2014

# TREASURY WINE ESTATES
## FULL YEAR RESULTS
21 August

TREASURY
WINE ESTATES

# Michael Clarke

## Chief Executive Officer

# Result headlines[1]

- EBITS[2,3] $184.6m. Currency-adjusted EBITS $193m; within guidance range[4]
- Material item recognised in fiscal 2014 of $(280.6)m post tax[5]
- Statutory net loss after tax $(100.9)m, including $(280.6)m post-tax material item; largely non-cash
- Net sales revenue (NSR) per case up 7.9% and 1.2% on a reported and constant currency basis[6] underpinned by favourable portfolio mix
- Investment in sales and marketing capabilities continued, notably in the US and Asia
- Further strengthening of TWE's robust and flexible balance sheet in fiscal 2014
- Improvement in net operating cashflow before interest, tax and material items, up $35.4m
- Final dividend 7 cents per share; full year dividend 13 cents per share (unchanged versus prior year), unfranked
- Strategy to invest in consumer marketing expected to drive positive results in fiscal 2015 and beyond

*[1] All figures and calculations are subject to rounding*
*[2] Earnings before interest, tax, SGARA and material items outlined in Note 4 of the Financial Statements*
*[3] Financial information in this report is based on audited 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 and make decisions on the allocation of resources*
*[4] EBITS guidance range of $190m - $210m for F14 based on foreign exchange rates of AUD/USD 0.8800 and AUD/GBP 0.5300 for 2H14. Fiscal 2014 EBITS of $184.6 million restated for currency was $193 million*
*[5] Net profit after tax (before all material items, SGARA and $80.5m tax benefit) in fiscal 2014 was $112.8 million*
*[6] Unless otherwise stated all percentage or dollar movements from prior periods are pre any material items and on a constant currency basis*

TWE

# Tony Reeves

## Chief Financial Officer

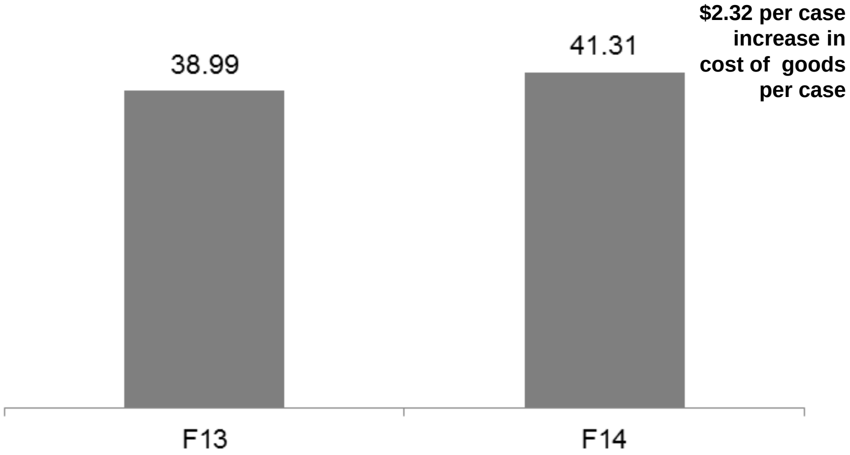
# Profit & Loss

| $Am (unless otherwise stated) | F14 | Reported Currency F13 | Reported Currency Change | Constant Currency F13 | Constant Currency Change |
|---|---|---|---|---|---|
| Volume (m 9L cases) | 30.0 | 32.1 | (6.4)% | 32.1 | (6.4)% |
| Net sales revenue | 1,705.6 | 1,688.7 | 1.0 % | 1,801.8 | (5.3)% |
| Other Revenue | 109.7 | 72.0 | 52.4 % | 77.6 | 41.4 % |
| Cost of goods sold | (1,239.4) | (1,181.8) | (4.9)% | (1,249.9) | 0.8 % |
| *Cost of goods sold per case ($)* | *41.31* | *36.86* | *(12.1)%* | *38.99* | *(6.0)%* |
| Cost of doing business | (391.3) | (362.7) | (7.9)% | (384.8) | (1.7)% |
| *Cost of doing business margin (% of NSR)* | *22.9%* | *21.5%* | *(1.4)ppts* | *21.4%* | *(1.5)ppts* |
| **EBITS** | **184.6** | **216.2** | **(14.6)%** | **244.7** | **(24.6)%** |
| *EBITS margin (%)* | *10.8%* | *12.8%* | *(2.0)ppts* | *13.6%* | *(2.8)ppts* |
| SGARA | (19.5) | 3.8 | NM[1] | 4.4 | NM |
| **EBIT** | **165.1** | **220.0** | **(25.0)%** | **249.1** | **(33.7)%** |
| Net finance costs | (21.6) | (14.4) | (50.0)% | (14.7) | (46.9)% |
| Tax expense | 34.7 | (60.8) | NM | (61.7) | NM |
| **Net profit after tax (before material items)** | **178.2** | **144.8** | **23.1 %** | **172.7** | **3.2 %** |
| Material items (after tax) | (280.6) | (97.2) | NM | (97.4) | NM |
| Minority interests | 1.5 | (0.4) | NM | (0.5) | NM |
| **Net profit after tax** | **(100.9)** | **47.2** | **NM** | **74.8** | **NM** |
| Reported EPS (A¢) | (15.6) | 7.3 | NM | | |
| **Net profit after tax (before material items, SGARA & tax benefit)** | **112.8** | **141.7** | **(20.4)%** | **169.0** | **(33.3)%** |
| EPS (before material items, SGARA and tax benefit) (A¢) | 17.4 | 21.9 | (20.4)% | | |
| Average no. of shares (m) | 647.9 | 647.2 | | | |
| Dividend (A¢) | 13.0 | 13.0 | | | |

