Asia region focused on driving a balanced brand and country-of-origin (i.e. Australian, US, Italian and New Zealand wine) mix via portfolio diversification strategy

¹⁸ Asia includes Middle East & Africa (MEA). MEA contributed EBITs of \$0.5m in 1H16 versus \$0.7m in 1H15. 1H15 comparatives have been restated to ensure like-for-like comparison

Summary

In summary, the strong first half result demonstrates continued progress to transition TWE from an agricultural, order-taking company to a brand-led, marketing organisation.

Crucial to this transition is embedding a balanced and sustainable business model across TWE's brand and regional earnings mix, as well as building further flexibility and diversification into the Company's supply model.

TWE is now marketing and selling its key brands across all four quarters of the year, rather than delivering the majority of its earnings from only a few brands in the final quarter of the fiscal year. As a result, TWE's earnings will continue to be more evenly spread across the fiscal year.

Furthermore, the Company's brand building investment is focused on a global, 'portfolio of brands' approach, which in turn, diversifies the revenue and earnings composition. This is demonstrated by the Priority Brand portfolio now comprising more than 85% of total NSR.

TWE is also diversifying its sourcing profile; driving an improved balance across key varietals, sourcing regions and appellations.

TWE remains focused on integrating Diageo Wine in 2H16 and driving a more sustainable base business. The integration is progressing well and the Company remains confident that the acquisition will deliver at least US\$25m of annual cash synergies before F20 via the elimination of costs and additional Supply Chain Optimisation savings. Furthermore, the acquisition is expected to deliver low double-digit percent Earnings Per Share accretion in F17.

Vintage update

Californian

The 2015 California vintage was one of the earliest on record for most regions, driven by a dry and warm winter. While variable growing conditions reduced yields across the industry, smaller berry size resulted in outstanding quality across all varietals, notably cabernet.

Australian

The 2016 Australian vintage to date has been characterised by hot and dry conditions, with the hottest December month recorded, particularly in the Clare Valley and Barossa Valley. Generally favourable growing conditions, particularly in South Australia more broadly, are expected to result in quality and yield exceeding the prior year.

New Zealand

Despite experiencing the driest Spring on record, well-timed rain in January is likely to deliver an outstanding vintage for all varietals across all key growing regions in New Zealand. Conditions are favouring all varietals.