



TREASURY WINE ESTATES

25 June 2014

ASX ANNOUNCEMENT

Step-change in TWE's business model to drive sustained long-term growth

Treasury Wine Estates Ltd (ASX: TWE) announced today that it is making substantial changes to its business model by changing the release date of its flagship Penfolds wines to better manage allocations and availability. In addition, the Company will focus on its Australian Commercial portfolio separately from its Luxury & Masstige portfolio.

As part of an announcement to the market on 8 April 2014, TWE Chief Executive Officer, Mr Michael Clarke, identified four immediate priorities to drive improvements in TWE's performance:

- Execution of existing plans to deliver fiscal 2014 earnings guidance;
- Increased consumer marketing to support TWE's brands;
- A reduction in overhead expenses; and
- Addressing structural challenges within the business.

Having taken steps to execute the Company's fiscal 2014 plans, and also increase consumer marketing and reduce overhead costs in fiscal 2015 (announced 20 May 2014), TWE is now taking action to address structural opportunities for long-term sustainable growth.

Penfolds release dates

As part of TWE's premiumisation strategy and plans to further improve the Company's business model, the Company will move the release dates for new vintages of its Penfolds Bin Series and Penfolds Icon & Luxury Collection wines to one combined annual release, commencing 16 October 2014¹.

Today's announcement complements the recent decision to significantly increase investment in consumer marketing and will help ensure that each additional dollar invested has maximum consumer impact.

Moving the release of Penfolds Bin Series and Icon & Luxury Collection wines to October each year will ensure Penfolds wines are available for sale over a much longer trading period and help TWE establish a more sustainable business model. An October release also means the Company is better placed to manage allocations and inventory levels with key customers around the world throughout the year - in contrast to selling through the release in the final quarter of each fiscal year.

¹ A full list of the Penfolds Bin Series and I&L wines being released in October 2014 together with their respective vintage dates, is attached – see Appendix 1

Speaking on today's announcement, Mr Clarke commented: "Since starting on 31 March my team and I have moved quickly to initiate changes to deliver improved performance, support our brands, reduce costs and demonstrate that we are prepared to drive changes to unlock value and sustainably deliver results".

"The changes we are making to our business model, including moving Penfolds release dates, not only make commercial sense but are also good for our brands".

"An October release for Penfolds wines is fully supported by our winemaking teams. This change places the consumer at the heart of our business model with Penfolds wines now more readily available in the lead-up to key festive periods including Thanksgiving, Christmas, Chinese New Year and Easter".

The change to Penfolds release dates will be led by the Penfolds winemaking team. Speaking on the change, Penfolds' Chief Winemaker, Peter Gago, said "For 170 years Penfolds has shown that it is prepared to innovate and lead, while maintaining a consistent focus on quality. An October release for our Bin Series and Icon & Luxury wines honours those credentials".

"Releasing Penfolds wines in October, rather than in March and May as we have in the past, means these wines will now be shipped from the winery in cooler conditions, ensuring ideal quality when they arrive in market".

"Our current release dates also mean Penfolds winemakers are often busy making wine for the present year's vintage and are severely constrained in their ability to support sales and marketing efforts. An October release frees them up to provide the support our Bin Series and Icon & Luxury wines deserve".

Impairment

TWE has now completed a detailed review of its long-term plans and will now recognise a non-cash brand and related-asset impairment of up to \$260m (after tax, unaudited) in fiscal 2014. The impairment reflects the combination of historical prices paid for pre-demerger acquisitions and the decline in market growth rates for Commercial wine globally; and relates to the Company's Commercial brands, IT, plant and equipment assets.

Mr Clarke said, "Today's announcement of an asset impairment further highlights the need for TWE to do things differently. The current business model is not being optimised and fails to reflect the Company's outstanding capability, brands and people."

Australian Commercial and Luxury & Masstige brand portfolios to receive separate focus

In order to better optimise TWE's business model, and as part of an assessment of the best models for managing the Company's operations, TWE will now focus on its Commercial brand portfolio in Australia separately to its Luxury & Masstige portfolio.

