



16 December 2014

Treasury Wine Estates Limited 2014 Annual General Meeting

Treasury Wine Estates Limited (ASX: TWE) will today address shareholders at its Annual General Meeting to be held in Melbourne, commencing at 2:30pm AEDT.

Attached is a copy of the Address to be delivered by the Chairman, Paul Rayner and the Address to be delivered by the CEO, Michael Clarke.

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.

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**2014 Annual General Meeting:
Chairman's Address - Paul Rayner**

Welcome & Introduction

As most of you are well aware, the last financial year was an extremely eventful one for TWE, with a considerable number of external events, and internal changes, impacting the Company's performance.

Despite this volatile operating environment, I strongly believe the Company today is in a much stronger, and more focused, position, with an enhanced management team and with some genuine signs of improvement in our financial performance.

I am confident that in fiscal 2015 we are better positioned to execute the Company's strategic roadmap and deliver sustainable profit growth for shareholders over the longer term.

Overview of FY14 Results

Given the context of a reduced EBITs result against prior year, the Company's fiscal 2014 performance was disappointing.

However, EBITs of \$184.6 million for the year; \$193 million after adjusting for foreign exchange rates that underpinned our guidance range announced on 30 January 2014 were delivered despite a number of operational and trading headwinds.

The underlying strength of TWE's viticultural capability and the appeal of our exceptional wine brands provided a positive foundation for the Company's financial performance. Fiscal 2014 showed, once again, that TWE wines



consistently beat the competition for awards and trophies at the world's leading wine shows, and within the world's leading wine publications.

This very month Penfolds Grange holds pride of place on the front cover of probably the world's most prestigious wine magazine, Wine Spectator.

The Board and executive management are taking the tough, but necessary, steps to drive improvements in the Company's performance by tackling barriers to growth by making changes to TWE's structure, operating model and cost base.

Despite the difficulties presented by taking action on aged and excess inventory in the United States, and the impairments required as a result of historical prices paid for pre-demerger acquisitions and the decline in market growth rates for Commercial wine globally, the Company is now investing behind its brands, in order to establish strong foundations from which to sustainably grow in all regions.

It is also imperative to stress that despite many challenges, and the distraction caused by external interest in TWE, the Company's full year financial results met the revised earnings guidance provided to the market in January.

Mike will speak more on this matter in his address, but it is clear that the process of 'resetting' the Company's foundations to deliver improved shareholder returns will continue to gather pace in fiscal 2015.

The Board remains confident in the future, and I am pleased to report a final dividend of 7 cents per share unfranked, to give a full year dividend of 13 cents per share - unchanged from last year.



Leadership

Fiscal 2014 was also a year in which we were very pleased to appoint Mike Clarke as TWE's new Chief Executive Officer.

Despite obvious pressures to appoint a CEO quickly, the Board oversaw a robust and rigorous process which was completed ahead of our own stated timeline; at the end of which we were delighted to secure someone of Mike's undoubted capability, international experience and talent.

I would also like to thank Warwick Every-Burns for stepping in as the Company's interim CEO, and keeping the team motivated until we had secured Mike's appointment.

Regional Summary

A key challenge for TWE remains to deliver a strong set of financial results in all four regions over a single fiscal year.

However, differing consumer dynamics, retail environments and economic conditions, across Australia and New Zealand (ANZ), Europe, Middle East and Africa (EMEA), Asia, and the Americas reinforced the challenges of achieving this objective whilst also reinforcing the benefits of the truly global nature of TWE's operations.

Trading conditions in ANZ and Asia were tough in fiscal 2014, but particularly so during the first six months. However, efforts by current management to bolster relationships with TWE's major trading partners provide a source of optimism for fiscal 2015 and beyond.



It was pleasing to see signs of progress for the Company in the Americas. Whilst a lot of hard work remains to be done the fundamental strengths of this market, and TWE's presence in it, are now becoming visible.

Set against the backdrop of a weak European economy TWE's operations in EMEA also look promising.

