

2018

**TREASURY
WINE ESTATES**
Annual 2018 Results
16 August 2018



**TREASURY
WINE ESTATES**

Michael Clarke

Chief Executive Officer



Reported headlines^{1,2,3}

- Statutory Reported Net Profit After Tax⁴ of \$360.3m, up 34%
- Statutory Reported Earnings Per Share (EPS) of 49.7 cents per share, up 36%
- 4 year EBITs CAGR of 25% delivered; F18 EBITs⁵ of \$530.2m, up 17%
- Strong momentum across all regions; Group EBITs margin 21.8%, up 2.8ppts
- ROCE accretion delivered at 12.6%, up 1.0ppts
- Transformational route-to-market change executed in the US in 4Q18
- Proactive exit of more than 2m 9Le cases of lower margin Commercial volume in F18, globally
- Long-term investment in winemaking drives significant increase in Australian Luxury conversion from 2018 vintage
- On-market share buyback; \$300m purchased at an average price of \$15.41 per share; EPS accretive
- Underlying cash conversion was 82.5% adjusting for one-off items and working capital financing activities; Headline cash conversion was 68.0%
- Final dividend of 17 cents per share, fully franked. F18 full year dividend of 32 cents per share, up 23%

1. Financial information in this report is based on unaudited 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

2. All figures and calculations are subject to rounding

3. All Reported Headlines metrics disclosed on a reported currency basis

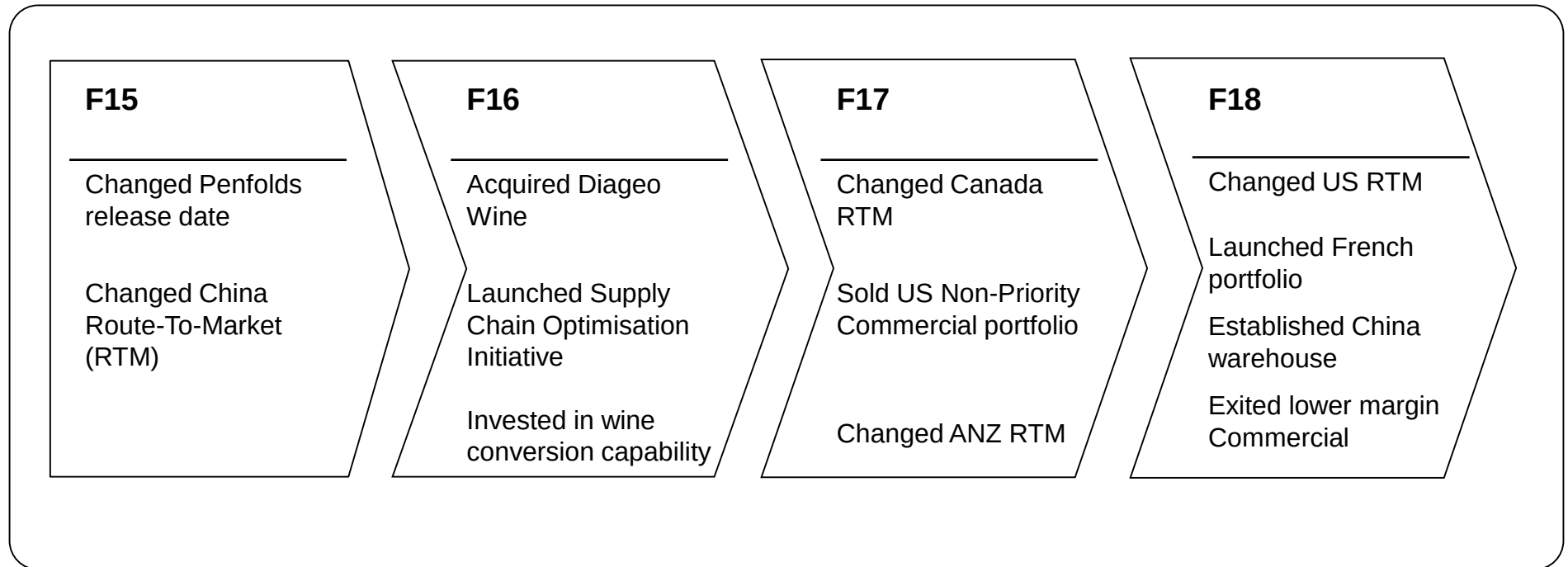
4. Statutory Net Profit After Tax (including material items), includes a one-off tax benefit of \$20.9m arising due to the restatement of TWE's net deferred tax liability in respect to its US operations following the enactment of the US Tax Cuts and Jobs Act

