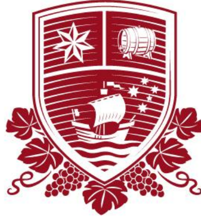

TREASURY
WINE ESTATES

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Treasury Wine Estates will host an investor webcast and conference call commencing at 10:30am (AEST) on 22 August 2013. 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 2pm.

TREASURY WINE ESTATES

22 August 2013

ASX ANNOUNCEMENT

TWE 2013 FULL YEAR RESULTS

Three of four regions remain on track; addressing our challenges in the US

Financial headlines

- Statutory net profit after tax (including material items) $42.3m[1]
- Growth in three out of four regions; collectively EMEA, Asia and ANZ EBITS[2] up 17%[3]
- Addressing our inventory challenges in the US
- Pre-tax material item expense of $154.7m reported
- EBITS $209.2m; includes $7.0m unrealised loss on foreign exchange options
- Net sales revenue (NSR) per case up 1.9%
- Non-current inventory up 23.0% to $446.0m; luxury and masstige wine[4] now 90% of non-current inventory, up from 83% at F12
- EPS (before material items & SGARA) 21.1 cents per share, up 1.0% on a reported currency basis
- Final dividend 7 cents per share, unfranked. Full year dividend 13 cents per share

F13 FINANCIAL HIGHLIGHTS

A$m		Reported currency		Constant currency	
For the twelve months ended 30 June	2013	2012	Change	2012	Change
Volume (m 9L cases)	32.1	31.8	0.9 %	31.8	0.9 %
Net sales revenue	1,688.7	1,640.8	2.9 %	1,642.0	2.8 %
EBITS	209.2	210.2	(0.5)%	207.6	0.8 %
Net profit after tax (before material items & SGARA)	136.8	135.5	1.0 %	130.3	5.0 %
EPS (before material items & SGARA) (cents)[1]	21.1	20.9	1.0 %		
Dividend per share (cents)	13.0	13.0			

On the full year announcement; David Dearie commented:

"As expected, fiscal 2013 was a challenging year for TWE compounded by the tough decisions taken to address excess inventory in the US. The EBITS result of $209.2 million is below the earnings provided on 15 July due to a non-cash, unrealised loss on foreign exchange options of $7.0 million."

1 This announcement is based on accounts which are in the process of being audited
2 Earnings before interest, tax, SGARA and material items
3 Unless otherwise stated all percentage or dollar movements from prior periods are pre any material items and on a constant currency basis
4 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

US inventory challenges

The decision to reduce inventory levels in the United States is designed to protect TWE's brand health and assets in that crucially important market. A balanced approach of measures including the destruction of old and obsolete, predominantly commercial stock, shipping fewer cases to distributors and providing additional D&R[5] investment will address excess inventory at the distributor and retail level. However, because of the long-term agricultural nature of the wine business, TWE has produced wine from past vintages in expectation of these sales. Consequently, as a result of this one-off reduction in inventory levels, TWE has written down to net realisable value the corresponding bulk and finished wine.

A pre-tax material item expense of $154.3 million to resolve TWE's excess commercial wine position was a tough but necessary step to rebase the Company's operations in the US, and lay a solid platform for future growth in the world's largest wine market.

Statutory net profit after tax of $42.3 million was below last year and reflects the impact of the steps taken to address excess commercial inventory in the US.

In the Americas, EBITS were lower at $66.8 million driven by lower shipments and supply constraints of luxury wine.

General business performance:

Despite a difficult operating backdrop which combined increased cost of goods sold and reduced supply of luxury and masstige wines in the first half of the year, TWE saw solid brand and profit growth in three of four key regions. Collectively, EMEA, ANZ and Asia reported 17 percent EBITS growth in fiscal 2013.

Speaking on TWE's business performance, CEO David Dearie said: "TWE's portfolio of iconic wine brands continued to outperform the competition in major awards and international wine shows over the course of the year, providing further evidence to the excellence of our viticultural and winemaking teams, and TWE's enduring commitment to quality.