1 *Not meaningful*

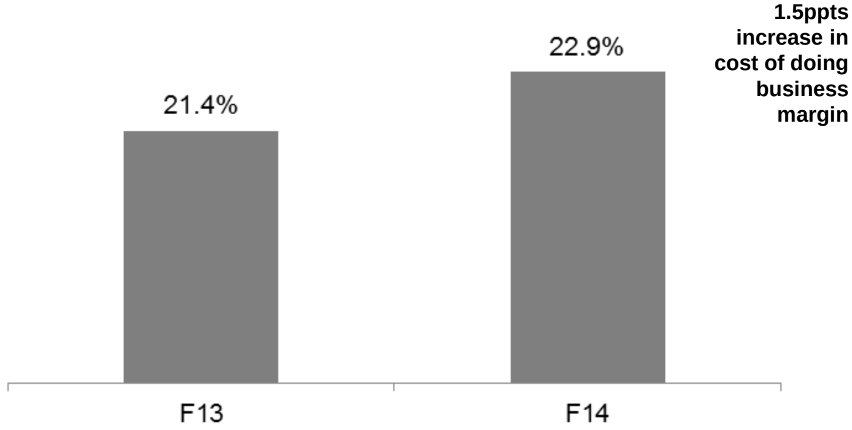
# Cost update

## Cost of goods sold per case[1]




- Cost of goods per case increased $2.32 on a constant currency basis reflecting:
  - Lower production overhead recoveries due to planned reduction in shipments in the US and lower Commercial volume in Australia
  - 10% increase in New Zealand-sourced COGS per case driven by increased spot market purchases to satisfy growing, global demand

## Cost of doing business margin[2]




- Cost of doing business margin increased 1.5ppts to 22.9% principally reflecting:
  - $5.7m charge was recognised as an operating expense relating to organisational changes principally implemented in 1H14
  - Investment in on-the-ground sales and marketing capabilities in key growth markets, notably the US and Asia
  - Increase in general operating costs in 1H14
  - Opportunity for continued cost reduction in F15

[1] *Cost of goods per case calculated as cost of goods sold / volumes*
[2] *Cost of doing business margin calculated as (gross profit less EBITS) / net sales revenue, on a constant currency basis*

# Material items

| A$m | Balance sheet | P&L | F14 |
|---|---|---|---|
| Impairment of intangible assets | Intangible assets | Other expenses | (233.5) |
| Impairment of IT development costs | Intangible assets | Other expenses | (39.1) |
| Write down of property, plant & equipment | PP&E | Other expenses | (72.6) |
| Discounts and rebates on distributor inventory destruction | Payables | NSR | (3.2) |
| Gross distributor inventory destruction | Provisions | Other expenses | 25.1 |
| Special depletions allowance | Payables | NSR | (21.9) |
| Net inventory write down to NRV | Inventories | Cost of sales | 4.7 |
| Onerous contract commitments | Provisions | Other expenses | (5.6) |
| Restructuring and redundancy | Provisions | Other expenses | (35.0) |
| Adjustment to deferred lease liability | Other payables | Other expenses | (3.4) |
| **Material items (before tax)** | | | **(384.5)** |
| Tax benefit | | | 103.9 |
| **Material items (after tax)** | | | **(280.6)** |

- Material item of $(384.5)m principally reflected:
  - $345.2m asset impairment driven by historical prices paid for pre-demerger acquisitions and decline in market growth rates for Commercial wine globally; relates to brands, IT and PP&E
  - $35m restructuring and redundancy costs to support increased investment in consumer marketing in F15
  - Depletion of excess Commercial inventory previously earmarked for destruction resulted in provision adjustments and releases to the P&L of $21.9m
  - $4.7m NRV provision reversal
  - $5.6m exit from onerous supplier contract
  - Recognition of $3.4m long-term lease liability; balance to unwind against rent expenditure in the P&L in future periods

# US distributor inventory realignment

| Action | Est. cost @ 30 June 2013 FX rates | # of cases | Progress as at F14 / comments |
|---|---|---|---|
| **1. Reduction in shipments (EBITS)** | Up to $30.0m | Up to 1.5m less than depleted | Shipped 600k less than depleted in F14<br>Excluding Masstige and Luxury growth and innovation shipments, depletions exceeded shipments by 743k cases |
| **2. Destruction of old and obsolete wine (Provision)** | $33.8m | Circa 600k | Opportunity for sale of 335k cases resulted in reallocation from destruction to SDA provision in 2H14<br>240k cases destroyed<br>Destruction completed in 2H14 |
| **3. Special depletions allowance – SDA (Provision)** | $38.1m | Previously: up to 1.5m cases<br>Revised: up to 1.8m cases | Revised provision c.$60m (no increase in net destruction and SDA provision)<br>Circa 50% deployed in 2H14, principally focussed on NPC brands<br>SDA expected to be fully utilised in F15 |
| **4. NRV write down – Bulk Wine & Finished Goods (Provision)** | $82.4m | n/a | $41.8m utilised from the sale of product, both bulk wine and finished goods |