5. Earnings before interest, tax, SG&A and material items

Executive Leadership Team on the call today

Michael Clarke	Chief Executive Officer
Robert Foye	Chief Operating Officer and Global Sales
Tim Ford	Deputy Chief Operating Officer and Global Supply
Matt Young	Chief Financial Officer
Michelle Terry	Chief Marketing Officer
Angus McPherson	Managing Director, ANZ and Europe
Peter Dixon	Managing Director, Asia
Victoria Snyder	President, Americas

Driving long term, sustainable value; foundation in place



Michelle Terry

Chief Marketing Officer



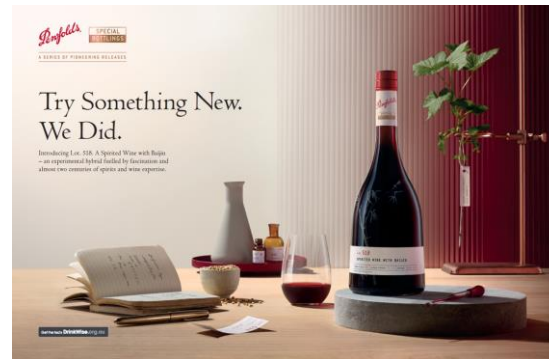
Brand and marketing highlights

Penfolds new Countries of Origin and Special Bottlings

Penfolds Countries of Origin



Penfolds Special Bottlings



Brand and marketing highlights

emBrazen – Celebrating trailblazing women



Brand and marketing highlights

Introducing the new Cavaliere D'Oro range

Chianti range

A heritage anchored
in Tuscany with
confident integrity



Regional range

A diverse range of
characterful wines &
regional styles
Tuscany, Puglia, Sicily



Light & refreshing

A fresh, celebratory,
fun collection
Prosecco, Valdadige,
Delle Venezie



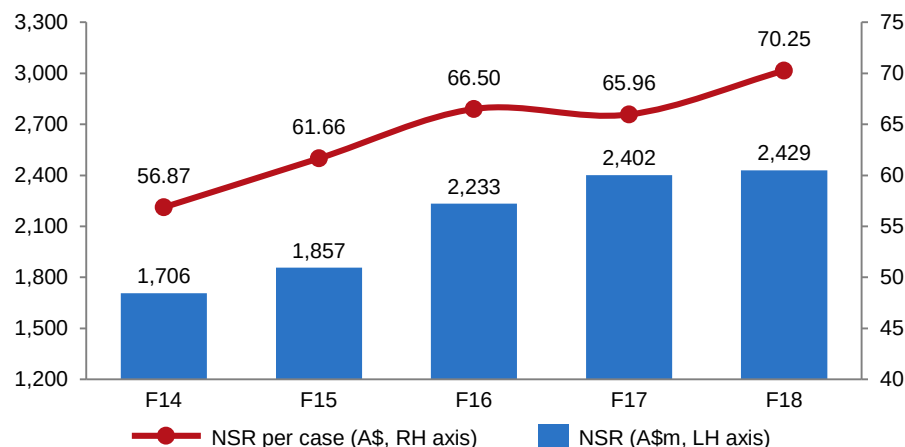
Matt Young

Chief Financial Officer

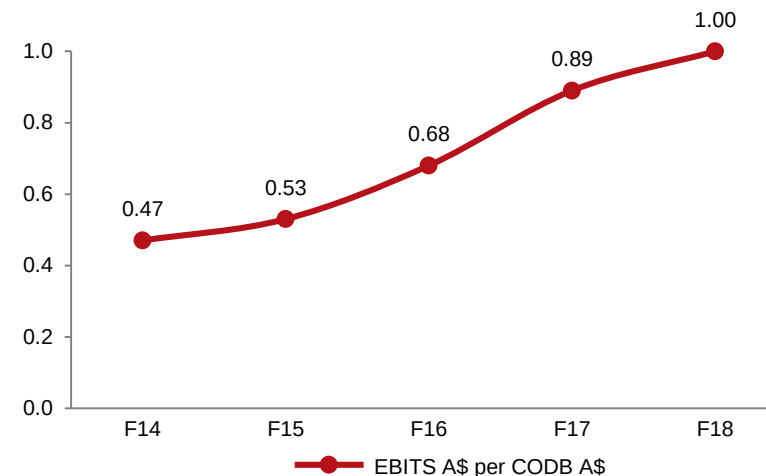


F18 result; key measures of performance^{1,2}

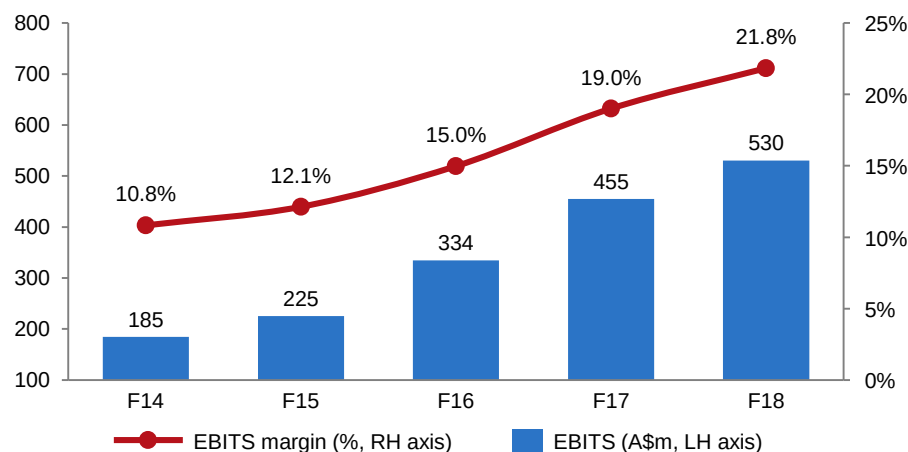
Premiumisation strategy driven increase in NSR per case; up 23%



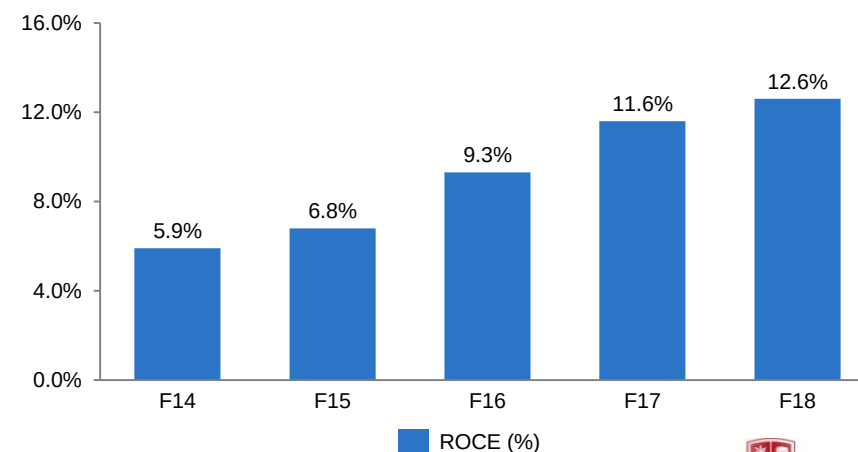
EBITS per dollar of CODB up every year - doubled



EBITS margin accretion delivered - doubled



Return on Capital Employed (ROCE) more than doubled



1. Numbers subject to rounding
2. F16 EBITs and ROCE have been restated in accordance with revised accounting standards relating to vine depreciation

Balance Sheet^{1,2}

A\$m	F18	F17
Cash & cash equivalents	89.4	240.8
Receivables	593.3	607.9
Current inventories	1,012.3	947.9
Non-current inventories	952.1	763.9