At TWE's interim financial results in February I said that flawless brand building over the second half of fiscal 2013 was critical to our full year financial performance; so I am delighted that the strength of our portfolio of brands and hard work of our team of Vintrepreneurs delivered solid results over the period. Driving this was the 2013 Penfolds release, a stand-out event that demonstrated the power of the brand and the commercial importance of brand building."

TWE continued to invest for future growth in fiscal 2013, investing $67 million in land and winery acquisitions, while significantly increasing the intake of luxury fruit from our owned and leased vineyards. Of particular note was the increase in luxury and masstige non-current inventory, now comprising around 90 percent of total non-current inventory.

TWE's robust balance sheet remains a key contributor to the Company's underlying commercial strength and supports TWE's strategic objectives while enabling operational flexibility. The investments in the Company's non-current inventory, supply network, systems capability and premium land assets contributed to reported net debt of $210.9 million.

TWE's full year results show that the fundamentals of the Company's strategy are working, and why TWE will continue to focus on driving top-line growth, building exceptional brands, and investing in luxury and masstige wines.

[5] Discounts & Rebates

Regional growth

The EMEA region delivered a solid improvement in EBITS of $16.0 million reflecting a focus on sustainable volume growth. Focused brand building and enhanced distribution contributed to TWE outperforming the total UK bottled wine market in terms of volume and value growth in the second half of the year, with Wolf Blass a key contributor[6].

Asia enjoyed another year of strong EBITS growth, up 35.6 percent to $54.5 million as TWE allocated more of the 2013 Penfolds luxury and icons release to meet growing consumer demand in to the region. TWE outperformed the Australia, New Zealand and imported wine category in key Asian markets, demonstrating a continued focus on execution and the benefits of increased investment in brand building and people. Wolf Blass remains the number one wine brand in Hong Kong and the number one Australian wine brand in Singapore, while Japan became Beringer's largest export market in Asia.

The ANZ EBITS result of $110.1 million reflects 6.5 percent growth in volume due to increased depletion momentum in the second half of the fiscal year, underpinned by a targeted campaign to drive growth in the masstige portfolio. An excellent result in a market that declined 1.5 percent in the second half of the year and by 0.9% over the full year[7].

David Dearie commented on the outlook for fiscal 2014:

"While fiscal 2013 was a challenging year for TWE, the fundamentals of the global wine industry have not changed. The supply and demand cycle is moving towards balance and global consumer demand for premium wine brands continues to grow.

We remain focussed on investing in and supporting our portfolio of iconic brands, with planned brand building[8] investment expected to increase significantly in fiscal 2014 as we continue to drive higher volume and sales growth.

Actions to address excess commercial inventory in the US is expected to impact our fiscal 2014 EBITS by up to $30 million. With many variables in fiscal 2014, TWE is providing EBITS guidance in the range of $230 million to $250 million. This accommodates the reduction of shipments in the US and current Australian Dollar spot rates[9].

Two key drivers will result in lower first half EBITS. Firstly the US shipment realignment is weighted towards the first half of the year and secondly we intend to increase brand building investment, across Asia by up to 70 percent, also weighted to the first half and ahead of volume growth.

The depletion outlook for the US is expected to improve as a consequence of our recent actions and the EBITS outlook for our EMEA, Asia and ANZ regions is for full year growth"

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[6] Nielsen ScanTrack MAT June 2013
[7] Nielsen ScanTrack, MAT June 2013; total bottled wine market in Australia
[8] Brand building includes Discounts & Rebates (D&R) and Advertising and Promotion (A&P)
[9] Spot rates as 19 August 2013

