TREASURY WINE ESTATES

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Treasury Wine Estates will host an investor and media webcast and conference call commencing at 11:00am (AEST) on 21 August 2014. 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.

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TREASURY WINE ESTATES

21 August 2014

ASX ANNOUNCEMENT

TWE 2014 FULL YEAR RESULTS

2014 guidance achieved. TWE poised for re-set and return to sustainable growth in fiscal 2015

Financial headlines[1]

- EBITS $184.6m[2,3]. Currency-adjusted EBITS $193m[4]; within guidance range
- Material item recognised in fiscal 2014 of $(280.6)m post-tax; largely non-cash
- Statutory net loss after tax $(100.9)m, including $(280.6)m post-tax material item[5]
- 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

A$m		Reported currency		Constant currency	
For the twelve months ended 30 June	**2014**	**2013**	**Change**	**2013**	**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)%
EBITS	184.6	216.2	(14.6)%	244.7	(24.6)%
Net profit after tax (before material items, SGARA & tax benefit)	112.8	141.7	(20.4)%	169.0	(33.3)%
Material item (post tax)	(280.6)	(97.2)	NM[1]		
Net profit / (loss) after tax	(100.9)	47.2	NM	74.8	NM
Reported EPS (cents)	(15.6)	7.3	NM		
EPS (before material items, SGARA and tax benefit) (cents)	17.4	21.9	(20.4)%		
Dividend per share (cents)	13.0	13.0			

1. Not meaningful

[1] Unless otherwise stated, all figures and percentage movements are stated pre-material items outlined in Note 4 of the Financial Statements

[2] Earnings before interest, tax, SGARA and material items

[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 $190 million – $210 million for fiscal 2014 based on foreign currency rates of AUD/USD 0.8800 and AUD/GBP 0.5300 for the second half of fiscal 2014. Fiscal 2014 EBITS of $184.6 million restated for currency is $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

On the full year announcement; Michael Clarke commented:

"I am pleased to report EBITS of $184.6 million for fiscal 2014; $193 million after adjusting for foreign exchange rates that underpinned our guidance range announced on 30 January 2014. TWE has delivered this result despite a number of operational and trading headwinds during the year.

Having taken the necessary steps in the final quarter of fiscal 2014 to drive improved performance, including increasing consumer marketing, reducing TWE's cost base and addressing structural challenges within the business, I am confident the Company is now positioned for future success."

General business performance

Fiscal 2014 EBITS of $184.6 million was 24.6 percent below the prior year on a constant currency basis. As outlined on 30 January 2014, TWE expected to deliver EBITS in the range of $190 million – $210 million[7]. Fiscal 2014 EBITS was within the guidance range at $193 million based on foreign exchange rates used to revise guidance on 30 January 2014.

The material item of $280.6 million (post-tax) included a non-cash brand and related-asset impairment charge reflecting the combination of historical prices paid for pre-demerger acquisitions and the decline in market growth rates for Commercial wine, globally as well as a provision for the overhead reduction program.

Overall Group volume declined in fiscal 2014, principally driven by the planned reduction in US shipments and challenging trading conditions in ANZ. As a result of the volume decline, lower production overhead recoveries resulted in a $2.32 per case increase in Cost of Goods Sold (COGS). Cost of Doing Business also increased principally due to costs incurred in relation to the organisational restructure in the first half of fiscal 2014.

TWE progressed with its strategy of portfolio premiumisation, with Luxury volume growing 40 percent in the second half of fiscal 2014 relative to the prior period, supported by the two year age-of-release wines crafted from the outstanding 2012 Australian and Californian vintages. This supported growth in net sales revenue (NSR) per case on both a reported and constant currency basis.

Despite a challenging year for the Company, TWE continued to invest in its on-the-ground sales and marketing capabilities in key growth markets, notably the US and Asia.

CEO Michael Clarke said: "Investing in our sales and marketing capabilities is an important step to ensuring that the 50 percent increase in consumer marketing investment in fiscal 2015 is optimised. Crucially, it will also facilitate a deeper understanding of our customers and underpin more collaborative and sustainable relationships across all our regions."

TWE further strengthened its robust and flexible balance sheet during the period, with net debt of $209.4 million; broadly in line with the prior year and representing a net debt to EBITDAS ratio of 0.9x[8].