Balance Sheet

TWE's capital management program allowed the Company to increase the average duration of debt, and further diversify funding sources, over the course of the fiscal year. The successful negotiation of a US Private Placement for the equivalent of US\$250 million in December 2013, was an integral part of this strategy.

New banking facilities further reinforced the strength of TWE's balance sheet, and enable greater operational flexibility. Together with low-levels of debt, these developments should continue to provide shareholders with confidence in the Company's financial foundations.

Transaction

I now want to provide some detail on recent attempts by two private equity bidders to purchase the Company and the steps the Board took to ensure the right outcome occurred for all shareholders.

A lot has already been written on this matter, unfortunately some of it inaccurately, so I do think it is worthwhile to step you through the Board's role in this process and why, ultimately, a transaction did not occur.

Firstly, the Board rejected the initial conditional proposal from KKR, of \$4.70 cash per share, because we were clear that such a price significantly undervalued the



Company. This was subsequently reinforced in discussions with the Company's major shareholders who wholeheartedly endorsed our approach.

However, some major shareholders indicated at that point that they expected the Board to engage with a bidder were they to come forward with an offer in excess of \$5.00 cash per share.

Given shareholder feedback, and expert advice we received from our advisors, we agreed to engage in non-exclusive due diligence with both bidders once they had submitted conditional proposals at \$5.20 [cash per share].

Due diligence coincided with our Fiscal 2014 annual results process and provided an opportunity for major shareholders to obtain a much clearer understanding of the Company's strategic roadmap.

It also enabled executive management to 'pressure-test' the Company's strategic plans and assumptions in a manner which would have been otherwise impossible.

Ultimately it should be noted that, due to regulatory hurdles for one bidder, and the other's inability to support a transaction on terms and at an acceptable price, meant the Board did not receive a formal offer at \$5.20 cash per share.

So, in the end, there was no need for the Board to take a decision or to make a formal recommendation to shareholders.

However, I can assure you that the clear feedback from almost every major shareholder indicated that they believed a price of \$5.20 per share undervalued the Company.



I would also like to make it crystal clear that throughout the bid, the Board only sought to act in the best interests of shareholders, and I am confident that we did what was right at every step of the process.

Now that this process has concluded the Board is focused on the road ahead and working with Management to deliver the value and growth our shareholders expect.

Governance & Remuneration

As a Board we remain committed to a remuneration regime, and incentive structures, that provide an appropriate mechanism to ensure management and shareholder interests are aligned.

Linking pay with performance is a principle that will continue to underpin the Board's approach to remuneration.

Given the difficult financial results over the course of fiscal 2014, and in recognition that the Company's H1 performance, in particular, was challenging there were no base fee or wage and salary increases for directors or Key Management Personnel (KMP) unless they had been promoted. In line with market practice, the only exception to this was to bring the Chairman's fees of the Human Resources Committee in line with the fees for the Chairman of the Audit & Risk Committee.

In addition, based on fiscal 2014 results, no payout was made on TWE's Short-Term Incentive Plan (STIP) for staff.

There was some limited vesting of fiscal 2012 Long Term Incentive Plans (LTIPs) – the first such Plans issued by TWE – at 35%, due to Total Shareholder Return performance being above the median.



However, the overall approach to remuneration remained both measured and responsible.

Later in today's proceeding I will be asking for shareholders to vote for the adoption of the remuneration report that is contained in the Directors' Report for the financial year ended 30 June 2014. There is also a separate resolution asking shareholders to approve a number of long term incentives for the Company's Chief Executive Officer, Mike Clarke.

On these, I strongly ask for shareholder support. Mike has already demonstrated considerable capability, and delivered a number of transformative changes, in a very short time as CEO.

He is certainly an executive with an exemplary track record on the global stage.

I would like to thank those shareholders, and proxy advisors, who have already indicated their support for the Company's remuneration framework.

I would also like to stress that an EPS hurdle of 15% CAGR, which equates to 52% growth over three years, is very stretching. Let me tell you why:

First, it is right at the top end of growth targets for ASX listed companies that retain EPS as a component of their long-term incentive programs.

Second, due to the challenges in our industry and the business historically operated by TWE, our EPS performance has, since demerger, been generally flat to declining.

