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23 October 2013

**Treasury Wine Estates Limited 2013 Annual General Meeting including Trading Update**

Treasury Wine Estates Limited (ASX: TWE) will today address shareholders at its Annual General Meeting to be held in Adelaide, commencing at 10.00am ACDT.

Attached is a copy of the address that will be delivered by the Chairman, Paul Rayner and the Address and fiscal 2014 outlook delivered by the CEO, Warwick Every-Burns.

A live webcast of the Annual General Meeting can be viewed at www.tweglobal.com. An archive of proceedings will also be available from the website.

Speaking on TWE's trading performance to date and fiscal 2014 outlook, CEO Warwick Every-Burns said "The priorities for the current financial year are underpinned by four key strategic platforms: building exceptional brands, increasing the supply and production of luxury and masstige wine, maintaining the scale and efficiency of TWE's commercial portfolio, and expanding globally.

Our long-term growth ambitions are founded on the strength of our brands and the quality of our wines; and TWE remains committed to investing in our portfolio, increasing total brand building investment in fiscal 14, and ongoing investment in targeted premium land acquisitions and related winemaking assets.

An enhanced focus on cash generation, cost reduction and driving organisational efficiencies will also be an immediate priority for executive management and the business during my tenure as CEO.

Turning now to the outlook for fiscal 2014. As set out at our full year results back in August, fiscal 2014 will be a challenging year for TWE with our EBITS strongly influenced by the depletions performance we deliver in the United States and a range of other factors, including the benefit of vintage 12 wine and the volatility of the Australian dollar.

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In addition, and in keeping with recent announcements by other alcoholic beverage and luxury goods businesses, we are observing signs that consumer pull through in China is softening as a result of the recent leadership change and well-documented Government austerity measures.

Taking in to account these factors, it is not our intention to provide more detailed guidance. However, as communicated at our Annual results, we remain committed to an EBITS range of between $230m-$250m for fiscal 2014[1]."

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[1] Based on Australian Dollar spot rates at 19 August 2013

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**Treasury Wine Estates Limited 2013 Annual General Meeting including Trading Update**

**Chairman's Address**

**Paul Rayner**

## Introduction

As most of you are already well aware, the last financial year was an extremely challenging one for our business. As set-out at last year's Annual General Meeting, many of these challenges were expected as the business cycled through the commercial implications of weather-impacted 2011 vintages in both Australia and California.

Other challenges, such as those affecting TWE's US inventory required urgent action and tough decisions to be taken by TWE.

However, I am confident that TWE remains well positioned to achieve its commercial and strategic objectives by delivering sustainable growth over the longer term.

The financial results achieved in fiscal 2013 were, in the main, a solid performance; although the one-off losses incurred in the US significantly dented the overall profit performance of TWE and were, given that context, disappointing.

Despite these challenges, due to the underlying strength of TWE's balance sheet and our ongoing confidence in the future, we are pleased to maintain an annual dividend at 13 cents per share.

Now I want to reinforce our priorities as a Board and provide some detail on the appointment of Warwick Every-Burns as TWE's interim CEO. I will also talk about how we will work to support Warwick and TWE's executive team to ensure TWE's strategic and commercial objectives are achieved over the coming year.

Let me begin with a few words on the recent change in leadership.

**Change in leadership**

I would like to make very clear that the decision to replace our CEO was not taken lightly, and was made because the Board unanimously agreed that it was in the best long-term interests of TWE.

As you, our shareholders, are acutely aware, the write-down of excess US inventory on July 15, significantly impacted TWE's performance in fiscal 2013. Given that impact, the Board undertook a review of the business and concluded that it was the right time for TWE to look for a new CEO.

As a consequence, David Dearie left the business on the 23rd of September, with Warwick Every-Burns – who many of you will know as a non-Executive member of TWE's Board and Chair of TWE's HR Committee - stepping in as TWE's CEO whilst the search for a permanent replacement takes place.

You'll hear from Warwick shortly, but he has been on the Board of TWE since day one and understands the business well. He has sound international experience in the markets in which we operate; a good balance of expertise between marketing and operations, and close to three decades of FMCG experience.

I have no doubt that Warwick will perform the role extremely well through this transition period, and think that in him, and with Tony Reeves as Chief Financial Officer, we have a very strong team leading the business today.

They will also be supported by the Board and a very capable senior management team with significant experience in running TWE.