With a strong balance sheet, TWE is well positioned to pursue growth opportunities in order to satisfy growing demand for premium wine, globally.

TWE's continued outperformance of competitors at the world's leading wine shows in fiscal 2014 is testament to the Company's unyielding commitment to quality and brand positioning. Of particular note, Wolf Blass was awarded International Red Winemaker of the Year in 2013 at the same time

[7] EBITS guidance range of $190 million – $210 million for fiscal 2014 based on foreign exchange rates of AUD/USD 0.8800 and AUD/GBP 0.5300 for the second half of fiscal 2014

[8] Calculated using 12 month EBITDAS adjusted for bank guarantees and excluding material items

shortlisted for the International White Winemaker of the Year. This was the first time in the award's 30 year history a winemaker was shortlisted for both categories.

Regional Performance

Australia and New Zealand (ANZ)

ANZ reported a disappointing EBITS performance in fiscal 2014, down 31.5 percent to $75.1 million, driven by a reduction in in-market programing in challenging trading conditions, a reduced allocation of Penfolds and a $10 million reduction in New Zealand EBITS. TWE's Luxury portfolio performed strongly, supported by the Wines of Distinction program with Pepperjack, Wynns and Penfolds in strong volume and value growth in fiscal 2014[9].

Americas

In the Americas, EBITS at $74.9 million was down 7 percent on a constant currency basis driven by the planned reduction in Commercial shipments, partially offset by improved portfolio mix.

While headline depletions[10] were adversely impacted by non-priority Commercial (NPC) brands, brand health and strong consumer responses to promotional campaigns underpinned 15 percent and 3 percent growth in Masstige and Luxury depletions in the second half of fiscal 2014, respectively.

The US distributor inventory realignment is progressing. Total depletions exceeded shipments by 743k cases in fiscal 2014. Including Masstige and Luxury growth and innovation shipments, depletions exceeded shipments by 600k cases.

The destruction of old and obsolete wine is complete and approximately 50 percent of the adjusted Special Depletions Allowance (SDA) was deployed in the second half, principally on TWE's NPC brands. The SDA is expected to be completed in fiscal 2015.

Europe, Middle East & Africa (EMEA)

In EMEA, EBITS at $29.1 million were broadly in line with the prior year on a constant currency basis. Lower volume in the UK reflects elevated levels of promotional activity in the prior year that was not repeated in fiscal 2014. However, TWE continued to outperform the UK bottled wine market by volume and value in fiscal 2014[11], supported by strong programing and brand health. The Nordics remain challenging for TWE given the Company's strong share of the declining Australian category.

Asia

Asia EBITS at $47.7 million was in line with expectations, down 12.3 percent on a constant currency basis principally reflecting lower volume driven by the austerity measures in China and one-off operational issues in Japan. China depletions returned to modest growth and exceeded shipments in fiscal 2014. Hong Kong continues to perform strongly, with EBITS up 32 percent in fiscal 2014 driven by brand health and in-market execution. TWE continued to invest in on-the-ground sales and marketing capabilities in the second half which underpinned positive momentum in South East Asia.

[9] Aztec MAT 29 June 2014 versus the previous corresponding period

[10] Depletions refers to volume movement from a distributor partner to an on-premise or off-premise retailer

[11] Nielsen ScanTrack, 12 months to 21 June 2014 versus the previous corresponding period

Michael Clarke commented on the outlook for fiscal 2015:

"While we achieved our earnings guidance for fiscal 2014, I am now firmly focused on a new and exciting year for TWE.

"Fiscal 2015 is a reset year for the Company and I am delighted that we are already seeing the benefits of the increased consumer marketing investment, with the Penfolds wine fridge promotion in Australia, the most successful brand activation program in TWE's history; well surpassing expectations.

"The first half of fiscal 2015 will see the release of the 2015 Penfolds Bins Series and Icon and Luxury wines, including the highly anticipated 2010 Penfolds Grange. As announced in June, Penfolds will now be marketed and sold throughout the year and will be available for sale during key festive and gift giving periods.

"With our flexible and robust balance sheet, we remain well positioned to pursue both organic and inorganic growth opportunities".