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# Other items included in NPAT

## Significant other P&L items

There were a number of other items included within the P&L, principally relating to:

- One-off benefit of $80.5m relating to the outcomes of the tax consolidations project in 1H14
  - $49.3m tax refund recognised in form of tax offsets in January 2014
  - TWE's franking account is in deficit, requiring payment of $31.4m in July 2014
  - Franking deficits tax pre-payment of income tax can be used to offset TWE's future tax liability
- $15m permanent SGARA loss in Australia due to severe weather conditions including frost, heatwaves and a poor flowering season
- $5.7 million charge recognised as an operating expense relating to expenses associated with organisational changes, principally implemented during 1H14
- Profit on sale of US vineyard of $3.3m in 2H14
- An insurance settlement of $2.0m received largely in relation to product damage in 1H14

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# Cash Flow

| A$m (unless otherwise stated) | F14 | F13 |
|---|---|---|
| **EBITDAS** | **270.3** | **293.0** |
| Change in working capital | (78.4) | (143.2) |
| Other items | 0.3 | 7.0 |
| **Net operating cash flows before financing costs, tax & material items** | **192.2** | **156.8** |
| Capital expenditure | (98.4) | (124.3) |
| Net investment expenditure | (14.0) | (67.0) |
| Total investment expenditure | (112.4) | (191.3) |
| Asset sale proceeds | 8.1 | 3.5 |
| **Cash flows after net capital expenditure, before financing costs, tax & material items** | **87.9** | **(31.0)** |
| Net interest paid | (20.7) | (14.7) |
| Tax paid | 36.7 | (23.2) |
| **Cash flows before dividends & material items** | **103.9** | **(68.9)** |
| Dividends/distributions paid | (77.8) | (84.1) |
| **Cash flows after dividends before material items** | **26.1** | **(153.0)** |
| **Cash conversion[1]** | **71.1%** | **53.5%** |
| Material item cash flows | (22.7) | (4.6) |
| Loans to other parties (incl invest sale proceeds) | (0.8) | (2.0) |
| Share re-purchase (employee share plan) | (1.1) | (4.5) |
| Borrowings acquired | 0.0 | (9.9) |
| Finance leases | (1.2) | 0.0 |
| Debt revaluation and FX movements | 1.2 | (2.5) |
| **(Increase)/decrease in net debt** | **1.5** | **(176.5)** |

## Improved cash conversion

- Net debt largely in line with prior year at $209.4m reflecting lower net working capital movement, a reduction in capital and investment expenditure and $49.3m tax refund relating to tax consolidations project
- Lower change in working capital principally reflects variable V14 in Australia and lower receivables due to planned reduction in US shipments, offset by lower payables
- Adjusting for the reduction in utilisation of receivables purchasing agreements (from $122.6m as at 30 June 2013 to $107.9m as at 30 June 2014), net debt decreased $13.2m in the period
- Material item outflow of $22.7m reflects destruction costs, partial utilisation of SDA[2] in the US and costs associated with the overhead reduction program

*[1] Cash conversion (Net operating cash flows before financing costs, tax and material items divided by EBITDAS)*
*[2] Special Depletions Allowance*

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# Capital expenditure

| A$m | F14 | F13 |
|---|---|---|
| IT spend | 16.2 | 33.0 |
| Oak Purchases | 16.6 | 20.2 |
| Penfolds Luxury Fermenters | 8.9 | 8.8 |
| Vineyard Redevelopments | 6.1 | 15.6 |
| Other Capex | 50.6 | 46.7 |
| **Total capital** | **98.4** | **124.3** |
| Investment (M&A) | 14.0 | 67.0 |
| **Total capital & investment** | **112.4** | **191.3** |

## Continued investment in growth

- Total capital and investment expenditure of $112.4m in line with guidance and reflects investment in business growth and systems capability
- Total capital expenditure of $98.4m, including "Project uplift" investment in oak, luxury wine making equipment and vineyard re-developments during the period and $16.2m of IT spend
- Total investment expenditure of $14.0m included:
  - Capacity upgrade at Matua Marlborough Winery in New Zealand in 1H14; and
  - Acquisition of premium vineyards n Tasmania (White Hills)  and Yarra Valley (Gladysdale) in 1H14
- F15 capital expenditure expected to be circa $100m

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# Balance Sheet

| A$m | F14 | F13 |
|---|---|---|
| Cash & cash equivalents | 52.0 | 10.8 |
| Receivables | 414.9 | 460.9 |
| Current inventories | 707.1 | 714.5 |
| Non-current inventories | 525.2 | 446.0 |
| Property, plant & equipment | 958.3 | 1,024.4 |
| Agricultural assets | 229.9 | 227.1 |
| Intangibles | 747.1 | 1,009.9 |
| Tax assets | 217.1 | 228.9 |
| Other assets | 8.9 | 5.7 |
| **Total assets** | **3,860.5** | **4,128.2** |
| Payables | 451.2 | 480.0 |
| Borrowings | 265.6 | 225.0 |
| Tax liabilities | 198.6 | 314.4 |
| Provisions | 89.8 | 91.9 |
| Other liabilities | 6.5 | 9.0 |
| **Total liabilities** | **1,011.7** | **1,120.3** |
| **Net assets** | **2,848.8** | **3,007.9** |