The Board is conducting a worldwide search, through the executive recruitment firm Spencer Stuart, to find a permanent CEO but this could take some time. We are advised that the average time for such positions to be filled is nine months. Warwick, although he would do the job well, has indicated that he is not a candidate for the permanent CEO role.

## Strategy

Significantly, in advising the market of this change in leadership, the Board also reaffirmed the guidance, set out at TWE's Annual Results on 22 August 2013, of an EBITS range of between $230m-$250m for fiscal 2014[2].

This guidance is supported by the Board's ongoing commitment to TWE's agreed strategic priorities of building exceptional brands, increasing the production and supply of luxury and masstige wine, maintaining the scale and efficiency of the commercial portfolio, and expanding routes-to-market globally.

I believe that TWE's financial performance since demerger demonstrates that the fundamentals of TWE's strategy in three out of four regions are working, and our decisive action on the US, and the recent change in leadership, will better enable TWE to achieve our priority to win in the Americas.

More than ever before, 2013 reinforced the benefit of TWE's global footprint, with strong brand and profit growth in regions such as Asia and EMEA, and an excellent second half in ANZ, contrasting with issues that impacted our commercial performance in the Americas.

The inherent benefit of TWE's geographic footprint was further underpinned by the excellence of TWE's viticultural assets and the exceptional portfolio of wine

[2] Based on Australian Dollar spot rates at 19 August 2013

brands; with 2013 providing further evidence of the fact that TWE wines continue to beat the competition for awards and trophies at the world's leading wine shows, and within the world's leading wine publications.

New banking facilities entered into in August 2013 reinforce the inherent strength of TWE's balance sheet, and continue to support our strategic objectives by enabling operational flexibility.

**Board Structure**

A global wine business needs a truly global perspective if it is to succeed, and the appointment of Michael Cheek, Garry Hounsell, Peter Hearl and Ed Chan as Non-executive Directors of Treasury Wine Estates, at last October's Annual General Meeting, brought the fresh insight, energy and skills to our business which we thought it would.

We now have several Directors either living, working or having had significant experience in, key markets both in and outside of Australia, providing insights and expertise on how to drive performance and deliver on TWE's strategic objectives.

I would like to sincerely thank all Directors for their contribution over the last year.

As communicated to the market on September 23rd, because Warwick Every-Burns has agreed to take on the role of interim CEO he will step down from all Board committees, including as Chair of TWE's Human Resources Committee, with Mr Peter Hearl temporarily assuming these duties. It is intended, however, that Warwick will return as Chair of TWE's Human Resources Committee and to his other Board committee roles, in due course – pending the appointment of a permanent CEO.

Later in this meeting I will hand you over to Non-executive Director Lyndsey Cattermole who will ask you to endorse the re-election of myself and Warwick Every-Burns as Non-Executive Director.

**Corporate Social Responsibility**

The Board are committed to the highest standards of corporate governance and ensuring that TWE is both a positive contributor to the communities in which we work, whilst adhering to all relevant regulations and industry standards in the markets where we operate.

Brand health and positioning remains critically important to TWE's commercial future, and the Board and executive management continue to support work to establish TWE as a leader on the responsible production, promotion and consumption of wine.

Over the course of fiscal 2013, the Board continued to visit our sites across the globe; to meet with Vintrepreneurs, customers and consumers in order to better understand our business, our operating environment and the needs of local communities.

During the year, TWE continued to make excellent progress across the key pillars of our corporate social responsibility program, embracing a series of programs and partnerships to drive employee volunteering, workplace giving, environmental management and responsible procurement.

The health and safety of the Vintrepreneurs who work for, or on behalf of, TWE was another priority for the Board so it was pleasing to see TWE reducing its lost time injury frequency rate (LTIFR); that is the lost-time injuries per million hours worked, from 7.3 to 6.0 in fiscal 2013.

As we predicted it would, fiscal 2013 saw an increased focus on the role of alcohol within our society, with understandable concern voiced by governments and other stakeholders about the minority of individuals who consumed alcohol in an irresponsible manner.

TWE is actively engaged in a number of campaigns that provide education on alcohol and the responsible consumption of wine, including work with the Winemakers Federation and DrinkWise in Australia, the Wine & Spirits Trade Association and Drinkaware in the UK, and the Wine Institute in the United States. TWE also remains committed to ensuring that our iconic wine brands are only marketed and sold in a responsible manner.

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## Remuneration

As you will be aware, later in today's proceeding I will be asking you to vote for the adoption of the remuneration report that is contained in the Directors' Report for the financial year ended 30 June 2013.