"In ANZ, the separate and more targeted focus on TWE's Australian Luxury & Masstige and Commercial portfolios is progressing and an increase in consumer marketing investment is expected to support innovative brand and channel-led initiatives across all segments of our portfolio in fiscal 2015.

"We will complete the distributor inventory realignment program in the US in a measured and disciplined manner during fiscal 2015. In particular, we will continue to ship less than we deplete in fiscal 2015.

"Our Americas business represents a key growth platform for TWE. The Luxury category in the US is the fastest growing category and to date, our participation has been limited due to supply constraints. We enter fiscal 2015 with strong brand health, increased and more targeted consumer marketing and a healthy supply of our flagship US Luxury wines, including Beringer Knights Valley, Beringer Private Reserve and Stags' Leap.

"In the UK, we will continue to execute strong brand building programs to support our brands and penetration of the fine wine channels, while we diversify and innovate to position TWE as category captains in the growing New Zealand and lighter-in-alcohol segments of the Nordic markets.

"The fundamentals of the Asia region continue to be attractive, with low but improving per capita wine consumption and increasing household wealth. A challenging fiscal 2014 has not deterred the Company from investing in the region with a stronger on-the-ground presence supported by favourable mix and innovative depletion plans in place for the coming year."

Michael Clarke concluded: "Despite a challenging year for TWE, the fundamentals which make our business and our industry attractive have not changed. Importantly, the change required to enable the company to realise the true value of its brands, assets and people has begun."

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FINANCIAL AND OPERATIONS REVIEW[12,13]

TWE profit and loss

A$m	Reported currency			Constant currency	
For the twelve months ended 30 June	**2014**	**2013**	**Change**	**2013**	**Change**
Volume (m 9L cases)	30.0	32.1	(6.4)%	32.1	(6.4)%
Net sales revenue[1]	1,705.6	1,688.7	1.0 %	1,801.8	(5.3)%
Net sales revenue/case ($)	*56.85*	*52.67*	*7.9 %*	*56.20*	*1.2 %*
Other revenue	109.7	72.0	52.4 %	77.6	41.4 %
Total revenue	1,815.3	1,760.7	3.1 %	1,879.4	(3.4)%
Cost of goods sold[1]	(1,239.4)	(1,181.8)	(4.9)%	(1,249.9)	0.8 %
Cost of goods sold/case ($)	*41.31*	*36.86*	*(12.1)%*	*38.99*	*(6.0)%*
Gross profit	575.9	578.9	(0.5)%	629.5	(8.5)%
Gross profit margin	*33.8%*	*34.3%*	*(0.5)ppts*	*34.9%*	*(1.1)ppts*
Cost of doing business[1,2]	(391.3)	(362.7)	(7.9)%	(384.8)	(1.7)%
Cost of doing business margin	*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 (% of NSR)	***10.8%***	***12.8%***	***(2.0)ppts***	***13.6%***	***(2.8)ppts***
SGARA	(19.5)	3.8	NM[3]	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)%
Profit before tax	**143.5**	**205.6**	**(30.2)%**	**234.4**	**(38.8)%**
Tax refund / (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 (before tax)	(384.5)	(154.7)		(155.4)	
Tax on material items	103.9	57.5		58.0	
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 (cents)	(15.6)	7.3	NM	11.6	NM
SGARA (after tax)	(13.6)	2.7		3.2	
Net profit after tax (before material items, SGARA & tax benefit)[4]	112.8	141.7	(20.4)%	169.0	(33.3)%
EPS (before material items, SGARA & tax benefit) (cents)[4]	17.4	21.9	(20.4)%		
Average no. of shares (millions)	647.9	647.2			

1. Net sales revenue, Cost of Goods Sold and Cost of Doing Business stated pre-material items outlined in Note 4 of the Financial Statements
2. Cost of doing business calculated as Gross Profit less EBITS
3. Not meaningful
4. $80.5m tax benefit from the tax consolidations project

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).
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: The effects of applying Australian Accounting standard AASB141 "Agriculture"

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[12] All movements are in respect to the previous corresponding period
[13] 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.