## Robust and flexible balance sheet maintained

- Lower assets reflect:
  - $345.2m (pre-tax) impairment charge relating to TWE's Commercial brands, IT, property, plant and equipment assets
  - Investment in production of Luxury and Masstige wine from the 2013 Californian and 2014 Australian vintages
  - Investments in premium vineyards and related property, plant & equipment, mostly in 1H14
  - Lower receivables due to reduced shipments in the US
- Reduction in liabilities driven by lower payables and tax liabilities, partially offset by increased borrowings
- Net debt / EBITDAS and interest cover 0.9x and 8.7x respectively[1,2]

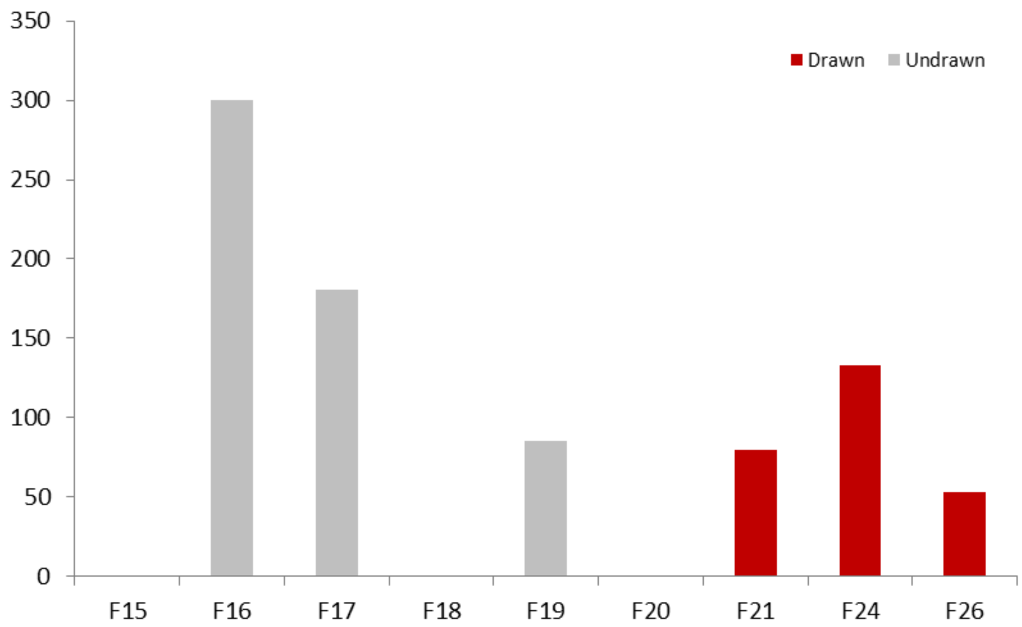
[1] *Metrics calculated using 12 month EBITDAS adjusted for bank guarantees and excluding material items*
[2] *Interest cover calculated as the ratio of earnings to net interest expense, where earnings is the consolidated pre-tax profit (pre any material items and SGARA) plus the sum of the amount of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

# Capital structure and debt profile

## Strong Balance Sheet Position

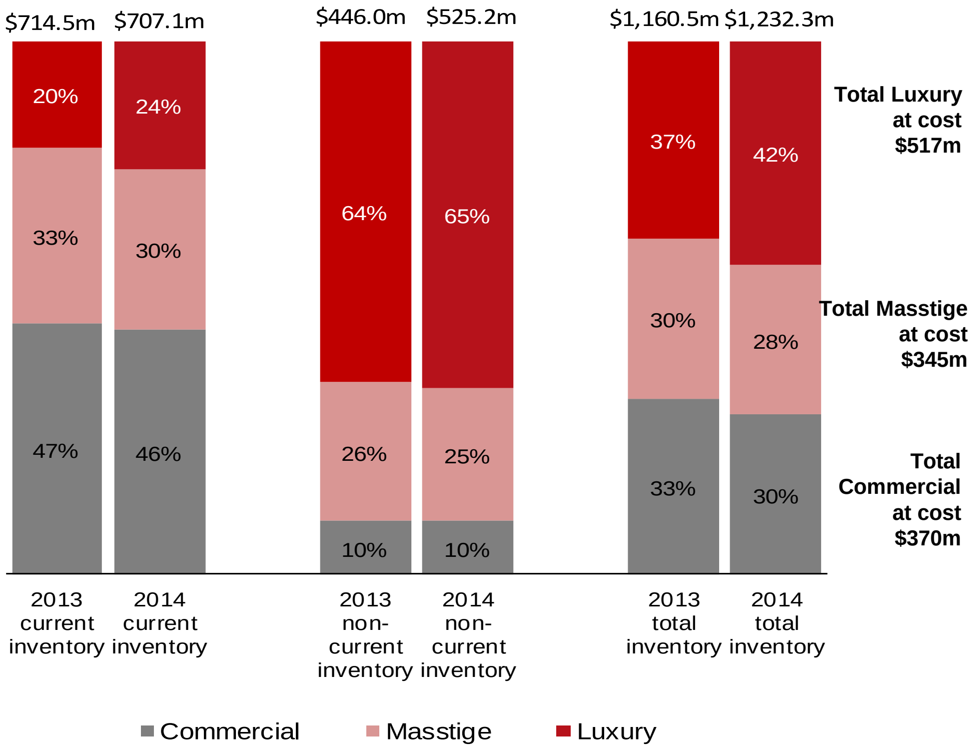
- $565.5m of committed undrawn syndicated debt facilities versus $274.9m in fiscal 2013
- Weighted average term to maturity of committed facilities 4.4 years, with earliest maturity in April 2016 ($300m syndicated debt facility), followed by August 2016 (US$170m) and August 2018 (US$80m)
- Balanced gross debt composition; 62% floating, 38% fixed
- Net debt / EBITDAS and interest cover 0.9x and 8.7x, respectively