FINANCIAL AND OPERATIONS REVIEW

TWE profit and loss

A$m	Reported currency			Constant currency	
For the twelve months ended 30 June	2013	2012	Change	2012	Change
Volume (m 9L cases)	32.1	31.8	0.9 %	31.8	0.9 %
Net sales revenue	1,688.7	1,640.8	2.9 %	1,642.0	2.8 %
Net sales revenue/case ($)	*52.67*	*51.66*	*2.0 %*	*51.69*	*1.9 %*
Other revenue	71.9	39.8	80.9 %	41.1	75.2 %
Total revenue	1,760.7	1,680.6	4.8 %	1,683.1	4.6 %
Cost of goods sold	(1,181.8)	(1,100.0)	(7.4)%	(1,104.4)	(7.0)%
Cost of goods sold/case ($)	*36.86*	*34.63*	*(6.4)%*	*34.77*	*(6.0)%*
Gross profit	578.9	580.6	(0.3)%	578.7	-
Gross profit margin	*34.3%*	*35.4%*	*(1.1)ppts*	*35.2%*	*(0.9)ppts*
Cost of doing business[1]	(369.6)	(370.4)	0.2 %	(371.1)	0.4 %
Cost of doing business margin	*21.9%*	*22.6%*	*0.7ppts*	*22.6%*	*0.7ppts*
EBITS	**209.2**	**210.2**	**(0.5)%**	**207.6**	**0.8 %**
EBITS margin (% of NSR)	***12.4%***	***12.8%***	***(0.4)ppts***	***12.6%***	***(0.2)ppts***
SGARA	3.8	(23.4)	NM[2]	(24.4)	NM
EBIT	**213.0**	**186.8**	**14.0 %**	**183.2**	**16.3 %**
Net finance costs	(14.4)	(6.3)	(128.6)%	(6.5)	(121.5)%
Profit before tax	**198.6**	**180.5**	**10.0 %**	**176.7**	**12.4 %**
Tax expense	(58.7)	(60.7)	3.3 %	(62.4)	5.9 %
Net profit after tax (before material items)	**139.9**	**119.8**	**16.8 %**	**114.3**	**22.4 %**
Material items (before tax)	(154.7)	(40.0)		(40.3)	
Tax on material items	57.5	9.9		10.2	
Material items (after tax)	(97.2)	(30.1)	NM[2]	(30.1)	NM
Minority interests	(0.4)	0.2	NM	0.2	NM
Net profit after tax	**42.3**	**89.9**	**(52.9)%**	**84.4**	**(49.9)%**
Reported EPS (cents)	6.5	13.9	(53.2)%		
SGARA (after tax)	2.7	(15.5)	NM	(15.8)	NM
Net profit after tax (before material items & SGARA)	136.8	135.5	1.0 %	130.3	5.0 %
EPS (before material items & SGARA) (cents)	21.1	20.9	1.0 %		
Average no. of shares (millions)	647.2	647.2			

1. *Cost of doing business calculated as Gross Profit less EBITS*
2. *Not meaningful*

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 2013 full year results are: \$A1 = \$US 1.0274 (2012: \$A1 = \$US 1.0317), \$A1 = GBP 0.6552 (2012: \$A1 = GBP 0.6511). Period end exchange rates used for balance sheet items in 2013 full year results are: \$A1 = \$US 0.9282 (30 June 2012: \$A1 = \$US 1.0033), \$A1 = GBP 0.6084 (30 June 2012: \$A1 = GBP 0.6467).
Constant currency: Throughout this report constant currency assumes current and prior earnings of foreign operations are translated and cross border transactions are transacted at current year exchange rates.

SGARA: Australian Accounting standard AASB141 "Agriculture"

Reconciliation to Statement of Comprehensive Income

A$m	Reference	
For the twelve months ended 30 June		**2013**
EBIT	Result Summary - page 5	**213.0**
Material items before tax		(154.7)
Profit before tax and finance costs	Statement of Comprehensive Income - page 1	**58.3**

Group performance

Volume

Total volume was 32.1 million cases, up 0.3 million cases driven by growth in ANZ and Asia volume, partially offset by lower volume in the Americas and EMEA.

Net sales revenue

Net sales revenue increased 2.9 percent to $1,688.7 million on a reported currency basis or 2.8 percent on a constant currency basis. Growth in net sales revenue reflects increased volume in ANZ, while in Asia, higher net sales revenue was driven by both increased volume and an increased allocation of the 2013 Penfolds luxury and icons. Lower net sales revenue was reported in the Americas and in EMEA, driven by lower volume.