Reconciliation to Statement of Comprehensive Income

A$m For the twelve months ended 30 June	Reference	2014
EBIT	Result Summary - page 6	**165.1**
Material items before tax		(384.5)
Profit before tax and finance costs	Statement of Profit & Loss - page 2	**(219.4)**

Group performance

Volume

Total volume was 30.0 million cases, down 2.1 million cases driven by lower volumes in all regions, notably the US and ANZ.

Net sales revenue

Net sales revenue increased 1.0 percent to $1.706 billion on a reported currency basis and decreased 5.3 percent on a constant currency basis. The reduction in net sales revenue mostly reflects lower Group volume, notably in Australia and the US. Growth in Asia net sales revenue principally reflects improved portfolio mix.

Net sales revenue per case on a constant currency basis increased $0.65 or 1.2 percent, principally driven by portfolio mix improvements in the US, Australia and Asia.

Cost of goods sold (COGS)

Cost of goods sold increased $2.32 per case on a constant currency basis driven by lower production overhead recoveries from reduced volume principally in Australia and the US, together with higher New Zealand-sourced COGS.

Cost of doing business margin

Cost of doing business margin increased 1.5ppts to 22.9 percent reflecting higher overheads including costs associated with the organisational restructure in the first half of fiscal 2014, investment in sales capabilities in Asia and the US and increased amortisation.

EBITS

EBITS of $184.6 million was down 14.6 percent on a reported currency basis and down 24.6 percent on a constant currency basis. Adjusted for foreign exchange rates that underpinned fiscal 2014 EBITS guidance provided to the market on 31 January 2014[14], TWE's fiscal 2014 EBITS result was $193 million, within the guidance range of $190 million to $210 million.

SGARA

The SGARA loss of $19.5 million principally relates to Australia and New Zealand.

The significant reduction in tonnage and yield from the 2014 Australian vintage, driven by cool weather and frost early in the growing season followed by extreme heatwaves in the Summer, resulted in a SGARA loss of $11.5 million in Australia, which includes a permanent loss of $15.0 million.

[14] EBITS guidance range of $190 million – $210 million for fiscal 2014 based on foreign exchange rates of AUD/USD 0.88 and AUD/GBP 0.53 for the second half of fiscal 2014

A SGARA loss of $6.5 million was incurred in New Zealand due to softening in grape prices, vine write-offs and solid overall yields.

Material items

A material item expense of $384.5 million (pre-tax) was reported principally relating to an asset impairment charge and a restructuring provision.

TWE recognised a pre-tax, non-cash impairment charge of $345.2 million reflecting a combination of historical prices paid for pre-demerger acquisitions and the decline in market growth rates for Commercial wine globally and relates to TWE's Commercial brands, IT, plant and equipment assets.

In the second half of fiscal 2014, TWE implemented an overhead and cost reduction initiative as an important step to returning the Company to sustainable growth. As a result, TWE incurred a material item for this initiative in fiscal 2014 of $35 million. The full benefit of the cost reduction is expected to be realised in fiscal 2015 and will offset additional consumer marketing spend and inflationary growth.

Net loss after tax

Net loss after tax for fiscal 2014 was $100.9 million, and reported EPS was (15.6) cents per share. Net profit after tax (before material items, SGARA & tax benefit) was $112.8 million, and EPS on the same basis was 17.4 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, unfranked. This is consistent with the prior year. The dividend in fiscal 2014 is unchanged relative to the prior year.

As a result of the demerger from Foster's Group, TWE was 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 resulted in the receipt of tax refunds during fiscal 2014 which drove TWE's franking account into deficit as at 30 June 2014. Refunds were recognised in the form of tax offsets, therefore TWE received a tax refund in fiscal 2014 of $49.3 million. TWE also expects to pay unfranked dividends in fiscal 2015.

Regional performance

Australia and New Zealand (ANZ)

A$m		Reported currency		Constant currency	
For the twelve months ended 30 June	2014	2013	Change	2013	Change
Volume (m 9L cases)	7.8	8.6	(9.4)%	8.6	(9.4)%
NSR	562.2	600.8	(6.4)%	608.3	(7.6)%
NSR per case (A$)	72.49	70.22	3.2 %	71.09	2.0 %
EBITS	75.1	110.1	(31.8)%	109.6	(31.5)%
EBITS margin	13.4 %	18.3 %	(4.9)ppts	18.0 %	(4.6)ppts

In line with expectations, the first half volume decline continued in the second half of fiscal 2014, resulting in a 9.4 percent decline in overall volume in fiscal 2014.