**Group Debt Maturity Profile**



# Inventory analysis

**Inventory at book value split by segment* – F14 and F13**




** 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*

## Robust inventory composition to support future growth

- Improved portfolio mix in current inventory relative to prior year
- Luxury and Masstige wine 90% of total non-current inventory (NCI), in line with prior year
- Increase in non-current inventory underpinned by:
  - GARP[1] to support potential supply constraints in existing and new markets and channels in F16 and beyond
  - Increase in standard COGS due to volume impact of lower yielding, variable V14 in Australia
- Variable V14 in Australia for Luxury reds partially offset increase in NCI in F14
- F15 reset year; stock remains in TWE's NCI
- Increase in consumer marketing in F15 and beyond expected to step-change NCI depletions and future sales from GARP across all regions

[1] *Global Aged Release Programme*

# Foreign currency impact & risk management

**Foreign exchange risk management**

- Realised hedge losses of $1.9m in F14 (included in COGS), principally in EMEA (AUD/GBP)

*AUD / USD transactional exposures*

- F15 exposure 51% hedged at a weighted average rate of $0.98, fully participating to $0.86
- F16 exposure 25% hedged at a weighted average rate of $0.95, fully participating to $0.77

*AUD / GBP transactional exposures*

- F15 exposure 52% hedged at a weighted average rate of £0.62, 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) is as follows:
  – Using an indicative spot rate of USD 0.93, 1¢ change is expected to result in A$2.3m EBITS impact in F15
  – Using an indicative spot rate of GBP 0.56, 1p change is expected to result in A$3.0m EBITS impact in F15

TWE

# Michael Clarke

**Chief Executive Officer**

# ANZ – Challenging conditions in F14; improved execution for F15

| A$m | F14 | F13 | % | F13 | % |
|---|---|---|---|---|---|
| | Reported currency | | | Constant currency | |
| Volume (m 9Le) | 7.8 | 8.6 | (9.4)% | 8.6 | (9.4)% |
| NSR (A$m) | 562.2 | 600.8 | (6.4)% | 608.3 | (7.6)% |
| NSR per case (A$) | 72.49 | 70.22 | 3.2% | 71.09 | 2.0% |
| EBITS (A$m) | 75.1 | 110.1 | (31.8)% | 109.6 | (31.5)% |
| EBITS margin (%) | 13.4% | 18.3% | (4.9)ppts | 18.0% | (4.6)ppts |

## Australia Aztec results F14 and 2H14[1]

| % growth on prior period | F14 | 2H14 |
|---|---|---|
| *Value growth* | | |
| Australian bottled wine market | 4.3% | 3.0% |
| **TWE** | **(3.7)%** | **(11.1)%** |
| *Volume growth* | | |
| Australian bottled wine market | 1.4% | 0.4% |
| **TWE** | **(9.1)%** | **(16.3)%** |

- Disappointing F14 EBITS performance impacted by reduction in in-market programming, lower Penfolds allocation and $10m decrease in New Zealand EBITS
- Volume decline in 1H14 impacted by continued challenging trading conditions and elevated promotional programming in 2H13 not repeated in 2H14
- TWE's Luxury portfolio outperformed market by volume and value supported by Wines of Distinction program; Pepperjack, Wynns and Penfolds in strong volume and value growth[1]
- NSR per case growth driven by favourable portfolio overall mix and sustainable pricing and promotional activity across all segments
- Higher COGS per case driven by lower production overhead recoveries and increased New Zealand-sourced COGS
- Increase in consumer marketing in F15 to support priority brands across all segments
- Separate focus on Luxury & Masstige and Commercial portfolios progressing
- Exciting brand and channel-led initiatives planned for F15 e.g. Penfolds wine cabinet promotion

[1] *Aztec, Total bottled wine market, 52 weeks and 26 weeks to 29 June 2014*

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# Americas – Focused & consistent investment drives improvement

| A$m | F14 | F13 | % | F13 | % |
|---|---|---|---|---|---|
| | Reported currency | | | Constant currency | |
| Shipments (m 9Le) | 14.3 | 15.4 | (6.9)% | 15.4 | (6.9)% |
| Depletions (m 9Le) | 15.0 | 15.0 | - | 15.0 | - |
| NSR (A$m) | 731.9 | 704.0 | 4.0% | 774.7 | (5.5)% |
| NSR per case (A$) | 51.01 | 45.69 | 11.6% | 50.28 | 1.5% |
| EBITS (A$m) | 74.9 | 66.8 | 12.1% | 80.5 | (7.0)% |
| EBITS margin (%) | 10.2% | 9.5% | 0.7ppts | 10.4% | (0.2)ppts |