Net sales revenue per case on a constant currency basis increased $0.98 or 1.9 percent, driven by pricing and mix in the Americas, Asia and EMEA.

Cost of goods sold

Cost of goods sold increased $2.09 per case driven by the weather affected 2011 vintages in both Australia and California. As expected, the increase in cost of goods sold adversely impacted all TWE regions.

Cost of doing business margin

Cost of doing business margin decreased 0.7ppts to 21.9 percent driven by no accruals for the fiscal 2013 short term incentive payments (STIP), further supported by ongoing benefits from TWE's Acting Profitably program which is focussed on new sources of revenue, process improvements and efficiency.

EBITS

EBITS of $209.2 million was down 0.5 percent on a reported currency basis and up 0.8 percent on a constant currency basis.

SGARA

The SGARA gain of $3.8 million in the current year was principally driven by a favourable Californian 2012 vintage coming off a very challenging 2011 vintage, with the SGARA gain of $2.0 million in the Americas, reversing the prior year's loss by $18.5 million on a reported currency basis.

An increase in grape prices and solid overall yields in Australia and New Zealand were the drivers of positive SGARA $1.8 million (versus a prior year loss of $6.9 million on a reported currency basis).

Material items

A material item expense of $154.7 million before tax was reported.

As part of action taken by TWE to reduce distributor inventory days in the US, TWE raised a $33.8 million provision (cash impact in fiscal 2014) for the destruction of aged and obsolete US distributor inventory and a $38.1 million provision (cash impact in fiscal 2014) to accelerate depletions of current excess inventory at distributor warehouses in the US. Additionally, TWE booked an $82.4 million (non-cash) net realisable value write down for finished goods and bulk wine.

Other material items reported in fiscal 2013 include a fair value gain on the acquisition of the remaining 50% share of Matua Marlborough New Zealand Winery of $7.9 million, lease termination costs principally relating to two vineyards as a result of the demerger from Foster's Group of $5.3 million and restructuring and redundancy costs of $3.0 million.

Net profit after tax

Net profit after tax for fiscal 2013 was $42.3 million, and reported EPS was 6.5 cents per share. Net profit after tax (before material items and SGARA) was $136.8 million, and EPS on the same basis was 21.1 cents per share.

Dividend

The Directors have declared a final dividend of 7 cents per share, unfranked, bringing the full year dividend to 13 cents per share.

As a result of the demerger from Foster's Group, TWE is required to reset the cost base of all assets of the Australian tax consolidated group based on relative market values as at the date of demerger. This is expected to result in the receipt of tax refunds during fiscal 2014 which will drive TWE's franking account into deficit as at 30 June 2014. Refunds will be recognised in the form of tax offsets which will be available to offset TWE's future tax liability. TWE expects to pay unfranked dividends in fiscal 2014 and 2015.

Regional performance

Americas

A$m		Reported currency		Constant currency	
For the twelve months ended 30 June	2013	2012	Change	2012	Change
Shipments (m 9L cases)	15.4	15.7	(1.6)%	15.7	(1.6)%
Depletions (m 9L cases)	15.0	15.4	(2.7)%	15.4	(2.7)%
NSR	704.0	707.5	(0.5)%	710.9	(1.0)%
NSR per case (A$)	45.69	45.20	1.1 %	45.42	0.6 %
EBITS	66.8	79.0	(15.4)%	78.1	(14.5)%
EBITS margin	9.5 %	11.2 %	(1.7)ppts	11.0 %	(1.5)ppts

Lower shipments of commercial inventory in the US and an 11 percent reduction in US-sourced luxury wine available for sale in fiscal 2013. Shipments exceeded depletions in the US by circa 450k cases principally due to optimistic new product development demand forecasts and slower moving tactical brands.

Marginal uplift in net sales revenue per case principally reflects price increases on supply constrained, luxury wines.

Lower EBITS principally reflect lower shipments in fiscal 2013 and increased COGS from the 2011 vintages in Australia and California.