Property, plant & equipment	1,416.5	1,328.5
Agricultural assets	41.3	37.7
Intangibles	1,128.9	1,095.8
Tax assets	154.5	208.0
Assets held for sale	45.2	36.0
Other assets	12.2	12.8
Total assets	5,445.7	5,279.3
Payables	759.3	719.9
Borrowings	879.6	600.5
Tax liabilities	245.3	285.0
Provisions	49.4	64.8
Other liabilities	15.8	0.6
Total liabilities	1,949.4	1,670.8
Net assets	3,496.3	3,608.5

Investment grade metrics and increased Balance Sheet efficiency

- Net assets down \$112.2m on a reported currency basis; adjusting for movements in foreign currency, net assets down \$168.9m
- Factors driving decreased net assets included:
 - Higher borrowings, driven by funding associated with TWE's share buyback program and increased inventory and capital investments; partially offset by
 - Increase in net working capital, principally driven by;
 - Higher inventory reflecting intake from the high quality, lower yielding vintages in California in 2017 and Australia in 2018;
 - Planned repurchase of distributor inventory associated with the route-to-market change in the US; and
 - Inclusion of French brand portfolio inventory (Maison De Grand Esprit (MDGE) and Mouton Cadet)
- Investment grade metrics maintained:
 - Net debt / EBITDAS, adjusted for capitalisation of operating leases, of 1.9x
 - Interest cover of 16.1x ³
- Weighted average term to maturity of committed facilities of 4.5 years

1. Unless otherwise stated, all balance sheet percentage or dollar movements from the previous corresponding period are on a reported currency basis

2. Borrowings have been reduced by \$12.7m (F17: \$4.1m increase) to reflect a fair value hedge of a portion of US Private Placement notes

3. Interest cover is calculated as the ratio of earnings to net interest expense, where earnings is the consolidated pre-tax profit (pre material items and SGARA) plus the sum of the amount of net interest expense adjusted for amortised interest costs, per financial covenants