## US Nielsen results, F14 and 2H14[1]

| % growth on prior period | F14 | 2H14 |
|---|---|---|
| *Value growth* | | |
| Total wine +$4 | 3.9% | 4.3% |
| **TWE** | **(2.3)%** | **(2.8)%** |
| **TWE (excluding NPC brands)** | **2.1%** | **1.7%** |
| *Volume growth* | | |
| Total wine +$4 | 1.9% | 2.2% |
| **TWE** | **(0.1)%** | **(0.7)%** |
| **TWE (excluding NPC brands)** | **4.0%** | **3.1%** |

- EBITS reflect planned reduction in Commercial shipments, partially offset by improved portfolio mix
- Canada volume up 2% led by Beringer, up 21%
- Positive NSR per case due to improved portfolio mix
- Strong depletion momentum in 2H14; Luxury up 3%, Masstige up 15%, Priority Commercial up 4% driven by strong in-market execution and brand health
- Headline depletions impacted by non-priority Commercial brands in 1H14; Special Depletions Allowance supported turnaround in 2H14 v. 1H14
- TWE is category leader and driver of growth in Masstige segment in US, led by Chateau St Jean, Matua, 19 Crimes, Gabbiano and Sledgehammer[1]
- Luxury category fastest growing segment in US by volume (+15%) and value (+16%)[1]; TWE well placed to lead category in F15 with improved supply
- Beringer Classics volume up 7% in F14[1]; Special Depletions Allowance underpinned increased promotional activity and wider distribution[2]
- Positive outlook underpinned by favourable industry fundamentals, increased consumer marketing and portfolio & brand innovation

*[1] US Nielsen ScanTrack, 52 weeks and 26 weeks to 21 June 2014, Total Food, Drug, Liquor Channels*
*[2] US Nielsen ScanTrack, 52 weeks to 21 June 2014, Food & Drug channels*

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# EMEA – Brand health and consistent in-market execution

| A$m | F14 | F13 | % | F13 | % |
|---|---|---|---|---|---|
| | Reported currency | | | Constant currency | |
| Volume (m 9Le) | 6.6 | 6.7 | (1.3)% | 6.7 | (1.3)% |
| NSR (A$m) | 273.9 | 248.5 | 10.2% | 282.2 | (2.9)% |
| NSR per case (A$) | 41.41 | 37.08 | 11.7% | 42.11 | (1.7)% |
| EBITS (A$m) | 29.1 | 16.0 | 81.9% | 31.3 | (7.0)% |
| EBITS margin (%) | 10.6% | 6.4% | 4.2ppts | 11.1% | (0.5)ppts |

## UK Nielsen results, F14 and 2H14 and[1]

| % growth on prior period | F14 | 2H14 |
|---|---|---|
| *Value growth* | | |
| Total still wine | 1.0% | 0.0% |
| **TWE** | **12.0%** | **(0.2)%** |
| *Volume growth* | | |
| Total still wine | (4.0)% | (4.1)% |
| **TWE** | **10.0%** | **(0.4)%** |

*Note, UK Nielsen captures 90% of the off premise, excludes discounters and online sales*

- EBITS broadly in line with prior year on a constant currency basis
- Reduced volume driven by elevated levels of promotional activity in 2H13 and ongoing Australian category decline in the Nordics
- Brand health and in-market execution underpinned market share gains in UK grocery channel in F14[1]
- Nordic markets remain challenging. TWE focused on expanding portfolio and innovation; well positioned for F15 with record number of tender wins in F14
- Lower NSR per case driven by adverse portfolio, channel and market mix
- Continued penetration of TWE's Fine Wine collection into UK's premium on and off-premise channels
- Celebrated 170th year of Penfolds; launch of Penfolds Bin 170 in UK in 2H14
- Distribution wins in emerging markets and channels – notably Global Travel Retail – indicate potential avenues for future growth
- Wolf Blass beating the competition in prestigious international wine competitions (IWC and IWSC)

[1] *Nielsen ScanTrack, 12 months and 26 weeks to 21 June 2014*

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# Asia – Consistent investment; balanced momentum across the region

| A$m | F14 | F13 | % | F13 | % |
|---|---|---|---|---|---|
| | Reported currency | | | Constant currency | |
| Volume (m 9Le) | 1.3 | 1.4 | (8.0)% | 1.4 | (8.0)% |
| NSR (A$m) | 137.6 | 135.4 | 1.6% | 136.6 | 0.7% |
| NSR per case (A$) | 107.34 | 97.14 | 10.5% | 98.00 | 9.5% |
| EBITS (A$m) | 47.7 | 54.5 | (12.5)% | 54.4 | (12.3)% |
| EBITS margin (%) | 34.7% | 40.3% | (5.6)ppts | 39.8% | (5.1)ppts |

## Hong Kong Nielsen results, F14 and 2H14[1]

| % growth on prior period | F14 | 2H14 |
|---|---|---|
| *Value growth* | | |
| Total bottled still wine | 13.9% | 9.4% |
| **TWE** | **26.4%** | **21.7%** |
| *Volume growth* | | |
| Total bottled still wine | 14.5% | 12.8% |
| **TWE** | **26.1%** | **18.7%** |

- EBITS in line with expectations, largely driven by lower volume
- Lower volume reflects austerity measures in China and one-off operational challenges in Japan
- Modest depletions growth in China; depletions exceeded shipments in F14
- Continued strong growth in Hong Kong, EBITS up 32% in F14
- Increased investment in on-the-ground sales marketing and capability across the region; underpinned improved momentum in SEA in 2H14
- Higher NSR and uplift in NSR per case driven by premiumised portfolio mix
- Long term fundamentals of the Asian region remain attractive and outlook for F15 is positive
- Continued investment in sales and capability planned for F15, particularly in China, Korea and Japan (North Asia)
- Strong portfolio mix and exciting brand investment and activation planned for F15