Third, an EPS hurdle of 15% CAGR is extremely competitively positioned considering all the resetting and fixing required within the base business. This metric is further challenged by the planned 50%+ increased catch-up investments being made in consumer marketing that will deliver returns in the future years.



Fourth, current management are determined to drive sustainable behaviours and re-set the business so that it is healthier in the longer term.

When looked at as a package, I am clear that TWE's approach to remuneration is in keeping with the best practice adopted by other leading ASX listed companies.

Corporate Social Responsibility

Further to, and in keeping with the above, the Board remains committed to the highest standards of corporate governance and ensuring that TWE is a positive contributor to the communities in which we work, and an industry leader in areas relating to the responsible consumption of wine.

During the year, TWE defined the key pillars of our corporate responsibility program with an enhanced focus on three priority areas: responsible consumption, sustainable sourcing, and community engagement.

The role of alcohol within our society continues to generate understandable concerns within governments and communities where the Company operates. TWE fully supports targeted and proportionate intervention to address the minority of individuals who consume alcohol in an irresponsible manner.

However, we also remain committed to championing the positive social, economic and cultural contribution of the alcohol beverages industry, and will continue to defend the rights of the overwhelming majority who consume our wines in an appropriate and responsible manner.

The health and safety of the people who work for, and on behalf of, TWE was another priority for the Board and it was pleasing to see a continuance of the reduction in the Company's lost time injury frequency rate (LTIFR) - that is the lost-time injuries per million hours worked - in fiscal 2014.



Board Matters

Before closing, I would like to sincerely thank all Directors for their many and varied contributions over the last fiscal year.

Later in this meeting I will ask you to endorse the re-election of Lyndsey Cattermole and Peter Hearl as Non-Executive Directors; a move the Board strongly supports.

Conclusion

In conclusion, I remain incredibly excited by both the opportunities that lay ahead of us, and in the potential of this great business.

I am also confident that the challenges faced in fiscal 2014, together with the actions now being taken to address them, have set TWE up for future financial success.

You have my assurance that the Board remains totally focused and committed to helping TWE achieve its strategic objectives and delivering improved shareholder returns.

My thanks go to Mike, all the senior management team and TWE staff for their efforts in what has been an eventful year.

In particular, I want to acknowledge the huge amount of work put in to deal with industry challenges and the 'distraction' of the private equity bids. Despite all of these issues, the Company remains on track and management deserves considerable credit for this.

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



2014 Annual General Meeting CEO Address – Michael Clarke

It gives me great pleasure to address you today as your Chief Executive Officer.

As I said in my first call with the market back in April – 10 days after joining the Company – I am thrilled to be working for Treasury Wine Estates. It is a truly unique company with prized assets, a portfolio of truly great brands and importantly, a team of very talented and passionate people.

Given the events of the past six months – notably the interest in our Company from two private equity firms – I believed it was important to be highly communicative with our shareholders throughout the entire process.

As such, I have been very transparent about our strategic roadmap and the plans that are now in place to drive our Company forward and deliver improved returns to our shareholders.

You will have heard me describe 2015 as a re-set year. In order to deliver sustainable returns over time, we are required to think about, and do things differently.

Probably our biggest challenge is to get all stakeholders to recognise the work involved in resetting and fixing the base earnings whilst also trying to deliver 52% growth in EPS over the next three years.

Unfortunately, some stakeholders do not understand the inherent conflict between aggressively pursuing short-term numbers versus fixing the base earnings and resetting the business for long-term sustainable growth. More information on this will be provided at our Half Year Results announcement in February.



At our 2014 result announcement, I presented TWE's strategies – depicted on this slide.

Your Board and the team at Treasury Wines firmly believe that value will be delivered over time through our renewed, strategic focus on how we manage our brands... how we operate in key markets and channels... how we work with all our partners and... how we adapt our business model to embed sustainability in everything that we do.

At the epicentre of our strategy is the vision to become “The world's most celebrated wine company; one that enriches peoples' lives with quality wine brands”.