Europe, Middle East and Africa (EMEA)

A$m		Reported currency		Constant currency	
For the twelve months ended 30 June	2013	2012	Change	2012	Change
Volume (m 9L cases)	6.7	6.9	(3.1)%	6.9	(3.1)%
NSR	248.5	253.0	(1.8)%	249.4	(0.4)%
NSR per case (A$)	37.08	36.56	1.4 %	36.04	2.9 %
EBITS	16.0	5.7	180.7 %	4.4	263.6 %
EBITS margin	6.4 %	2.3 %	4.1ppts	1.8 %	4.6ppts

Volume was lower in fiscal 2013 due to the planned exit from unprofitable sales in the first half, while comparable second half volume increased 7.3 percent. Strong second half volume growth reflects increased distribution breadth, enhanced relationships with key retail customers particularly in the UK, improving brand health – notably Wolf Blass and Lindeman's – and investment in sales and marketing capability.

Net sales revenue per case increased 2.9 percent on a constant currency basis reflecting profitable volume growth, favourable mix and price increases on luxury wines.

EBITS improved $11.6 million to $16.0 million on a constant currency basis, with margin expansion underpinned by improved in-market execution and continued focus on cost management.

Asia

A$m		Reported currency		Constant currency	
For the twelve months ended 30 June	2013	2012	Change	2012	Change
Volume (m 9L cases)	1.4	1.2	20.8 %	1.2	20.8 %
NSR	135.4	106.2	27.5 %	105.8	28.0 %
NSR per case (A$)	97.14	92.00	5.6 %	91.66	6.0 %
EBITS	54.5	41.2	32.3 %	40.2	35.6 %
EBITS margin	40.3 %	38.8 %	1.5ppts	38.0 %	2.3ppts

Strong volume growth, up 20.8 percent, driven by an increased allocation of the 2013 Penfolds release to Asia to meet growing consumer demand, expanded distribution (new markets and distributors) and investment in new sales channels in China. Combined Hong Kong and China volume grew 39 percent and Japan volume up 23 percent, contributing to TWE's outperformance in key Asian markets.

Higher net sales revenue per case reflects confluence of favourable mix, price increases and unprecedented levels of demand for the 2008 vintage Grange across the region.

Strong EBITS growth, up 35.6 percent. Uplift in EBITS margin despite increased brand building investment in research and insights, increased consumer focussed activities and continued investment in sales and marketing capability.

Australia and New Zealand (ANZ)

A$m		Reported currency		Constant currency	
For the twelve months ended 30 June	2013	2012	Change	2012	Change
Volume (m 9L cases)	8.6	8.0	6.5 %	8.0	6.5 %
NSR	600.8	574.1	4.7 %	575.9	4.3 %
NSR per case (A$)	70.22	71.43	(1.7)%	71.65	(2.0)%
EBITS	110.1	109.0	1.0 %	109.4	0.6 %
EBITS margin	18.3 %	19.0 %	(0.7)ppts	19.0 %	(0.7)ppts

Strong depletion momentum in second half of fiscal 2013 underpinned 6.5 percent growth in volume. TWE outperformed market volume and value growth by 5.8ppts and 3.1ppts, respectively[10] in fiscal 2013, led by key brands including Wolf Blass, Matua and Annie's Lane.

Volume in New Zealand was lower than the prior year driven by exit from unprofitable price points during the year.

Lower net sales revenue per case reflects increased allocation of the 2013 Penfolds release to alternate markets – notably Asia – and higher costs of doing business with major Australian retailers, partially offset by portfolio-wide price increases.

EBITS of $110.1 million, up marginally on the prior year, reflects lower cost of doing business driven by the reallocation of brand building investment from marketing and promotion to point-of-

[10] Nielsen ScanTrack, 26 weeks to June 2013

purchase trade support, together with a reduction in overheads, partially offset by significantly higher COGS per case as a result of the 2011 vintage in Australia; up 5.9 percent.

Corporate

Corporate costs were $38.2 million in fiscal 2013 compared to $24.5 million in the prior period. The increase in corporate costs principally reflects the establishment of a standalone IT function.