Volume in Australia continued to be impacted by a challenging retail environment characterised by ongoing reduction of inventory levels by large customers, ongoing aggressive competitor activity and increased levels of promotional programing in the second half of fiscal 2013 that was not repeated in fiscal 2014.

Volume also impacted by the steady decline in the domestic sparkling category in Australia, where TWE holds 33.8 percent market share[15].

Despite challenges in the Commercial segment, TWE's Luxury portfolio accelerated in the second half of fiscal 2014, with volume growth outperforming the category by 8.5 percentage points, supported by the Wines of Distinction program; with Pepperjack up 19.8 percent, Wynns up 12.8 percent and Penfolds up 5.2 percent[16].

Solid NSR per case growth reflects favourable portfolio mix driven by lower Commercial volume and sustainable promotional and pricing activity across Luxury and Masstige portfolio.

COGS per case increased 6.8 percent predominantly driven by lower production overhead recoveries in Australia relative to the prior year and higher New Zealand-sourced COGS due to an increase in spot-market purchases to satisfy the rapidly growing global demand.

EBITS down $34.5 million on a constant currency basis, principally driven by a reduction in in-market programs in challenging trading conditions, a reduced allocation of Penfolds and $10 million reduction in New Zealand EBITS – largely driven by New Zealand-sourced COGS.

Increased investment in consumer marketing, together with separate business focus on TWE's Australian Commercial and Luxury & Masstige portfolios is expected to drive sustainable sales and improved market execution in fiscal 2015 and beyond.

[15] Aztec MAT 29 June 2014 versus the previous corresponding period
[16] Aztec MAT 29 June 2014 versus the previous corresponding period

Americas

A$m		Reported currency		Constant currency	
For the twelve months ended 30 June	**2014**	**2013**	**Change**	**2013**	**Change**
Shipments (m 9L cases)	14.3	15.4	(6.9)%	15.4	(6.9)%
Depletions (m 9L cases)	15.0	15.0	-	15.0	-
NSR	731.9	704.0	4.0 %	774.7	(5.5)%
NSR per case (A$)	51.01	45.69	11.6 %	50.28	1.5 %
EBITS	74.9	66.8	12.1 %	80.5	(7.0)%
EBITS margin	10.2 %	9.5 %	0.7ppts	10.4 %	(0.2)ppts

A 13 percent increase in Luxury and Masstige shipments to support segment growth and 2 percent volume growth in Canada was offset by the planned reduction in Commercial shipments.

Priority brand depletions up 3 percent in fiscal 2014 and up 5 percent in the second half underpinned by targeted brand investment, strong in-store programing and brand health. Masstige depletions up 15 percent, while Luxury depletions up 3 percent in fiscal 2014.

Headline depletion performance impacted by non-priority Commercial (NPC) brands, mostly in the first half. Circa 50 percent of the adjusted Special Depletions Allowance (SDA) utilised in fiscal 2014, principally focussed on NPC portfolio. NPC depletions improved from a 15% decline in the first half to a 3 percent decline in the second half of fiscal 2014; a 12 percentage point turnaround.

US distributor inventory realignment is progressing. In order to ensure disciplined, sustainable execution and to optimise value from the SDA, the program is expected to be completed in fiscal 2015.

Destruction of 250k cases completed in the second half; 335k cases initially allocated for destruction will now be depleted utilising the SDA.

Short-shipment largely on track and will complete in fiscal 2015; US shipments down 1.1 million cases in fiscal 2014. Excluding Masstige & Luxury growth and innovation shipments during the period, depletions exceeded shipments by 743k cases in fiscal 2014.

Beringer Classics volume growth outpaced the category by 4.8 percentage points, while TWE's Masstige portfolio continued to drive category growth in the US, outperforming the category by volume and value in fiscal 2014 led by Chateau St Jean, Matua, 19 Crimes and Sledgehammer[17].

TWE's Luxury category in growth but lagging market due to supply constraints[18]. Favourable mix in fiscal 2015 is expected to drive Luxury category leadership, underpinned by Beringer Knights Valley, Stags' Leap and Penfolds.