We will realise our vision by transforming our Company from being an agricultural company to a branded, marketing led organisation.

For too long, our Company's financial performance has been impacted by trading practices which have led us to becoming an “order taker” rather than an “order driver”, which in turn, has underpinned some short term trading behaviour and hence, volatile earnings.

I, together with my leadership team, am managing your Company for the long-term.

I have gone on record saying that I will not engage in any behaviour to drive short term outcomes at the expense of long term value; I am confident that the plans and strategies in place will deliver on this commitment.

Let me start with the work we have done – and are doing – with our brand portfolio.

In June of this year, we announced a 50% increase in consumer marketing; funded by a \$35 million reduction in overhead expenses.



I am pleased to report that the cost reduction program is largely complete, with further cost savings expected – this is a muscle that we have developed, to consistently take costs out.

Just like fine wine, consumer marketing dollars are scarce and should be allocated as such.

While optimising our total brand spend, our one-time (50%) step-up in consumer marketing in fiscal 2015 is focused on driving consumer demand for our flagship growth brands including Penfolds, Wynns, Beringer, Wolf Blass, Lindeman's, Etude, Chateau St Jean, Matua, Stags' Leap and Souverain.

These are brands that have the opportunity to become truly global brands.

These are brands that are flexible and can be scaled to grow globally; not just in one market or channel. This will accelerate top line growth - sustainably.

While I don't believe it is truly global yet, Penfolds is an ideal example of a flexible and scalable model where grapes are not necessarily sourced from a single vineyard or appellation.

Rather, grapes are sourced from a basket of regions in Australia. Not only does this provide the brand with protection against weather-driven vineyard and vintage variation, the model enables Penfolds to be scalable.

Having scale allows TWE to grow and expand Penfolds in regions and channels around the world. The scalable and flexible supply model for Penfolds across multiple appellations and vineyards is designed to always give consistent quality to the consumer".

Out of our portfolio of more than 80 brands, around 15 brands have the potential to be scalable, flexible and what we call "global umbrella brands".



To give you an example... Etude is a premium, Californian Pinot Noir proposition. The brand is not linked to a particular vineyard or appellation, rather, its provenance is varietal-based.

We have already leveraged this brand by introducing a New Zealand-sourced Etude and consumers in Australia will see this outstanding pinot noir brand on shelf in the back half of this financial year. We also have plans to launch Etude in Asia and Europe.

Investing in targeted global brands will then enable our next tier of “international brands” – of around 20 brands – to slipstream behind the global portfolio in existing and new markets and channels.

Looking further across our portfolio, we have around 20 “local brands” which we will use tactically or offer as exclusives to our retail and distributor partners... We simply can't invest consumer marketing dollars effectively across 80 brands.

The remaining non-priority Commercial brands may be retired or might be addressed as part of a transaction or agreement with a third party.

Moving now to our market and channel priorities.

While Australia is our home market, the US and Asia – particularly North Asia – are our growth markets.

By North Asia, I am referring to China, Japan and Korea.

I believe that our business in North Asia is underdeveloped; we sell a narrow portfolio into narrow routes-to-market.

Expanding our route-to-market in China has been a key priority for us in the first half of this year.

In this context, I am pleased to report that we have now diversified our distribution model in China by adopting a three-pronged, channel-focused approach. We are



now distributing our brands via a leading on-premise distributor as well as directly to key accounts and via regional wholesalers.

Having the right route-to-market in one of the world's largest and fastest growing wine consuming markets is critical to TWE's vision of being a truly global wine company.

Like China, the US wine market represents a significant growth opportunity for our Company... it is in growth... and it is premiumising. I have been very public on our commitment to the region. I believe that with the right portfolio mix, TWE can grow and win in the US. I will talk more on our plans for the US shortly.

Building collaborative relationships with our retail and distributor partners in all our regions is a key priority for us.

As I said earlier, by underinvesting in our brands, TWE has become an "order taker" which has increased the risk of earnings volatility.

We are now firmly focused on building better, stronger and more collaborative relationships with our retail and distributor partners around the world.