Cash flow and net debt^{1,2}

Disciplined cash flow and capital management

A\$m (unless otherwise stated)	F18	F17
EBITDAS	627.7	563.4
Change in working capital	(177.1)	(67.4)
Other items	(23.8)	(23.5)
Net operating cash flows before financing costs, tax & material items	426.8	472.5
Cash conversion	68.0%	83.9%
Capital expenditure	(215.4)	(210.4)
Net investment proceeds / (expenditure)	50.1	50.9
Net interest paid	(29.3)	(24.5)
Tax paid	(93.7)	(32.0)
Dividends/distributions paid	(203.7)	(184.6)
Material item cash flows	(8.1)	(3.9)
On-market share buyback	(300.0)	-
On-market share purchases	(42.9)	(65.9)
Total cash flows from activities	(416.2)	2.1
Opening net debt	(354.8)	(365.0)
Total cash flows from activities (above)	(416.2)	2.1
Proceeds from settlement of derivatives	-	0.6
Debt revaluation and foreign exchange movements	(31.3)	7.5
Increase in net debt	(447.5)	10.2
Closing net debt	(802.3)	(354.8)

- Underlying cash conversion was 82.5% adjusting for inventory repurchased as part of TWE's route-to-market transition in the US, delayed sales due to clearance delays of Australian wine imports into China in 4Q18 and the inclusion of French brand portfolio inventory (MDGE and Mouton Cadet), partially offset by working capital financing activities. Headline cash conversion was 68.0%³

Continued investment in both scale and efficiency

A\$m	F18	F17
IT spend	17.4	14.8
Oak purchases	33.6	33.5
Vineyard redevelopments	28.5	25.4
Upgrades to winemaking equipment and facilities	23.3	15.5
Other capital expenditure	25.6	20.6
Total maintenance and replacement capex	128.3	109.8
Diageo Wine Integration	36.9	48.4
Growth Initiatives	50.1	37.9
Supply Chain Optimisation Initiatives	-	14.3
Total growth capex	87.1	100.6
Gross capital expenditure	215.4	210.4
<i>Oak barrels under sale and leaseback arrangements</i>	<i>(29.6)</i>	<i>(25.4)</i>
Net capital expenditure	185.8	185.0

- Capital expenditure (capex) up \$5.0m to \$215.4m comprising of:
 - Maintenance & Replacement capex of \$128.3m; slightly higher than guidance due to incremental vineyard investment in 2H18;
 - Capex of \$36.9m for Diageo Wine integration (now complete);
 - Investments in growth including vineyard acquisitions of \$36.8m to increase access to Luxury and Masstige supply; and other growth initiatives of \$13.3m
- In F19, Maintenance and Replacement capex expected in the range of \$130m to \$140m (including oak barrels), reflecting increased growth and scale of Luxury operations

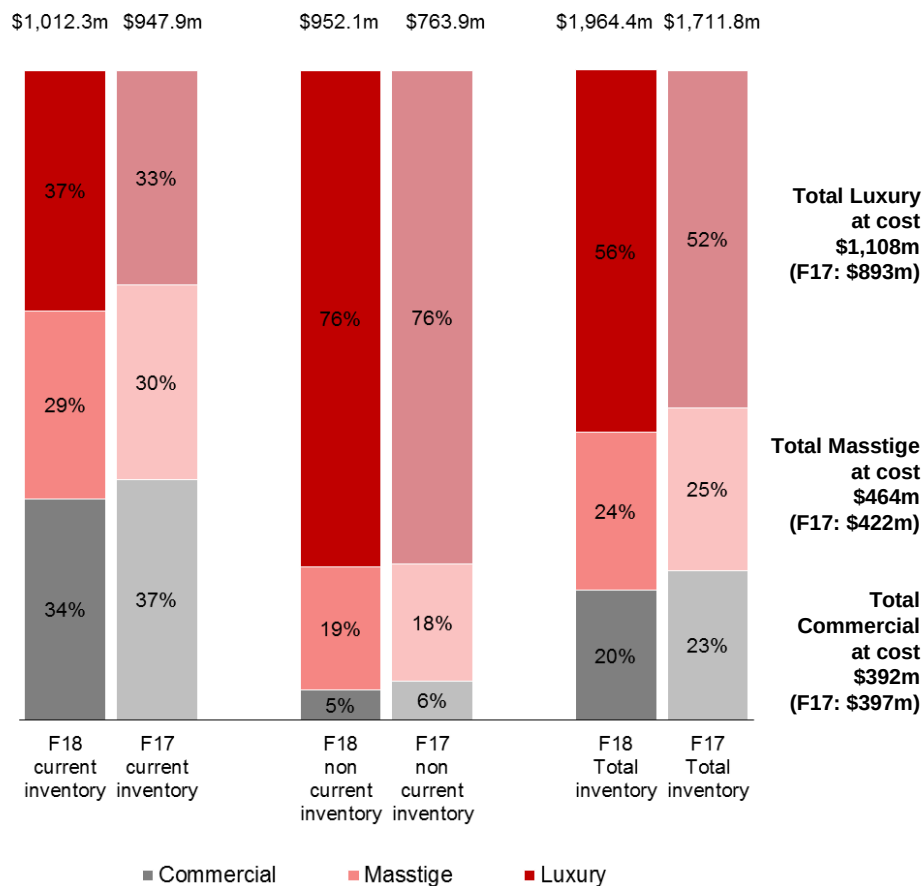
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2. Borrowings have been reduced by \$12.7m (F17: \$4.1m increase) to reflect a fair value hedge of a portion of US Private Placement notes

