



TREASURY WINE ESTATES

ASX Announcement

10 November 2016

Treasury Wine Estates Limited 2016 Annual General Meeting

Treasury Wine Estates Limited (ASX:TWE) will today address shareholders at its Annual General Meeting to be held in Adelaide, commencing at 11.00am ACDT.

Attached is a copy of the Address to be delivered by the Chairman, Paul Rayner and the Address to be delivered by the Chief Executive Officer, 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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2016 Annual General Meeting

Chairman's Address – Paul Rayner

I'm pleased to say that fiscal 2016 was another year of positive transformation for Treasury Wine Estates. Building on the foundations set in fiscal 2015, we continued to increase momentum in our journey to becoming the world's most celebrated wine company.

We did not stray from our focus on simplifying our operations, realigning our portfolio and investing in our brands and our people to drive growth - and ultimately delivering value for our shareholders.

The Board and Executive Leadership Team of TWE remained committed to taking the necessary decisions and actions to strengthen our core business and lay the platforms for success.

Of course – our wonderful wines are at the heart of our Company, and at the close of this meeting, we will be serving some of the outstanding wines from our portfolio. We are fortunate to have our Chief Winemaker for Australia and New Zealand, Mark Robertson here with us today to lead you through a tasting of these superb wines.

Now – back to our performance. Under the continued leadership of Chief Executive Officer Michael Clarke, TWE delivered a very strong set of financial results. I will let Mike talk to the specifics of these results, but I will say that quality – a term that has long applied to the Company's winemaking processes, is now an appropriate descriptor for TWE's earnings.



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F16 saw even greater focus and ongoing investment in the Company's portfolio of world-class brands. Significant, global marketing campaigns for our priority brands including Penfolds, Wolf Blass and Beringer were delivered across the year, with remarkable success.

We also established a dedicated team to focus on our 'Regional Gems' portfolio – some of Australia's most iconic regional wines, bringing them out of the shadows and reinvigorating them to drive growth and consumer engagement – both here in Australia and overseas.

All the while, the Company's brands earned the most prestigious awards in F16, including Wolf Blass being named 'Red Winemaker of the Year' for the third time at the 2016 International Wine Challenge in London, and Penfolds recognised as 'World's Most Admired Wine Brand' by Drinks International in March 2016.

These awards, amongst many others, acknowledge the outstanding, enduring quality of our wines.

Alongside quality, innovation is a critical growth driver for our brands, and F16 saw a strong pipeline of brand innovation supported by excellent global marketing campaigns, with highlights including Lindeman's Gentleman's Collection, The Stag and Penfolds Max's tier.

The acquisition of the Diageo Wine business on the 1st of January 2016 was a significant step change for TWE in the fiscal year, and Mike will talk more about the acquisition shortly.

We continued to transform our portfolio through the divestment of our non-priority US Commercial brand portfolio on 4 July 2016. This allows us to really focus on our core commercial brands in the US.



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During the fiscal year, we also continued to reduce cost and complexity across our supply chain, maximising the use of our production facilities, disposing of non-core assets and improving capital efficiency.

Of course, the outstanding progress made by TWE in F16 would simply not have been possible without the commitment of our incredibly talented and dedicated people.

A central pillar of our five year strategy is people – we are building a high performing organisation, where collaboration, inclusion and support is the essential fabric of the culture. Our financial results are strong evidence of the great progress we have made here. We are growing capability now and for the future and building an efficient, sustainable structure to support our growth ambitions.

The Board and Executive Leadership Team at TWE continue to target financial metrics that are consistent with an investment grade credit profile. The Company's flexible Balance Sheet ensures that TWE continues to remain in a position to pursue value accretive opportunities for shareholders.

Taking the Company's financial performance over the full fiscal year into account, the Board was pleased to confirm a full year dividend of 20 cents per share, up 6 cents per share on prior year.

Later in this meeting, shareholders will be asked to vote on the re-election of three members of the Company's current Board and the election of one new member to the Board.



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I am thrilled to welcome new Board member, Lauri Shanahan, who is with us today from California. Lauri was appointed as an independent, non-executive director on the 1st of November 2016. She is a United States citizen with expansive experience across retail, consumer brand, e-commerce and governance. She has spent many years in senior executive positions with The Gap Inc. where she was involved in leading the company's domestic and international expansion. Lauri has also founded her own consulting practice, Maroon Peak Advisors. Lauri's focus on growing brands and businesses, coupled with her legal and governance expertise will be a welcome addition to an already highly capable Board.

Today shareholders will also be asked to vote on the re-election of the proportional takeover provisions in the Company's Constitution for a further three years, which otherwise cease to have effect this year.