We are working with them to develop plans to drive category growth where TWE, its customers and consumers share in the growth.

The Penfolds wine cabinet promotion in Australia is a great example of the virtuous cycle of investing in our brands, working collaboratively with our customers and delivering an outstanding proposition to our consumers.

Not only did we deplete inventory in the channel ahead of the new Penfolds collection release in October, but we are now working with our customers on more campaigns of this type.



The more we collaborate and work with our partners around the world, the better we can be at reducing the earnings and inventory risks that come with being an “order taker”.

Moving now to our focus on business models.

Very early on in my role, I learnt that when it comes to regional business models in a global wine company, one size does not fit all.

In June, we announced a separate focus on the Australian Commercial portfolio versus the Luxury and Masstige portfolio.

The evolution of our Company – from being part of a beer company and through various acquisitions – has resulted in potential for “averaging of costs” across our Luxury, Masstige and Commercial portfolios.

By separating the portfolio, we are discovering that the “averaging of cost” might have been punitive to our Australian Commercial portfolio and therefore margins.

What we hope to drive is positive tension between the two segments; where excess cost is removed, better commercial decisions are made and ultimately margin accretion is realised. Improved Commercial brand margins can either be banked as profit or reinvested into marketing the portfolio.

While scale in Australia does not, in my opinion, provide a competitive advantage given the concentrated retail landscape, scale in the US is critical to maintaining “share of mind” with our distributor partners.

Therefore, until such time that our Luxury and Masstige portfolio in North America is of sufficient size and scale, maintaining our Commercial portfolio in the US is important.



That said however, I have made it very clear that our strategy in the US is to build and grow our Luxury and Masstige portfolio to service not only the US market, but other key growth markets, notably North Asia.

We have a strong brand portfolio at the premium end. The Masstige segment of the US wine market is in double digit growth and TWE is driving much of that growth with brands such as Beringer, Chateau St Jean, Souverain, Sledgehammer, Matua and 19 Crimes.

Moreover, the Luxury category is also in double digit volume and value growth but unfortunately, our participation in that growth is being constrained due to our supply constraints. While we don't necessarily need more brands, access to increased amounts of quality wine supply could step change our US portfolio, in the USA and North Asia.

Sourcing luxury fruit or wine on the bulk or spot market in the US is costly and variable and long term contracts for luxury fruit are scarce. Therefore, we should consider securing supply inorganically and that is something we are working on right now.

Also in the US, we are exploring some imminent opportunities to address the non-priority commercial brand portfolio. Comprising approximately 1 to 2 million cases, this segment represents a significant drag on our core portfolio and needs attention if we are to successfully step change our US business model and performance.

While addressing improving our sustained profitability – we are also looking at ways to further strengthen our Balance Sheet and also light weight our capital requirements – thereby improving ROCE.

In closing...



Fiscal 2015 is a big year for everyone at TWE as we re-set the business and position it for sustainable, profitable growth moving from an agricultural company to a branded marketing led company, by:

1. Changing our Penfolds release date to October each year.
2. Stepping up our consumer marketing by > 50%.
3. Recovering \$35 million of central overhead costs.
4. Driving a separate focus on our commercial portfolio in Australia versus our luxury and Masstige portfolios.
5. Driving supply chain savings and efficiencies.
6. Focusing on growth in North Asia and Americas, and
7. Increase value growth in Australia.

I am pleased that our performance over the first half of fiscal 2015 is, to date, on Plan and ahead of Prior Year. This is driven by changes in our Penfolds release dates but, importantly, it is also as a result of the actions we are taking to reset, fix and invest in our business in order to deliver future sustainable profit growth across all of our regions.

In addition, I am delighted to share with you that we have restructured our distribution model and agreements in China, Taiwan and Korea, which will allow TWE to step-change our growth in North Asia in future quarters. I will provide more detail on the progress we are making in Asia at our H1 results presentation in February.

I would like to thank you, our shareholders, for your ongoing support of TWE. I feel confident that the necessary steps required to turnaround our business are being taken and I look forward to delivering on our goals and ultimately, delivering value to you, our shareholders.

Thank you.