3. Cash conversion is calculated as net operating cash flows before financing costs, tax and material items divided by EBITDAS

Inventory analysis

Inventory at book value split by segment^{1,2}



Recent investments delivering uplift in Luxury inventory

- Total inventory increased \$252.6m to \$1,964.4m, reflecting:
 - \$188.2m increase in non-current inventory
 - \$64.4m increase in current inventory
- Total Luxury inventory increased 24% to \$1,108m
- Total Current Luxury inventory increased 20% to \$375m
 - Luxury Australian wines available for sale in F19 (in Current Inventory) carry comparatively lower costs of production relative to prior year driven by outstanding 2016 Australian vintage and recognition of Supply Chain Savings
- Factors impacting the movement in Non-Current inventory include:
 - Intake of high quality, lower yielding vintages in California in 2017 and Australia in 2018
 - Significant increase in Luxury wine conversion rates from the 2018 Australian vintage relative to prior year
 - Planned repurchase of distributor inventory associated with the route-to-market change in the US
 - Addition of French category inventory (MDGE and Mouton Cadet)
 - Continued focus on premiumising TWE's overall inventory mix; increasing Luxury & Masstige availability and exiting lower margin Commercial volume



1. Inventory composition subject to rounding. Totals based on sum of Non-Current and Current Inventory

2. 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

Robert Foye | Chief Operating Officer and Global Sales

Peter Dixon | Managing Director, Asia

Angus McPherson | Managing Director, ANZ and Europe

Tim Ford | Deputy Chief Operating Officer and Global Supply

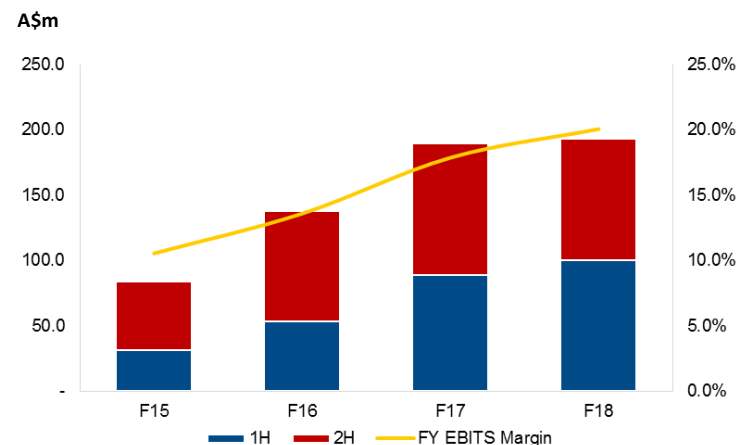


Americas

Americas regional performance^{1,2}

A\$m	F18	F17	%	F17	%
	Reported currency			Constant currency	
Volume (m 9Le)	13.7	15.8	(13.3)%	15.8	(13.3)%
NSR (A\$m)	961.8	1,083.8	(11.3)%	1,061.1	(9.4)%
NSR per case (A\$)	70.43	68.81	2.4%	67.37	4.5%
EBITS (A\$m)	193.0	196.0	(1.5)%	189.7	1.7%
EBITS margin (%)	20.1%	18.1%	2.0ppts	17.9%	2.2ppts

Historical EBITs & EBITs margin performance³



Margin accretion delivered by underlying premiumisation while executing transformational route-to-market changes in US