I wanted to take the opportunity now to make some brief remarks about remuneration and some of the thinking behind the Board's approach.

As a Board we remain committed to a remuneration process, and short-term and long-term incentive schemes, that provide an effective mechanism to ensure management and shareholder interests are aligned.

I believe that an important principle that must underpin our approach in this area is that rewards for staff and management occur when shareholder returns are maximised.

In summary, the principle of linking pay with performance will continue to underpin the Board's approach to remuneration; accordingly there was no payout on TWE's Short-Term Incentive Plan (STIP) for TWE staff based on fiscal 2013 results.

In addition, even though we are not tabling a specific proposal for a vote at this meeting, the Board have agreed to strengthen the criteria for future Long Term Incentive Plan (LTIP) awards, so that a higher EPS 'hurdle' is in place; therein reinforcing the underlying importance of earnings growth and ensuring that more robust performance metrics are in place than has been the case in the past.

As set out in this year's Remuneration Report, one important change that we are making is the introduction of 'clawback' arrangements for vested and deferred incentives awarded from fiscal 2014 onwards.

This move reinforces TWE's commitment to the highest standards of corporate governance on remuneration and is important in light of draft legislation dealing with proposed remuneration disclosure changes.

**Conclusion**

Before I hand over to Warwick, I would like to remind you that whilst fiscal 2014 will present the business with its challenges, I remain excited by the opportunities that lay ahead of us and the potential of this great business.

The long term fundamentals of the global wine industry have not changed, with the supply and demand cycle now in balance and global consumer demand for premium wine continuing to grow. This provides the perfect backdrop for TWE's portfolio of iconic brands to prosper on an international stage.

The Board remains totally focused and committed to helping TWE realise its growth ambitions and providing our shareholders with improved returns. My thanks go to the senior management team and all Vintrepreneurs for their hard work in what has been a challenging year.

Finally, my sincere thanks go to you as our shareholders for your ongoing support, confidence and investment in our business.

I'll now hand over to Warwick for a more detailed breakdown of business performance over TWE's second full financial year.

**Treasury Wine Estates Limited 2013 Annual General Meeting including Trading Update**

**Chief Executive Officer's Address**

**Warwick Every-Burns**

**Introduction**

Thank you Paul.

I would like to join the Chairman in warmly welcoming you to our Annual General Meeting.

We are also delighted to be holding our Annual General Meeting here in Adelaide, one of the undisputed wine 'capitals' of the world and home to some of Australia's most iconic wine producing regions including the Barossa, the Coonawarra, McLaren Vale and Clare Valley.

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And, of course, it would be remiss of me not to mention that the home of Penfolds is a short 6km east of here at Magill Estate.

Today I will provide a recap of TWE's financial performance over fiscal 2013. I'll also provide some comments on the outlook for fiscal 2014 and close by talking through my priorities for the year ahead.

As the Chairman said earlier, I was appointed interim CEO with effect from September 23rd.

Having already spent over two years on TWE's Board, I have a solid understanding of our business and its iconic wines; and this compliments over 20 years senior management experience in the branded consumer goods sector.

I also have a clear understanding of some of the operational improvements required to deliver an improved financial performance over the course of fiscal 2014.

And whilst I will be an interim CEO, I do not intend to be a part-time one! So I am fully committed and completely engaged in the task ahead of us and very much look forward to serving as your CEO until such time as the right permanent CEO is found.

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**Sector Overview**

But before I get into the detail of our financial performance I will start by talking about the wine sector more generally. Because in order to understand our financial potential I believe you need to have some context around the market we are operating in, and what TWE is likely to encounter over the next few years.

What is clear is that, globally, consumers' appreciation for fine wine appears to be both growing and robust; and this is the case in both developed, and developing, markets.

In addition, demographic factors continue to be favourable with many consumers in developed markets choosing wine as their alcoholic beverage of choice, and in the developing world wine is growing in popularity with more aspirational and affluent populations.

The Global Financial Crisis (GFC) and ongoing economic volatility has demonstrated powerfully that consumers' love of quality wine is largely impervious to economic cycles. Even when most were tightening their belts expenditure on premium wines increased significantly in major markets, outstripping growth at lower price points.

Finally, after several years of excess production, we are now moving in to a balanced supply position.

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Set against that backdrop I believe TWE is well positioned, and the long term fundamentals for our business remain both profitable and strong.

**Fiscal 2013 Performance**

Fiscal 2013 - our second full year as a stand-alone listed entity - was a year of many challenges.