[1] *Nielsen, 52 weeks and 26 weeks to 22 June 2014*

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# TWE's renewed strategic roadmap

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ***Our vision*** | ***"The world's most celebrated wine company"*** | | | | | | | |
| ***Our core*** | ***"We enrich peoples' lives with quality wine brands"*** | | | | | | | |
| ***Our objectives*** | **1 Recognised as a global, branded wine company**<br>**2 Strongly oriented to Luxury and Masstige segments** | | | | **3 Well positioned in key growth markets and channels**<br>**4 Efficiency and sustainability in everything we do** | | | |
| ***Where and how*** | **WHERE WE WILL FOCUS** | | | | **HOW WE WILL ACT** | | | |
| | BRANDS | MARKETS | PARTNERS | MODEL | BE FOCUSED | INSPIRE BELIEF | BUILD TRUST | COLLABORATE TO WIN |
| ***Strategic imperatives*** | **1 Fix the core business**<br>**2 Realign the portfolio** | | | **3 Invest in our brands and people**<br>**4 Invest in key relationships** | | | **5 Optimise our capital base**<br>**6 Drive financial outperformance** | |

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# F15 Outlook

- Fundamentals of the global wine industry remain attractive
- TWE is poised for a re-set and a return to growth in fiscal 2015 via its renewed strategic roadmap to:
  - Increase and accelerate consumer marketing investment in TWE's brands
  - Continue to drive efficiencies and improve the Company's cost base
  - Address structural opportunities in TWE by:
    - Focusing on Commercial brands separately from the Luxury & Masstige in Australia
    - Pursue opportunities to build on existing growth platforms for TWE's Luxury and Masstige brands
    - Conclude the short-shipment versus depletions program in the US in fiscal 2015
- Already seeing benefits of uplift in investment in 1Q15, notably Penfolds wine cabinet promotion in Australia
- $35 million plus overhead reduction program well on track
- Key structural issues are being addressed
  - 2015 Penfolds release on 16 October, including highly anticipated 2010 Penfolds Grange and 2012 Bin 707
  - Penfolds will now be marketed and sold across four quarters (previously activities were focused in 4Q14)
  - Separate focus on Luxury & Masstige and Commercial portfolio in Australia progressing
- Favourable portfolio mix in F15 relative to prior year, notably within the Luxury segment to benefit all regions
- With a robust and flexible balance sheet, TWE is well positioned to pursue organic and inorganic growth opportunities
- TWE is committed to executing its growth plans in F15 to drive improved financial returns for the Company and its shareholders

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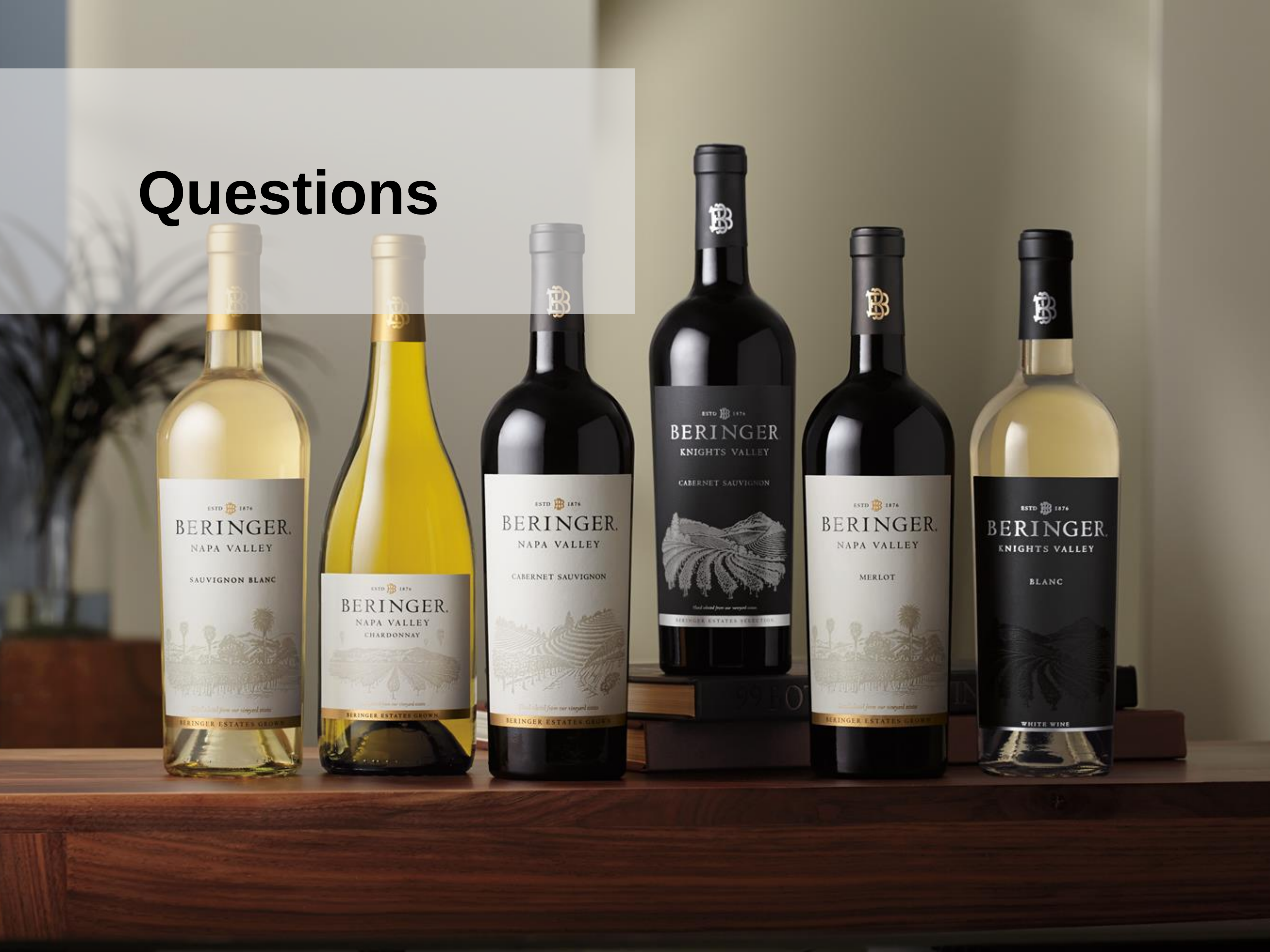
# Questions