- Underlying volume growth was flat vs. pcp, before taking into account the adverse impacts of (i) exiting lower margin Commercial volume, (ii) reduced shipments associated with the US RTM changes (total shipments below depletions by >400k cases), and (iii) prior model deep discounting in 4Q17 not repeated in 4Q18
- Strong US Luxury and Masstige depletions (6%, combined); continued acceleration and broadening of 19 Crimes range, now a 2 million p.a. case brand (+90% growth⁴); and Matua, the fastest growing Sauvignon Blanc in the US (+27% growth⁴)
- NSR per case growth driven by favourable portfolio mix, price realisation on some supply constrained Luxury brand tiers, partially offset by continued reallocation of brand building investment to D&R to drive on-shelf availability
- Strong EBITs growth and margin accretion in Canada; partnership with Mark Anthony Wine & Spirits delivering significant improvement in in-market execution
- TWE will continue to embed its new operating model in the US and invest in new ways of working with customers. TWE expects the new operating model to be embedded in 2HF19

1. Prior year comparatives have been restated to reflect the transition of the LATAM business from Europe to Americas; F17 EBITs restated from \$189.0m to \$196.0m

2. As part of TWE's RTM transition, TWE proactively destocked a former distributor partner primarily in states where TWE is now directly distributing. These actions resulted in a negative impact to volume, NSR and Gross Profit in TWE's F18 results

3. Presented on a reported currency basis

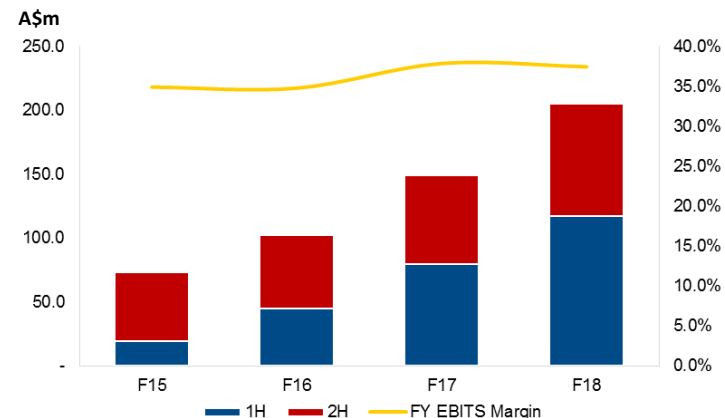
4. IRI Market Advantage, Table \$4+ excluding bag in box, 52 weeks ending 1 July 2018, Total US Multi Outlet + Liquor

Asia

Asia regional performance

A\$m	F18	F17	%	F17	%
	Reported currency			Constant currency	
Volume (m 9Le)	4.3	3.5	23.2%	3.5	23.2%
NSR (A\$m)	547.6	394.3	38.9%	393.7	39.1%
NSR per case (A\$)	125.93	111.70	12.7%	111.53	12.9%
EBITS (A\$m)	205.2	150.1	36.7%	149.2	37.5%
EBITS margin (%)	37.5%	38.1%	(0.6)ppts	37.9%	(0.4)ppts

Historical EBITs & EBITs margin performance¹



Positive operating leverage delivers strong EBITs growth and 37.5% EBITs margin; slightly higher than guidance range

- Forward days of inventory cover broadly in line with previous corresponding period
- Volume growth led by Australian and French brand portfolios, up 27% and 296%, respectively partially offset by deliberate exit of lower margin Commercial tiers in SEAMEA, largely relating to Blossom Hill. Excluding Blossom Hill, US brand portfolio volume up 44%
- Higher NSR per case driven by increased Luxury volume, proactive reduction in Blossom Hill Commercial volume in SEAMEA and price realisation on select supply constrained Luxury brands
- Shanghai warehouse facility operational in 1H18, providing increased access to regional customers in China. Delays experienced by wine industry on imports of Australian wine through warehouse model in 2H18 appear to have abated
- Continued weighting of EBITs to 1H expected in F19, due to phasing of Luxury shipments to support increased demand ahead of key gift giving and consumption occasions (e.g. Christmas and Chinese New Year)
- Asia expected to deliver EBITs margin of 35%+ in F19 and beyond supported by increased availability of Luxury wine and continued excellence in sales and marketing execution in priority markets and channels