The Board of TWE remains committed to a remuneration and incentive structure that aligns management and shareholder interests, as well as the Company's key business drivers and market practice. Linking pay with performance underpins the Board's approach to remuneration.

We believe that the Company's successful focus on sustainable earnings growth, cost management and operational effectiveness significantly enhanced shareholder value in fiscal 2016. As a result, a short term incentive plan (STIP) payout was made to staff, and the Board determined that the F16 STIP outcomes were from target to maximum for executives. The Chief Executive Officer was paid out at maximum due to exceptional performance and delivery of value to our shareholders.



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Return on Capital Employed (ROCE) was a new measure included as a hurdle for the F16 LTIPs, aimed at driving improvements in capital efficiency. In F16, the Company reported improved ROCE, up 2.8 percentage points to 9.6%.

The remuneration and incentive structure reflects the strong shareholder value that has been delivered by the Company in F16, and I would like to thank those shareholders, and proxy advisors, who have already indicated their support for the Company's remuneration framework.

I will be asking shareholders to vote for the adoption of the Remuneration Report that is contained in the Directors' Report for the financial year ended 30 June 2016.

I will also be asking shareholders to vote on the grant of performance rights under the Company's long term incentive plan to our CEO, Mike Clarke.

The last item on the agenda asks shareholders to approve an increase of \$300,000 to the non-executive director annual fee pool, from \$2.2 million to \$2.5 million per annum.

On all of these matters, I strongly ask for shareholder support.

In F16 TWE continued to contribute to the debate in the area of public policy and regulation affecting the industry. Across the globe, TWE engaged with Governments on public policy and regulatory decisions ranging from alcohol advertising, warning labels, additives, customs administration, environmental impacts and taxation.



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The Company remains committed to supporting the establishment of further Free Trade Agreements that help level the playing field for Australian wine in highly competitive export markets. TWE also welcomes the Australian Government's decision to reform the Wine Equalisation Tax Rebate and strengthen the integrity of the Rebate. These reforms are consistent with the Rebate's original intent and will help address the distortionary impacts of the current system which have done so much damage to the Australian wine industry. If the industry is to secure a sustainable and profitable future, this reform is needed.

F16 saw TWE continuing to progress its Corporate Responsibility agenda, with a focus on three strategic priorities:

-) Responsible consumption
-) Sustainable sourcing, and
-) Corporate volunteering and community engagement.

On responsible consumption, TWE continued to support employees to act as advocates for responsible consumption, collaborating with third parties and consumer and industry-facing bodies on delivering responsible consumption activities. TWE's employees completed training on the Company's Alcohol Policy, and responsible consumption education events were held in the Americas, ANZ and Europe to embed employees' understanding of the Policy, and its importance.

On sustainable sourcing, TWE maintained independent third party sustainability and certification of its owned and operated vineyards, and continued to undertake sustainability projects, and related research and development.



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Under the corporate volunteering pillar, TWE conducted its second annual Global Volunteering Week. Taking place in May 2016, during the week, employees across the globe partnered with local charities to lend a helping hand in their local community and deliver a range of much need volunteering activities in the communities where TWE's operations are based. Our employees volunteered at more than 80 charities across the world, and I am proud to be part of a Company that gives back to the community in this way.

In conclusion, I am thrilled with the accelerated momentum TWE has continued to build throughout F16, which is evident in the strong results achieved by the Company. On behalf of the Board, I would like to express my thanks to Mike, the Executive Leadership Team, and all TWE employees for their unwavering dedication, creativity and resilience in continuing the positive transformation of the Company.

I am particularly proud of the fact that Mike has been named 'Winery Executive of the Year' by Wine Enthusiast in the US, as part of the publication's prestigious annual Wine Star Awards. I know that Mike would want everyone to understand that this great honour is testament to the achievements of the entire TWE team, and what the 'We' in TWE have achieved over the year.

I can assure you that the Board remains focused and committed to helping TWE continue on its positive journey, and I would like to extend my sincere thanks to you, our shareholders, for your continued support, confidence and ongoing investment in our business.



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2016 Annual General Meeting

Chief Executive Officer's Address – Michael Clarke

Thank you Mr Chairman.

Good morning and welcome to you – our shareholders – both here in Adelaide, and those joining us – via webcast – from around the world.

Once again, I am delighted to be addressing you from South Australia; the spiritual home of a number of our finest Australian brands, including Penfolds, Wynns, Wolf Blass and Pepperjack.

Fiscal 16 marked a further step towards our ambition of becoming the world's most celebrated wine company by continuing to transition TWE from an agricultural, order-taking company to a truly brand-led, marketing organisation.

In doing so, we are embedding balance, sustainability and quality into our earnings base and as a consequence, momentum across all our regions is accelerating.