ESTD 1876
BERINGER
NAPA VALLEY
SAUVIGNON BLANC
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ESTD 1876
BERINGER
KNIGHTS VALLEY
BLANC
WHITE WINE

## 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.

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# Supplementary Information

# Segment Information

| A$m | Reported currency F14 | Reported currency F13 | Reported currency Change | Constant currency F13 | Constant currency Change |
|---|---|---|---|---|---|
| ANZ Volume[1] | 7,755.6 | 8,556.3 | (9.4)% | 8,556.3 | (9.4)% |
| ANZ NSR | 562.2 | 600.8 | (6.4)% | 608.3 | (7.6)% |
| ANZ EBITS | 75.1 | 110.1 | (31.8)% | 109.6 | (31.5)% |
| Americas Shipments[1] | 14,349.2 | 15,407.6 | (6.9)% | 15,407.6 | (6.9)% |
| Americas NSR | 731.9 | 704.0 | 4.0% | 774.7 | (5.5)% |
| Americas EBITS | 74.9 | 66.8 | 12.1% | 80.5 | (7.0)% |
| Asia Volume[1] | 1,281.9 | 1,393.9 | (8.0)% | 1,393.9 | (8.0)% |
| Asia NSR | 137.6 | 135.4 | 1.6% | 136.6 | 0.7% |
| Asia EBITS | 47.7 | 54.5 | (12.5)% | 54.4 | (12.3)% |
| EMEA Volume[1] | 6,614.1 | 6,701.9 | (1.3)% | 6,701.9 | (1.3)% |
| EMEA NSR | 273.9 | 248.5 | 10.2% | 282.2 | (2.9)% |
| EMEA EBITS | 29.1 | 16.0 | 81.9% | 31.3 | (7.0)% |

*Note: Numbers are subject to rounding*

*[1] Thousand of 9L cases*

# Foreign currency impact

| EBITS Impact of FX (translation and transaction) | | | | | |
|---|---|---|---|---|---|
| | Primary Currencies | Translation Impact | Transaction impact | EBITS A$m | |
| Americas | USD, CAD | 6.1 | 7.6 | 13.7 | Americas result benefited by depreciation of AUD/USD but partially offset by weaker CAD which impacted Canadian revenues |
| EMEA | GBP, EUR, NOK, SEK | 2.2 | 13.1 | 15.3 | Depreciation of AUD/GBP the core driver of FX benefit in F14, offset by EUR weakness which impacted revenues in Continental Europe |
| Other | NZD, SGD | 0.4 | (0.9) | (0.5) | Stronger NZD an unfavourable impact to NZ sourced COGS in Australia |
| **Total** | | **8.7** | **19.8** | **28.5** | |

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# Reconciliation to statutory statement of cashflows

| Reconciliation to Statement of Cashflows | F14 | F13 |
|---|---|---|
| **Net operating cash flows before financing costs, tax and material items** | **192.2** | **156.8** |
| Net interest paid | (20.7) | (14.7) |
| Tax paid | 36.7 | (23.2) |
| **Net operating cash flows before net capital expenditure and material items** | **208.2** | **118.9** |
| Material item cash flows - operating | (22.7) | (5.8) |
| **Net cash flows from operating activities** | **185.5** | **113.1** |
| Cash conversion including operating material items | 62.7 % | 51.5 % |

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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** | Transactional cash flows are calculated using spot exchange rates on the day of the relevant transaction. Average exchange rates used for translational purposes in 2014 full year results are: $A1 = $US 0.9183 (2013: $A1 = $US 1.0274), $A1 = GBP 0.5651 (2013: $A1 = GBP 0.6552). Period end exchange rates used for balance sheet items in 2014 full year results are: $A1 = $US 0.9418 (30 June 2013: $A1 = $US 0.9282), $A1 = GBP 0.5529 (30 June 2013: $A1 = GBP 0.6084). |
| **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 |
| **Nielsen volume** | Nielsen volume refers to volume movements from off premise retailer to the end consumer |