NSR per case growth driven by improved portfolio mix relative to the prior year, largely driven by the Masstige segment.

EBITS down 7 percent to $74.9 million on a constant currency basis principally reflecting the planned reduction in US shipments, partially offset by improved portfolio mix and a $3.3 million profit on sale of a US vineyard in the second half of fiscal 2014.

[17] US Nielsen ScanTrack , 52 weeks 21 June 2014, Total Food, Drug, Liquor Channels versus the previous corresponding period
[18] US Nielsen ScanTrack , 52 weeks 21 June 2014, Total Food, Drug, Liquor Channels versus the previous corresponding period

Positive outlook for the region underpinned by favourable market fundamentals, improved supply of Luxury wine and continued investment in consumer marketing and innovation.

Europe, Middle East and Africa (EMEA)

A$m		Reported currency		Constant currency	
For the twelve months ended 30 June	**2014**	**2013**	**Change**	**2013**	**Change**
Volume (m 9L cases)	6.6	6.7	(1.3)%	6.7	(1.3)%
NSR	273.9	248.5	10.2 %	282.2	(2.9)%
NSR per case (A$)	41.41	37.08	11.7 %	42.11	(1.7)%
EBITS	29.1	16.0	81.9 %	31.3	(7.0)%
EBITS margin	10.6 %	6.4 %	4.2ppts	11.1 %	(0.5)ppts

Slightly lower volume reflects elevated levels of promotional activity in the UK in the second half of fiscal 2013 that was not repeated in fiscal 2014, together with continued decline in the Australian category in the Nordics.

Despite a 4 percent decline in the UK bottled wine market in fiscal 2014, TWE outperformed Nielsen channels by volume and value, up 14 and 11 percentage points, respectively underpinned by continued in-market execution and brand health[19].

Lindeman's global "Sunshine" marketing campaign translated into strong in-store activity and consumer demand in the UK, with 8 percent volume and value growth[20] during the period. Wolf Blass' partnership with the Ashes Series and Sky TV delivered continued volume and value growth, with strong market share gains in the UK's growing grocery channel.

Despite attractive wine market fundamentals, the Nordics remain challenging with the Australian category in double digit decline in fiscal 2014. With approximately 40 percent value share of the Australia category[21], TWE is actively diversifying its portfolio to drive growth; expanding its New Zealand and US portfolio proposition and investing in innovation.

Lower NSR per case impacted by adverse market, channel and portfolio mix relative to the prior period.

EBITS down $2.2 million to $29.1 million on a constant currency basis principally reflecting lower volume and adverse mix, partially offset by lower overhead expenses and favourable COGS per case. EBITS up strongly on a reported currency basis.

[19] Nielsen ScanTrack, 12 months to 21 June 2014 versus the previous corresponding period
[20] Nielsen ScanTrack, 12 months to 21 June 2014 versus the previous corresponding period
[21] Systembolaget off-trade, June 2014

Asia

A$m		Reported currency		Constant currency	
For the twelve months ended 30 June	2014	2013	Change	2013	Change
Volume (m 9L cases)	1.3	1.4	(8.0)%	1.4	(8.0)%
NSR	137.6	135.4	1.6 %	136.6	0.7 %
NSR per case (A$)	107.34	97.14	10.5 %	98.00	9.5 %
EBITS	47.7	54.5	(12.5)%	54.4	(12.3)%
EBITS margin	34.7 %	40.3 %	(5.6)ppts	39.8 %	(5.1)ppts

Continued strong volume growth in Hong Kong and increasing momentum in South East Asia was offset by the impact of austerity measures in China, particularly in the first half of fiscal 2014 and one-off operational challenges in Japan.

Depletions in China returned to modest growth and exceeded shipments in fiscal 2014. Enhanced consumer marketing campaigns activated for the first quarter of fiscal 2015 are expected to further stimulate sustainable, future depletions growth.

Brand health and outstanding in-market execution in Hong Kong underpinned an 11 percentage point outperformance by volume of the Australian wine and total Hong Kong wine categories in fiscal 2014, led by Wolf Blass, Penfolds and Lindeman's[22].

Higher NSR and an uplift in NSR per case mostly reflects a more premium portfolio mix relative to the prior period.