As made clear at last year's Annual General Meeting, we knew that fiscal 2013 would be a challenging one as we cycled through the effects of the weather impacted 2011 vintages in both Australia and California.

As a result of the flow-through effects of the 2011 vintage, fiscal 2013 saw a significant reduction in the supply and availability of premium wine available for sale – particularly in the first half of the year – and those wines that were available were crafted at a significantly higher cost.

Global economic change and currency fluctuations further contributed to a volatile operating environment, yet despite these challenges TWE saw strong brand performance and profit growth in three out of our four key regions.

For the year, TWE reported statutory net profit, including material items, of $42.3 million; significantly down on the prior year. Whilst this was a disappointing overall result given the solid financial performance in three of our four regions; it is important to note that Australia & New Zealand, Europe, Middle East & Africa and Asia collectively reported growth in Earnings Before Interest Tax and SGARA of 17% on a constant currency basis, and pre-material items

On 15 July 2013 we announced that TWE was taking painful but necessary action to address excess commercial inventory levels at US distributors. As a consequence, a $154.3 million provision was taken in fiscal 2013 to facilitate the destruction of aged and obsolete wine, accelerate the depletion of excess commercial wine and a write down to net realisable value of excess bulk wine and finished goods at TWE warehouses.

Since that announcement executive management and the Board have initiated a number of changes to ensure greater transparency and accountability in TWE's US inventory levels, and this will continue to be a focus.

Our new, disciplined approach to brand focus and strategy of investing behind fewer, but bigger, priority brands in the US is yielding results. Nielsen market data has been unfavourable for a long period of time; and while it is very early days, I am pleased to see some improved performance with the total TWE portfolio in volume growth in the recent quarter. Collectively, TWE's Power Brands – which includes Beringer Classics, Lindeman's, Chateau St Jean and Beringer Founder's Estate – are in both volume and value growth for the year. This improved performance reflects an increase in the frequency of regular promotion and the benefits of having a fully-manned strategic accounts team. This improved performance does not reflect the additional Discounts &Rebates provision; the benefits of this provision will commence in November against planned activities in the important period leading up to the holidays, to accelerate depletions of excess stock held in distributor warehouses.

In terms of destruction of aged and obsolete wines at distributor warehouses, the majority of TWE's distributors have contracted third party destruction agents and commenced making arrangements; however the US Federal Government shutdown has delayed the process.

A further update on how we are tracking against the destruction of aged and obsolete wine, the use of additional Discounts & Rebates to pull through stock and revised US inventory levels will be provided at our first-half results in February.

Notwithstanding these challenges, TWE continued to invest for future growth over fiscal 2013; growing non-current inventory by 23% to $446 million, with luxury and masstige wine now comprising 90% of our total non-current inventory; up from 83% in fiscal 2012.

TWE reported EBITS for fiscal 2013 of $209.2 million pre-material items – marginally up on last year on a constant currency basis – and included a $7.0 million unrealised non-cash loss on foreign exchange options. Adjusting for this, TWE's EBITS was $216.2 million.

Now let me provide a brief overview of our regional performance.

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**Regions**

Firstly, looking at Australia and New Zealand, as set out in our 2013 Annual Report, modest EBITS growth was driven by excellent brand execution. TWE outperformed the market in value terms by 3.1 percentage points with the second half of the fiscal year producing particularly strong EBITS growth of 21.3%. This was a strong result in light of a 5.9% COGS per case increase driven by the 2011 vintage and the tough retail environment. Following a challenging first quarter, TWE outperformed the market in the critical Christmas trading quarter, this momentum continued and in fact, accelerated in the second half of fiscal 2013. Full year volume increased 6.5 percent in a market which actually declined by 1% during the year. Total Australia volume grew by 15.6 percent in the second half of 2013, assisted by growth across all key customers.

As has been already stated, the Americas region faced a particularly challenging year as TWE grappled with inventory issues in the US market. EBITS of $66.8 million for the region were down 14.5% driven by lower shipments to our distributors and an 11% reduction in the availability of US-sourced luxury wines and increased COGS from vintage 2011. However, the inherent opportunity in the US – the world's largest wine market – remains immense and there were also some positives for our business there. Our flagship Beringer brand continued to show positive momentum in significant parts of its portfolio with Beringer Classics

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volume up 4.8% over the year. The brand also grew in export markets, including Europe and Asia.

