



TREASURY  
WINE ESTATES

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ASX ANNOUNCEMENT

## **TWE advances next stage of supply chain optimisation as sales and earnings momentum accelerates**

In line with information communicated to the market by Treasury Wine Estates (ASX: TWE) at its fiscal 2015 Full Year Results, and building on the first phase of supply chain optimisation announced on 31 March 2015, the Company today announced the commencement of a second phase of supply chain optimisation.

TWE will take further action to remove excess cost and complexity from its supply chain network globally by:

- Consolidating and/or divesting supply chain infrastructure to optimise facility utilisation and remove excess overheads and surplus assets;
- Optimising returns on under-performing vineyards and wineries by clustering non-core assets and removing overheads; and
- Simplifying and optimising logistics, warehousing and freight arrangements globally to reduce complexity and reduce costs.

Phase II of TWE's supply chain optimisation is expected to deliver an annualised Cost of Goods Sold (COGS) benefit of approximately \$30 million per annum by fiscal 2020, ramping up from fiscal 2017.

This additional phase of supply chain optimisation is expected to benefit the Americas (50 percent), and the Australia and New Zealand (ANZ) and Europe, Middle East & Africa (EMEA) regions (combined 50 percent).

In order to realise the savings from Phase II, TWE will recognise a provision in fiscal 2016 for a cash cost of approximately \$14 million, and a non-cash asset write-down of \$20-30 million, relating to production assets – including vineyards, wineries, packaging and warehousing facilities – earmarked for closure or sale.

Further detail in respect of the vineyards and property, plant & equipment earmarked for consolidation and rationalisation is currently commercially sensitive, and the Company will update the market on the outcomes of this second phase of supply chain optimisation at an appropriate time.

Michael Clarke, TWE's Chief Executive Officer, said: "I am delighted with our Company's progress in the fiscal year-to-date. The accelerated momentum in our business continues to be delivered across all regions, most notably Asia.



TWE's strategy of driving top line momentum, investing in our priority brands, enhancing both existing and new routes-to-market while reducing cost and complexity is continuing to deliver improved returns for our Company and for our shareholders.

Today's announcement demonstrates that we are successfully transitioning TWE from an order-taking, agricultural company to a more efficient, brand-led marketing organisation. Right-sizing our production footprint, improving our Return on Capital Employed (ROCE) and optimising our global supply chain network are crucial steps on this journey".

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