This transformation will deliver greater focus on market and competitor dynamics and drive efficiency and profitability for both the Company's Commercial and Luxury & Masstige brands.

This change to TWE's Australian brands complements action already underway in the Americas to reshape the Company's portfolio to provide additional focus on the Luxury & Masstige portfolio while improving the performance of TWE's Commercial portfolio in the Americas.

Mr Clarke said “The Commercial wine market is markedly different to that of Luxury & Masstige and we need to consider new operating models and ways of working to realise growth and improve profitability across both”.

The Australian & New Zealand (ANZ) business will now be jointly run by Angus McPherson, currently General Manager – Australia, who will lead the team focused on TWE’s Australian Commercial portfolio together with Simon Marton, currently Chief Marketing Officer, who will also lead the team focused on TWE’s Luxury & Masstige portfolio. Both roles will report to TWE Chief Executive Officer, Mr Clarke.

In addition to structural changes to the Company’s operations in ANZ, the Company also intends to manage its Asia and Europe, Middle East & Africa (EMEA) regions separately to ANZ. Consequently, Andrew Carter, Chief Commercial Officer APAC & EMEA, has decided to leave TWE and the Company would like to thank him for his contributions to the business and wish him well.

Additional information on the management of TWE’s EMEA and Asia regions will be communicated to the market in due course.

Fiscal 2015

Fiscal 2015 will be a reset year – and the Company remains committed to delivering improvements in performance through greater focus and brand prioritisation, structural reform and major marketing initiatives to drive consumer engagement.

“I am looking forward to the start of the new financial year with great enthusiasm, and we will continue to drive transformational change throughout TWE over the course of fiscal 2015. We have already taken significant steps to reset consumer marketing investment, our cost base and business model, and over the coming year we must fully realise the benefits of these changes” Mr Clarke said.

One example of the step-up in consumer marketing that will take place in fiscal 2015 is the Penfolds consumer promotion - commencing July 2014 it will be the biggest consumer promotion TWE has ever undertaken. For any 6 bottles of Penfolds Bin Series or Icon & Luxury wines purchased, consumers in Australia will be able to purchase an exclusive refrigerated wine cabinet which stores up to 32 wine bottles at a significantly reduced price. The campaign is expected to run for three months and will be available in many off-premise retail locations.

On this campaign, Mr Clarke said: “This is just one of many consumer facing marketing campaigns TWE will be implementing in fiscal 2015 and represents a significant and exciting shift in the way in which we invest in our brands”.

Mr Clarke will be available for a 45 minute Q+A session via conference call at 11.00am AEST today (dial-in details provided below).

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Teleconference dial-in numbers

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Dial In:

Australia-wide	1800 801 825
Australia – NSW	02 8524 5042
UK	0 800 015 9725
USA	1 855 298 3404
USA – New York	1 631 514 2526
Canada	1 855 842 3490
China	4 001 200 539
France	08 00 91 65 99
Hong Kong	800 905 927
Italy	800 875 577
Japan	012 0271 900
New Zealand	0 800 452 905
Norway	800 11 518
Singapore	800 616 3222
Sweden	0207 968 70
Switzerland	0800 837 001

Appendix 1 – Penfolds Bin Series and Icon & Luxury Collection October release wines:

2010 Grange
2012 Yattarna
2012 Bin 707 Cabernet Sauvignon
2012 RWT Barossa Valley Shiraz
2012 Magill Estate Shiraz
2011 St Henri Shiraz
2012 Bin 169 Coonawarra Cabernet Sauvignon
2013 Reserve Bin A Adelaide Hills Chardonnay
2012 Bin 389 Cabernet Sauvignon
2012 Bin 407 Cabernet Sauvignon
2012 Bin 28 Kalimna Shiraz
2012 Bin 150 Marananga Shiraz
2014 Bin 51 Eden Valley Riesling