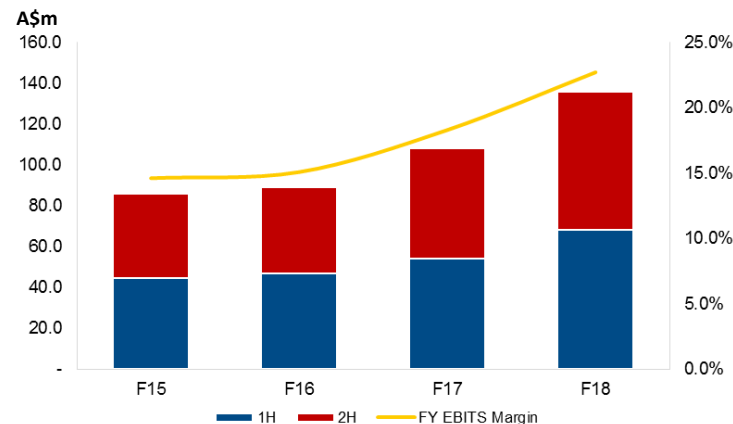


Australia & New Zealand

ANZ regional performance

A\$m	F18	F17	%	F17	%
	Reported currency			Constant currency	
Volume (m 9Le)	7.9	7.8	1.7%	7.8	1.7%
NSR (A\$m)	598.7	591.3	1.3%	589.9	1.5%
NSR per case (A\$)	75.47	75.84	(0.5)%	75.66	(0.3)%
EBITS (A\$m)	136.1	111.1	22.5%	108.1	25.9%
EBITS margin (%)	22.7%	18.8%	3.9ppts	18.3%	4.4ppts

Historical EBITs & EBITs margin performance¹



Strong strategic customer relationships and category-leading insights supporting top line growth in a mature market

- EBITs growth driven by increased volume, Supply Chain savings and a \$4m one-off benefit from profit on sale of assets
- Masstige portfolio growth driven by outstanding consumer demand for Squealing Pig (+71% growth, #1 premium Rose, and #2 premium Pinot Noir and Sauvignon Blanc) and 19 Crimes (+93%)²
- NSR per case in line with pcp; strong Masstige portfolio growth, offset by impact of transition to distributor model in New Zealand. Adjusting for route-to-market transition, underlying NSR per case increased 4%
- Relationships with strategic customers remain strong and collaborative; joint business planning processes are maturing
- Successful transition to distributor route-to-market model in New Zealand in 1H18; distributor model and realigned portfolio mix positions New Zealand for growth in F19
- EBITs growth and EBITs margin accretion expected in F19 driven by volume growth, portfolio premiumisation and ongoing CODB optimisation

1. Presented on a reported currency basis

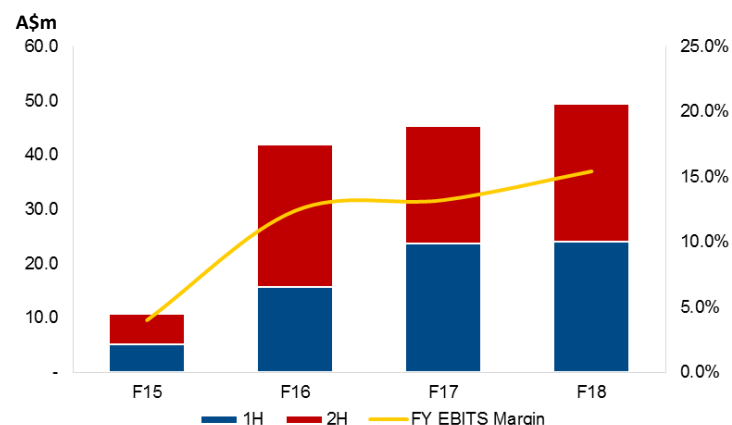
2. Aztec Sales Volume Data | Bottled Wine Only | Australia Liquor Weighted | Scan 52 weeks to 3 June 2018

Europe

Europe regional performance¹

A\$m	F18	F17	%	F17	%
	Reported currency			Constant currency	
Volume (m 9Le)	8.6	9.3	(7.5)%	9.3	(7.5)%
NSR (A\$m)	320.9	332.3	(3.4)%	343.2	(6.5)%
NSR per case (A\$)	37.16	35.59	4.4%	36.76	1.1%
EBITS (A\$m)	49.5	41.0	20.7%	45.3	9.3%
EBITS margin (%)	15.4%	12.3%	3.1ppts	13.2%	2.2ppts

Historical EBITs & EBITs margin performance²



Margin accretion delivered through premiumisation and optimisation of A&P and Overheads

- Volume decline reflects exit from lower margin Commercial volume as well as the exit from under-bond wholesale market in the UK
- Category premiumisation continues in the UK; combined Luxury and Masstige wine volume growing at c.16%, Commercial declining c.7%³
- Targeted brand building investment supporting growth of priority brands in priority regions
- TWE signed a 3 year partnership between Wolf Blass and the International Cricket Council (*“Official Wine Partner of the ICC Cricket World Cup 2019 in England and Wales, and ICC World T20 in Australia in 2020”*) and relaunched Lindeman’s contemporary new packaging
- Higher NSR per case driven by continued focus on driving priority Masstige brands, notably Wolf Blass, Lindeman’s Gentleman’s Collection and 19 Crimes and favourable mix within the Commercial segment
- TWE recognised as #1 supplier for Wine & Spirits in 2018, with strong scores from strategic retail partners for marketing, category and customer service (Advantage Group Report, Grocery channel, 2018)
- Europe positioned to deliver positive volume growth and continued double digit EBITs margin in F19, supported by strengthening customer partnerships, focused investment on priority brands and maintaining an efficient organisational structure