Europe Middle East and Africa (EMEA) delivered another strong improvement in EBITS, up $11.6 million to $16.0 million. This result reflects an ongoing improvement in our business performance driven by a focus on profitable shipment growth, superb in-market execution, expanded distribution, ongoing brand investment and enhanced customer relationships. Another standout for the region this year was the UK Fine Wine channel, which sold more luxury and icon wines in the UK than ever before. The UK fine wine market is estimated to be £1.1billion or 5 million cases of which the Australian category accounts for 3% share, as such, with a fantastic portfolio of luxury wines, this channel represents a significant growth opportunity for TWE.

Asia enjoyed another year of excellent EBITS growth, up 35.6% to $54.5 million, driven by an increased allocation of Penfolds Luxury & Icon wines with strong growth in the key markets of China, Hong Kong and Japan. Net sales revenue per case was up 6.0% driven by price increases and strong demand for this year's Penfolds Luxury & Icon release. Total volume in Asia grew 20.8 percent, reflecting a combination of growth in new route-to-market wines and the increased allocation of Penfolds. In fact, TWE's volume and value growth was double the category in the region in fiscal 2013.

## Brands

As most of you will know building great brands remains a key priority for our business, and I'm delighted to say that, despite all the inherent challenges of fiscal 2013, we continued to do that extremely successfully over the course of the fiscal year.

The inherent strength of TWE's wine portfolio was demonstrated clearly by the fact that our wines continued to beat the competition for awards and trophies at the world's leading wine shows and within the world's leading wine publications.

The second half of the year saw the 2013 Penfolds release, including the highly acclaimed 2008 Grange - awarded 100 points by both the Wine Advocate and Wine Spectator. Wolf Blass won the prestigious Red Winemaker of the Year award, Matua was named Producer of the Year at the International Wine & Spirit Competition, and Beringer secured a top ten entry in Wine Spectators Top 100 Wines of the year – to name but a few!

Great brands enable us to connect better with our consumers', and to obtain legitimate value for the wines we craft; and they are the brands that retailers want to stock because they are the wines people demand.

Consumers want brands they can trust. Brands that constantly deliver quality, and when they find them they are prepared to pay a premium for them.

So brand building is much more than a nice to do, it remains integral to our commercial vision and delivering the growth and the profitability you, our shareholders, expect.

**Fiscal 2014 Outlook & Update**

The priorities for the current financial year are underpinned by four key strategic platforms: building exceptional brands, increasing the supply and production of luxury and masstige wine, maintaining the scale and efficiency of TWE's commercial portfolio, and expanding globally.

Our long-term growth ambitions are founded on the strength of our brands and the quality of our wines; and TWE remains committed to investing in our portfolio, increasing total brand building investment in fiscal 2014, and ongoing investment in targeted premium land acquisitions and related winemaking assets.

An enhanced focus on cash generation, cost reduction and driving organisational efficiencies will also be an immediate priority for executive management and the business during my tenure as CEO.

Turning now to the outlook for fiscal 2014.

As set out at our full year results back in August, fiscal 2014 will be a challenging year for TWE with our EBITS strongly influenced by the depletions performance

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we deliver in the United States and a range of other factors, including the benefit of vintage 12 wine and the volatility of the Australian dollar.

In addition, and in keeping with recent announcements by other alcoholic beverage and luxury goods businesses, we are observing signs that consumer pull through in China is softening as a result of the recent leadership change and well-documented Government austerity measures.

Taking in to account these factors, it is not our intention to provide more detailed guidance. However, as communicated at our Annual results, we remain committed to an EBITS range of between $230m-$250m for fiscal 2014[3].

H1 14 EBITS are expected to be lower than prior year driven by weighting of lower US shipments and increased brand investment in Asia.

**Conclusion**

The inherent strength of TWE – our iconic wine brands; high quality production and supply assets; and capabilities of our people – saw the business through an extremely demanding year.

Despite the challenges, the business has continued to build effectively on the foundations laid since demerger by investing in the long-term drivers of success,

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[3] Based on Australian Dollar spot rates at 19 August 2013.

increased production of luxury and masstige wine, and increased brand building investments.

I recognise that our financial performance over fiscal 2013 was a disappointment to many; however I am confident that the required improvements in our operational performance shareholders demand will be delivered over the course of fiscal 2014 and beyond.

I want to thank the senior management team and our employees for their hard work and commitment over the fiscal year, and ongoing efforts to deliver TWE's profitable growth ambitions.

I would also like to thank the Board for their confidence in appointing me as interim CEO.

Finally, I very much wish to thank you, our shareholders, large and small, for your ongoing investment in, and commitment to, this great company.

Thank you.