Increased Cost of Doing Business was largely driven by increased investment in on-the-ground sales and marketing capability, mostly in the second half and this, in turn underpinned the strong performance in Hong Kong and improved momentum in South East Asia, notably Singapore, Malaysia and Thailand.

EBITS $47.7 million, down by 12.3 percent on a constant currency basis largely driven by lower volume and adverse portfolio mix within the Luxury segment relative to the prior period.

Corporate

Corporate costs in fiscal 2014 were $42.2 million compared to $31.2 million in the prior period. The increase in corporate cost principally reflects increased amortisation, higher consulting fees and salaries as well as costs associated with the organisational restructure in the first half of fiscal 2014.

[22] Nielsen, ScanTrack Supermarkets, MAT June 2014 versus the previous corresponding period

Balance Sheet

A$m As at	30 Jun 2014	30 Jun 2013	Change
Cash and cash equivalents	52.0	10.8	41.2
Receivables	414.9	460.9	(46.0)
Current inventories	707.1	714.5	(7.4)
Non-current inventories	525.2	446.0	79.2
Property, plant and equipment	958.3	1,024.4	(66.1)
Agricultural assets	229.9	227.1	2.8
Intangible assets	747.1	1,009.9	(262.8)
Tax assets	217.1	228.9	(11.8)
Other assets	8.9	5.7	3.2
Total assets	**3,860.5**	**4,128.2**	**(267.7)**
Payables	451.2	480.0	(28.8)
Borrowings	265.6	225.0	40.6
Tax liabilities	198.6	314.4	(115.8)
Provisions	89.8	91.9	(2.1)
Other liabilities	6.5	9.0	(2.5)
Total liabilities	**1,011.7**	**1,120.3**	**(108.6)**
Net assets	**2,848.8**	**3,007.9**	**(159.1)**

Net assets

Net assets decreased by $159.1 million for the year ended 30 June 2014.

The decrease in net assets was principally driven by the $345.2 million (pre-tax) impairment charge relating to TWE's Commercial brands, IT, property, plant and equipment assets, offset by increased working capital and an increase in borrowings.

The movement in net assets also reflected investment in the production and supply of Luxury and Masstige wine from the 2014 Australian and 2013 Californian vintages together with the acquisition of premium vineyards and related property and equipment in the first half of fiscal 2014. Net receivables and payables reduced during the period.

Working capital

Working capital increased $54.6 million during the year principally driven by a $79.2 million increase in non-current inventory and lower payables offset by a $53.4 million reduction in receivables and current inventory.

Net debt

Reported net debt at 30 June 2014 was $209.4 million and consisted of $52.0 million in cash, $4.2 million of loans and borrowings of $265.6 million. Net debt decreased $1.5 million from $210.9 million at 30 June 2013. Had the uncommitted receivable purchasing agreements not been available, net debt and debtors would have been $107.9 million higher at 30 June 2014 ($122.6 million higher at 30 June 2013).

TWE targets financial metrics consistent with an investment grade credit profile with net debt / EBITDAS and interest cover of 0.9x and 8.7x respectively[23,24].

Funding structure

On 8 August 2013, the Group entered a new committed syndicated revolving term debt facility, totalling US$250 million, with US$170 million maturing in August 2016 and US$80 million maturing in August 2018. On 16 December 2013, the Group issued US Private Placement (USPP) notes of US$250 million, with maturity in 7 year (US$75 million), 10 year (US$125 million) and 12 year (US$50 million) tranches.

TWE's successful inaugural issuance of US$250 million USPP notes on 16 December 2013 allowed for the repayment and cancellation of the $200 million syndicated debt facility (maturing April 2014).

The USPP notes increased the average duration of TWE's debt profile by 3 years to 5 years, in addition to providing important diversification of funding sources. With no debt maturing until fiscal 2016, TWE has built flexibility into its capital structure to enable it to pursue future operational and financial objectives.

At 30 June 2014, TWE has unutilised committed multi-currency revolving credit facilities of A$565.5m (2013: A$274.9 million), which mature beyond twelve months of balance date, with the next maturity in April 2016 of A$300 million.