1. Prior year comparatives have been restated to reflect the transition of the LATAM business from Europe to Americas; F17 EBITs restated from \$48.0m to \$41.0m

2. Presented on a reported currency basis

3. Nielsen, Total Coverage, Total Still Light Wine, 52 weeks ending 14 July 2018 (750ml bottle still wine only)

Michael Clarke | Summary & Outlook



Summary and outlook

- TWE delivered 25% compound annual EBITS growth over past four years
- TWE reiterates guidance of approximately 25% EBITS growth in F19
- TWE expects the new US operating model to be embedded in 2HF19
- TWE investing in brand portfolio initiatives; incremental to TWE's 5 year strategic plan
- Long term investment in winemaking expected to deliver step-up in Luxury conversion capabilities, globally
- 'Simplify for Growth' expected to deliver process efficiency, enhanced brand returns and future cost savings
- Commitment to EBITS margin accretion and journey towards EBITS margin of 25% reiterated

Questions



Disclaimer

Summary information

The material in this presentation is summary information about Treasury Wine Estates Limited (TWE) and its subsidiaries and their activities, current as at the date of this presentation unless otherwise stated. It should be read in conjunction with TWE's other announcements filed with the Australian Securities Exchange, which are available at www.asx.com.au.

No representation is made as to the accuracy, completeness or reliability of this presentation.

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This presentation contains forward looking statements. Words such as 'expects', 'targets', 'likely', 'should', 'could', 'intend' and other similar expressions are intended to identify forward looking statements. Indicators of and guidance on future earnings and financial position are also forward looking statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of TWE, which may cause actual results to differ materially from those expressed or implied in such statements. Readers are cautioned not to place undue reliance on forward looking statements.

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Supplementary Information



Impact of foreign exchange rate movements & hedging

F18 constant currency impact

CFX Impact (A\$m)			
Currency	Underlying	Hedging ¹	Total
AUD/USD and AUD/GBP	0.2	(3.8)	(3.6)
Net other currencies	(2.1)	(0.3)	(2.4)
F18	(1.9)	(4.1)	(6.0)
AUD/USD and AUD/GBP	(31.9)	10.2	(21.7)
Net other currencies	5.5	(0.2)	5.3
F17	(26.4)	10.0	(16.4)

- \$6.0m adverse constant currency impact in F18 (comprising transaction and translation impacts)
- TWE has a diversified portfolio of currency exposures where production cost currencies and revenue generating currencies are not matched
 - \$0.2m benefit from appreciation of the AUD relative to the main currency pairs (USD and GBP), offset by \$2.1m largely reflecting movements in TWE's primary revenue currencies²
 - \$4.1m relative impact from hedging in F18 versus the prior year (\$1.8m realised gain in F18 vs \$5.9m gain in the prior year based on constant currency basis)

¹ CFX hedging impact relative to the prior year

² USD relative to the CAD in the Americas, GBP relative to the EUR, SEK and NOK in Europe

F19 EBITs sensitivity and risk management

Currency Pair	Primary Exposure	Movement	EBITs Sensitivity (A\$m)
AUD/USD	COGS, EBITs	+1%	(4.2)
AUD/GBP	COGS, EBITs	+1%	(1.5)
CAD/USD	NSR	+1%	1.2
EUR/GBP	NSR	+1%	1.0
USD/GBP	COGS	+1%	(0.3)

- The sensitivity of EBITs to a 1% change in primary cost and revenue currencies is shown in the accompanying table (excludes potential impact of currency hedging)
- TWE maintains an active foreign exchange risk management strategy, focused on the transactional exposures associated with the Commercial and lower Masstige price segments:
 - AUD/GBP: c.60% of F19 exposure protected against appreciation of the exchange rate above 0.57
 - AUD/USD: c.50% of F19 exposure protected against appreciation of the exchange rate above 0.77
 - Modest hedge positions in place for other currency exposures, with hedge positions structured to provide significant participation in favourable exchange rate movements

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 F18 results are: \$A1 = \$US 0.7754 (F17: \$A1 = \$US 0.7542), \$A1 = GBP 0.5759 (F17 \$A1 = GBP 0.5952). Period end exchange rates used for balance sheet items in F18 results are: \$A1 = \$US 0.7349 (F17: \$A1 = \$US 0.7681), \$A1 = GBP 0.5620 (F17: \$A1 = GBP 0.5904)
SGARA	Australian accounting standard AASB 141 “Agriculture”. From 1 July 2016, changes to AASB 141 applied in respect of vine assets. Vines are no longer recorded at fair value, but are recorded at cost and depreciated
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