In fiscal 16, we doubled net profit after tax and Earnings Per Share. We increased our EBITs by more than 50%. Excluding the earnings contribution from the Diageo Wine acquisition, our base-business EBITs increased by 37%. Having acquired the Diageo Wine business on 1 January 2016, the acquired business delivered EBITs of \$33m for the half year and was already EPS neutral in just the first six months of ownership. The integration is largely complete and the re-set period is ongoing.



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Our Priority Brand portfolio delivered more than 85% of our net sales revenue in fiscal 16 and in excess of 90% of our EBITs and - cash conversion was strong at 123%.

Our group EBITs margin is now 15.3% and our ROCE is 9.6%. The momentum delivered in fiscal 16 saw us not only deliver strong results, but also underpinned a number of upgrades which we communicated in August.

-) We will now deliver at least \$100m of COGS savings - up from previously communicated \$80m – by fiscal 20.
-) We now expect to recognise run-rate, cash synergies from the Diageo Wine acquisition of US\$35m - up from previously communicated US\$25m – by fiscal 20.
-) Finally, sales growth is translating into even higher earnings growth as we optimise our brand building investment and remain disciplined on managing costs.

As a result, we expect to deliver a high-teens EBITs margin by fiscal 18, (i.e. next year); two years ahead of previous guidance.

In summary, fiscal 16 was a strong year for our company, but our journey of growth, is really just beginning.

Since I joined in March 2014, we – as an organisation – have done a lot of ‘fixing’.

-) We have addressed unsustainable and unprofitable volume.
-) We have embedded new and enhanced routes-to-market in key growth regions.
-) We have prioritised brands and prioritised regions.
-) We have removed excess cost and complexity from our cost base.
-) And importantly, we have embedded balance, sustainability and quality into our business and our results.



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The second phase for our Company is to grow, and I think about this in three ways.

Firstly, trust marks are brands that consumers know, love and trust to deliver great consumption experiences. Trust marks are also brands that retailers and distributors trust to deliver margin and cash conversion.

Secondly, we have four strong regional business models. TWE is the only global wine player with a strong global network. TWE can leverage these regions to drive apparent scarcity – and therefore margin accretion – by allocating wine across regions.

Finally, market tiers, being the Luxury and Masstige tier and the Commercial tier of wine. Extracting growth and margin accretion from these two tiers is not the same.

In our Luxury and Masstige portfolio – globally – we are:

-) Driving improved mix and better price realisation as we invest in consumer pull strategies.
-) We are taking price on supply constrained or allocated brands.
-) We are delivering margin accretive innovation and new products within our trust mark brands.
-) We are optimising our overhead and supply chain structure, thereby reducing costs even further.



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In our Commercial portfolio - globally - we have divested the tail brand portfolio and this instantly liberated resources and investment which we have redirected to our core Commercial brands.

-) We are improving our working capital and asset returns by purchasing more Commercial wine on the bulk market on an 'as needs' basis.
-) We have exited low margin deals with customers in all regions.
-) All our innovation must deliver higher price points and margin.
-) And profitability is improving as we remove excess cost and capacity from our supply chain and overhead structure.

Again fiscal 17 and beyond is about growth. Our high-teens EBITs margin guidance by fiscal 18 (next year) is not a destination. In fact, TWE is on a journey to deliver a group margin that is towards our Asia region EBITs margin of 30% plus – where we land – between our current margin of 15% and 30% – will be through continued margin accretion and how much Commercial wine TWE maintains in its portfolio.

In addition to our organic growth, I believe we have the team, the brands, the regional business models, and the balance sheet to drive incremental growth and margin accretion by securing increased access to Luxury and Masstige fruit.

In summary, TWE has a very bright future and I am confident that we can continue to deliver outstanding results and therefore further value creation for you, our shareholders.

I thank you for your continued support and interest in our Company and I look forward to addressing you again after another strong year in 2017.

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Fiscal 2016 - *Balanced, sustainable and quality earnings delivered from four strong regions*

- Reported net profit after tax \$179.4m; more than double prior year
- Reported Earnings Per Share (EPS) 25.1 cents per share; more than double prior year
- Reported EBITs \$342.0m, up 52%
- TWE's base business EBITs (excluding Diageo Wine) up 37% to \$308.8m driven by momentum across all regions
- Diageo Wine delivered EBITs \$33.2m; integration complete and re-set period ongoing
- Enhanced profitability of Priority Brand portfolio; portfolio comprised more than 85% of total NSR
- Cash conversion at 123%
- Annual dividend 20 cents per share; 6 cents per share higher than the prior period (up 43%)
- Accelerated momentum; delivering strong results and driving upgrades to deliver high-teens EBITs margin target by F18



TWE's growth journey

Luxury



Masstige



Commercial