[23] Metrics calculated using 12 month EBITDAS adjusted for bank guarantees and excluding material items

[24] 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

Cash Flow

A$m			
For the twelve months ended 30 June	**2014**	**2013**	**Change**
EBITS	**184.6**	**216.2**	**(14.6)%**
Depreciation & Amortisation	85.7	76.8	
EBITDAS	**270.3**	**293.0**	**(7.7)%**
Change in working capital	(78.4)	(143.2)	
Other items	0.3	7.0	
Net operating cash flows before financing costs, tax and material items	**192.2**	**156.8**	**22.6 %**
Cash conversion[1]	**71.1%**	**53.5%**	**17.6ppts**
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 and material items	**87.9**	**(31.0)**	
Net interest paid	(20.7)	(14.7)	
Tax refunded / (paid)	36.7	(23.2)	
Cash flows before dividends and material items	**103.9**	**(68.9)**	
Dividends paid/distributions to minority interests	(77.8)	(84.1)	
Cash flows after dividends before material items	**26.1**	**(153.0)**	
Material item cash flows			
- operating	(22.7)	(5.8)	
- investing	-	1.2	
Total material item cash flows	(22.7)	(4.6)	
Loans to other parties (incl investment sale proceeds)	(0.8)	(2.0)	
Share re-purchase (employee share plan)	(1.1)	(4.5)	
Borrowings acquired	-	(9.9)	
Finance leases	(1.2)	-	
Debt revaluation and foreign exchange movements	1.2	(2.5)	
(Increase)/decrease in net debt [2]	**1.5**	**(176.5)**	
Reconciliation to Statement of Cash Flows			
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 %	

[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 $42.4m: decrease in net debt of $1.5m adjusted for FX movements of $1.2m, adjusted for net proceeds and repayments of borrowings of debt of $40.9m and finance leases of $(1.2)m

Movement in net debt

Net debt decreased $1.5 million to $209.4 million principally due to lower net working capital movement, a reduction in capital and investment expenditure and the $49.3 million tax refund relating to the tax consolidation project.

Movement in capital expenditure

Total capital and investment expenditure in fiscal 2014 was $112.4 million. Capital expenditure of $98.4 million was slightly below guidance due to impact of foreign exchange rates. Capital expenditure included investment in IT systems ($16.2 million) and premiumisation activities including increased oak purchases ($16.6 million) and luxury winemaking equipment and vineyard re-developments (collectively, $15.0 million).

Investment expenditure (acquisitions) of $14.0 million relates to capacity upgrades at Matua Marlborough Winery in New Zealand and the acquisition of premium vineyards in Tasmania and Yarra Valley in the first half of fiscal 2014.

Movement in working capital

The reduction in the change in working capital of $64.8 million principally reflects a smaller increase in inventories as a result of the variable, lower yielding Australian 2014 premium vintage, lower receivables driven by planned reduction in shipments in the US offset by a decrease in payables across the Group.

The balance sheet movement in net working capital related balances (based on year end exchange rates) is lower than the $78.4 million cash flow impact principally due to SGARA and a reduction in the destruction component with an equal increase in the special depletions component in relation to the US inventory initiatives.

Capital expenditure in fiscal 2015 is expected to be circa $100 million.

Vintage Update

The 2014 Australian vintage was characterised by difficult growing conditions with a cool and windy Spring followed by two extreme heatwaves late in the Summer. As a result, yields were lower in 2014 compared with the prior year, notably in the premium segment. Overall, quality was variable, but broadly in line with historical averages with South Australian Cabernet Sauvignon, Victorian Shiraz and Margaret River Chardonnay particular highlights.

Excellent growing conditions throughout the season contributed to another record vintage in New Zealand, with total yield up 29 percent on the prior year. Intake and quality across all regions and varietals was strong, notably pinot noir from both Central Otago and Marlborough as well as sauvignon blanc and chardonnay from the Marlborough. Two consecutive outstanding vintages will underpin continued growth of TWE’s New Zealand portfolio in existing and new markets and channels around the world.

The 2014 Californian vintage to date has been characterised by mostly dry and warm weather conditions, followed by late Winter rain. Warm growing conditions have encouraged early budburst and the season is approximately two weeks ahead of long-term averages. Growing conditions have been particularly favourable for North Coast pinot noir and cabernet sauvignon. TWE’s intake in 2014 is expected to be in line with current demand and supply mix forecasts.