Other Expenses includes $7.0m of unrealised time value loss on option derivatives under the Group's foreign exchange risk management program that hedges a portion of forecast transactional exposures relating to Australian exports. Under current accounting standards (AASB 139), reporting entities are required to separate the intrinsic value and time value of an option. AASB 139 requires that movements in time value are recognised in the Consolidated Income Statement.

The unrealised loss that has been recognised in the current period is non-cash, relates to option derivatives with maturity dates beyond fiscal 2013. TWE's foreign risk management program resulted in a $71k benefit to current year cost of goods sold and $303k cash outflow (including option premium paid of $361k) during fiscal 2013.

Subject to final deliberations by the IASB, it is expected that changes to the treatment of the time value component on option derivatives, namely the issue of the IFRS9 Exposure Draft, will align the accounting with the underlying economic exposure that is being hedged. This will enable such movements to be deferred (along with the intrinsic value) in the foreign currency translation reserve, with any realised cash flow from the option derivatives to be recognised in cost of goods sold.

Balance Sheet

A$m As at	30 Jun 2013	30 Jun 2012	Change
Cash and cash equivalents	10.8	28.6	(17.8)
Receivables	460.9	447.6	13.3
Current inventories	714.5	711.5	3.0
Non-current inventories	446.0	362.5	83.5
Property, plant and equipment	1,024.4	931.1	93.3
Agricultural assets	227.1	195.6	31.5
Intangible assets	1,009.9	932.6	77.3
Tax assets	228.9	200.3	28.6
Other assets	5.7	11.0	(5.3)
Total assets	**4,128.2**	**3,820.8**	**307.4**
Payables	480.0	464.0	16.0
Borrowings	225.0	64.2	160.8
Tax liabilities	314.4	293.2	21.2
Provisions	91.9	58.6	33.3
Other liabilities	9.0	1.5	7.5
Total liabilities	**1,120.3**	**881.5**	**238.8**
Net assets	**3,007.9**	**2,939.3**	**68.6**

Net assets increased by $68.6 million for the year ended 30 June 2013.

The increase in net assets was principally driven by continued investment in the production of luxury wine, with non-current inventory increasing by $83.5 million and total inventory increasing by $86.5 million. TWE also invested in IT systems, other PP&E and agricultural assets in fiscal 2013.

Working capital increased during the year principally driven by an increase in total inventory and foreign exchange impacts.

Reported net debt at 30 June 2013 was $210.9 million and consisted of $10.8 million in cash, $3.3 million of loans and borrowings of $225 million. Net debt increased $176.5 million from $34.4 million at 30 June 2012. Had the uncommitted receivable purchasing agreement not been available, the net debt and debtors would have been $122.6 million higher at 30 June 2013 ($23.8 million higher at 30 June 2012). Net assets would be unchanged in both years.

Under the A$500 million committed multi-currency revolving term debt facility (with $A200 million which is undrawn, maturing in April 2014 and $A300 million maturing in April 2016), the undrawn committed amount stands at A$274.9 million.

On 8 August 2013, TWE entered a new committed revolving term debt facility, totalling US$250 million, with US$170 million maturing in August 2016 and US$80 million maturing in August 2018.

