TREASURY
WINE ESTATES

15 July 2013

TWE takes action on US inventory to support brand health and growth agenda

Provision of $160m (before tax) expected to be taken in fiscal 2013 plus lower US shipments in fiscal 2014

Today Treasury Wine Estates Limited (ASX: TWE) confirmed that fiscal 2013 EBITS[1] is expected to be in line with analysts' consensus of $216m[2], before material items including this provision.

TWE announced that it is working with its major US distribution partners to address their excess, aged and deteriorating inventory. This includes action to destroy their old and aged commercial stock, ensuring that only the freshest and highest quality wines are available for brand conscious US consumers. TWE expects to raise a provision in fiscal 2013 for this initiative, with the cost expected to be up to $35m.

To further accelerate the sale of excess current vintage wines in the US distribution network, TWE expects to provide up to $40m in additional Discounts and Rebates (D&R).

As a result of significant improvements to key US distributor logistics models, which have acted as a catalyst for TWE to examine its inventory stocks in much greater detail, constant currency EBITS growth for fiscal 2014 will be impacted by a reduction of shipments in the US as TWE works with distributors to deliver an increasingly efficient supply model and inventory holdings. TWE expects the impact from lower shipments in fiscal 2014 to be up to $30m.

This reduction in US shipments will result in TWE carrying excess bulk and finished wine and some onerous grape contracts. TWE estimates the cost of this NRV[3] provision to be $85m (non-cash) in fiscal 2013.

TWE Chief Executive, David Dearie, commented: "We have been operating at the higher end of our desired distributor inventory levels in the US and while TWE has been focussing on reducing days' inventory organically, advances in logistics and warehousing, combined with a renewed focus on efficiency has resulted in US distributors significantly reducing their targeted inventory levels".

David Dearie added: "TWE has worked hard to establish a reputation for quality. We remain committed to providing trusted and iconic brands for our loyal consumers, and this commitment

[1] Earnings before interest, tax and SGARA
[2] Subject to external audit
[3] Net realisable value

has resulted in our decision to work with our partners to destroy old and out-of-date product in the US distribution network.

“Excess inventory affecting TWE’s US supply chain has arisen as a result of three elements: over ambitious forecasting of new commercial product launches, improved distributor logistics, and old and out-of-date stock which both TWE and our distribution partners would prefer to destroy”.

“TWE’s leadership team in the Americas believes old and obsolete product is limiting the company’s growth ambitions. As such, decisive action must be taken to address these barriers to growth, and I am confident that the steps we are taking support our long term growth agenda”.

Additional detail on these announcements, together with information on TWE’s fiscal 2013 performance, including any potential non-cash impairment will be conducted as part of the financial year-end review process. Commentary on TWE’s outlook for fiscal 2014 will also be provided at the company’s annual results presentation on August 22, 2013.

** A conference call will be held at 11am (AEST).

Participants dial-in no.

Conference ID: 1946 7098

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