Cash Flow

A$m For the twelve months ended 30 June	2013	2012	Change
EBITS	**209.2**	**210.2**	**(0.5)%**
Depreciation & Amortisation	76.8	67.7	
EBITDAS	**286.0**	**277.9**	**2.9 %**
Change in working capital	(143.2)	(9.8)	
Other items	14.0	(0.1)	
Net operating cash flows before financing costs, tax and material items	**156.8**	**268.0**	**(41.5)%**
Cash conversion[1]	**54.8%**	**96.4%**	**(41.6)ppts**
Capital expenditure	(124.3)	(81.4)	
Net investment expenditure	(67.0)	(2.6)	
Total investment expenditure	(191.3)	(84.0)	
Asset sale proceeds	3.5	0.9	
Cash flows after net capital expenditure, before financing costs, tax and material items	**(31.0)**	**184.9**	
Net interest paid	(14.7)	(6.8)	
Tax paid	(23.2)	(59.9)	
Cash flows before dividends and material items	**(68.9)**	**118.2**	
Dividends paid/distributions to minority interests	(84.1)	(78.0)	
Cash flows after dividends before material items	**(153.0)**	**40.2**	
Material item cash flows			
- operating	(5.8)	(21.7)	
- investing	1.2	34.4	
Total material item cash flows	(4.6)	12.7	
Loans to other parties (incl investment sale proceeds)	(2.0)	3.2	
Share re-purchase (employee share plan)	(4.5)	(2.8)	
Borrowings acquired	(9.9)	-	
Debt revaluation and foreign exchange movements	(2.5)	(16.0)	
(Increase)/decrease in net debt [2]	**(176.5)**	**37.3**	
Reconciliation to Statement of Cash Flows			
Net operating cash flows before financing costs, tax and material items	**156.8**	**268.0**	
Net interest paid	(14.7)	(6.8)	
Tax paid	(23.2)	(59.9)	
Net operating cash flows before net capital expenditure and material items	**118.9**	**201.3**	
Material item cash flows - operating	(5.8)	(21.7)	
Net cash flows from operating activities	**113.1**	**179.6**	
Cash conversion including operating material items	52.8 %	88.6 %	

[1] Cash conversion (NOCF before financing costs, tax and material items divided by EBITDAS)

[2] Reconciliation to Total cashflows from activities per Statutory Statement of Cashflows of $(24.3)m: increase in net debt of $(176.5)m adjusted for FX movements of $2.5m, adjusted for net proceeds and repayments of borrowings of $139.8m as per the Statutory accounts adjusted for borrowings acquired of $9.9m

Net debt increased $176.5 million to $210.9 million principally due to capital and investment expenditure of $191.3 million and an increase in working capital.

Total capital and investment expenditure in fiscal 2013 was $191.3 million. Capital expenditure of $124.3 million is in line with guidance. Capital expenditure included investment in IT systems ($33 million), increased oak purchases ($20.2 million) and winery and vineyard redevelopment / upgrades (collectively, $57.2 million).

Investment expenditure (acquisitions) of $67.0 million relates to the purchase of premium vineyards in South Australia and the Napa Valley and the purchase of the remaining 50 percent of the Matua Marlborough New Zealand winery.

The increase in working capital of $143.2m principally reflects the cash flow impact of increased non-current inventory and reduction in payables, including nil STIP for fiscal 2013. The balance sheet movement in net working capital related balances (based on year end exchange rates) is lower than the $143.2m cash flow impact (based on average exchange rates) due to a lower AUD used for translation. This is partially offset by inventory write downs and related accruals.

Relative to the prior year movement, the increase in working capital in fiscal 2013 was significantly higher principally driven by the working capital benefit in fiscal 2012 from the build-up of creditor balances following the demerger of TWE from Foster's in May 2011, the absence of a STIP provision in respect of fiscal 2013 and the continued investment in non-current inventory.

The debtors sale facility (non-recourse basis) has provided a circa $100m operating cash flow benefit in fiscal 2013, with a second half benefit of circa $70 million from the sale of debtor balances relating to increased sales of luxury and icon wines in the final quarter of fiscal 2013.

Capital expenditure in fiscal 2014 is expected to be in the range of $100 million - $130 million.

Vintage Update

The 2013 Australian vintage was excellent for TWE. Growing conditions were generally dryer and hotter than in recent years. TWE's intake of masstige and luxury fruit in 2013 is in line with the 2012 intake and TWE is particularly excited by the size and quality of the intake of popular varietals including South Australian and Victorian Shiraz.

After a challenging 2012 vintage, the 2013 vintage in New Zealand was also excellent. Optimal weather and growing conditions throughout the season contributed to New Zealand's largest vintage on record, with total yield up 28 percent on the prior year. TWE is very pleased with its high quality intake from key growing regions, notably Marlborough, Central Otago and Hawkes Bay.

2013 Californian vintage has commenced approximately three weeks earlier than prior years, with unusually hot then mild temperatures combining to drive this earlier than normal season. TWE expects the quality of the 2013 vintage to be consistent with the 2012 vintage, with yields in line with long term seasonal average.