TREASURY WINE ESTATES

Treasury Wine Estates

Interim 2017 financial result

Treasury Wine Estates will host an investor and media webcast and conference call commencing at 11:00am (AEDT) on 14 February 2017 (dial-in details below). 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 1:00pm.

TELECONFERENCE DIAL IN NUMBERS:

Participant Passcode 464017

Dial In:

Australia-wide	**1800 558 698**
Australia – NSW	02 9007 3187
UK	0 800 051 8245
USA	(855) 881 1339
USA – New York	(914) 202 3258
Canada	855 881 1339
China	4001 200 659
France	0800 913 848
Hong Kong	800 966 806
Italy	800 793 500
Japan	0053 116 1281
New Zealand	0800 453 055
Norway	800 69 950
Singapore	800 101 2785
Sweden	020 791 959
Switzerland	0800 820 030

MEDIA RELEASE 14 February 2017

Net Profit after Tax and EPS more than double the prior year[1] Premiumisation and momentum across all regions

Treasury Wine Estates Ltd (ASX:TWE) today announced its interim 2017 financial result, with Reported Net Profit After Tax (NPAT) and Earnings Per Share (EPS) more than double the previous corresponding period[2] (pcp) with NPAT at $136.2m and EPS at 18.5 cents per share.

TWE reported Earnings Before Interest, Tax, SGARA and material items (EBITS) of $226.8m, up 58.8% on a reported currency basis.

The Company also delivered outstanding EBITS margin accretion, up 4.3ppts to 17.5% in 1H17 and up 2.5ppts relative to TWE's F16[3] EBITS margin of 15.0%, which included 6 months of the Diageo Wine contribution.

The Board declared an interim dividend of 13.0 cents per share; representing a 5 cent per share increase (+63%) and a 64% payout ratio.

On today's result, TWE's Chief Executive Officer, Michael Clarke commented: "I am delighted to report a strong interim 2017 financial result highlighted by further margin accretion, excellent cash conversion and outstanding EPS growth, despite the higher share base. All regions delivered double digit EBITS growth and importantly, growth was delivered sustainably".

- Australia & New Zealand (ANZ) reported 13.2% EBITS growth to $53.1m and an EBITS margin of 16.4%, driven by above-category volume growth in Australia (despite reallocating Luxury Australian wine to Asia), outstanding marketing and in-store activation, strengthened customer partnerships and a low cost culture

- Europe reported 34.3% EBITS growth to $23.1m and an EBITS margin of 12.3%, driven by strong customer partnerships, focused brand building investment on core Commercial brand tiers and the acquisition of Diageo Wine

- Asia reported 75.6% EBITS growth to $79.0m and an EBITS margin of 36.2%. Reflecting continued investment in TWE's business models, customer partnerships and brand portfolio, volume increased strongly and price increases across key brands delivered positive NSR per case growth

- Americas reported 75.4% EBITS growth to $90.7m and an EBITS margin of 16.0% reflecting the acquisition of Diageo Wine and portfolio premiumisation. During the period, TWE front-ended a 30% increase in Advertising & Promotion (A&P) per case to re-set and refresh its US brand portfolio to position it for growth in both the US and in Asia in 2H17. Also included in 1H17 EBITS was a net, one-off $5m benefit, principally reflecting profit on asset sales

TWE's Supply Chain Optimisation initiative delivered Cost of Goods Sold (COGS) savings of $15m in 1H17 bringing the total cumulative savings to $56m, driven by realisation of cost reductions and benefits from production asset optimisation. This was partially offset by higher vintage costs from the 2014 and 2015 vintages in Australia and the 2015 vintage in the US.

The acquisition of the Diageo Wine business on 1 January 2016 has already delivered positive upside to TWE, despite the significant investment in re-setting the brands as well as addressing unsustainable volume

[1] Statutory Net Profit After Tax and Reported EPS (including material items)
[2] Unless otherwise stated, all Dollar and percentage movements are pre material items and stated on a reported currency basis
[3] To reflect the change in accounting standards with respect to Agricultural Assets, F16 EBITS have been restated to $334m (from $342m) on a reported currency basis

and customer contracts in F16. As stated at the time of acquisition, the rationale for acquiring Diageo Wine was to secure increased access to Luxury and Masstige fruit which would in turn, deliver immediate portfolio mix benefits to TWE's US business. The immediate portfolio mix benefit of the acquisition is evident in the America's 1H17 result.

Having commenced a number of Supply Chain integration initiatives, TWE is well positioned to deliver run-rate, cash synergies of US$35m by F20.

TWE targets financial metrics that are consistent with an investment grade credit profile. TWE's balance sheet continues to provide the Company with the flexibility to pursue value accretive opportunities for shareholders, with net debt / EBITDAS (adjusted for operating leases) of 1.5x and interest cover of 16.0x.

Continued strong cash conversion of 104% in 1H17 was driven by TWE's strong operating performance across all regions and favourable movements in working capital.

In addition to TWE's interim 2017 result, TWE also advised today the appointment of Gunther Burghardt, as the Company's Chief Financial Officer (CFO), based in Napa. In addition, Matt Young, TWE's current Financial Controller has been promoted to Deputy CFO, based in Southbank.

Michael Clarke will be co-locating between Australia and the US over the next 12 months. On Mr Clarke's co-location, TWE's Chairman, Paul Rayner commented: "With a global and highly collaborative Management team, I am pleased our Chief Executive Officer is able to spend more time in the US; one of TWE's regions with the most potential."

Future perspectives

The outlook for TWE remains positive, with the Company continuing to deliver against its strategy of transitioning from an agricultural to a brand-led, high performance organisation.

Absent significant fluctuations in foreign exchange rates, TWE expects 2H17 EBITS to be broadly in line with 1H17.

Beyond F17, TWE is on track to deliver total, run-rate cash synergies recognised from the acquisition of Diageo Wine of US$35m by F20 as well as at least $100m of run-rate COGS savings by F20 driven by the Company's Supply Chain Optimisation initiative.

Furthermore, TWE is also on track to deliver a high-teens EBITS margin by F18 and at the same time, deliver enhanced value to shareholders via improved Return On Capital Employed.

Michael Clarke commented on TWE's future prospects: "Today's result announcement demonstrates that we are executing on all the initiatives we have communicated to the market and importantly, that TWE is continuing to deliver sustainable value to its shareholders".

Contacts / further information:

Media
Carolyn Coon
Tel: +61 3 8533 3923
Mob: +61 405 183 628

Investors
Jane Betts
Tel: +61 3 8533 3493
Mob: +61 437 965 620

Profit Report
Financial Performance

		Reported Currency		Constant Currency	
$Am (unless otherwise stated)	**1H17**	**1H16**	**Change**	**1H16**	**Change**
Volume (m 9L cases)	18.7	15.8	18.7 %	15.8	18.7 %
Net sales revenue	1,294.7	1,079.4	19.9 %	1,041.9	24.3 %
NSR per case ($)	*69.08*	*68.38*	*1.0 %*	*66.01*	*4.7 %*
Other Revenue	73.7	58.6	25.8 %	58.9	25.1 %
Cost of goods sold	(867.8)	(739.7)	(17.3)%	(718.6)	(20.8)%
Cost of goods sold per case ($)	*46.31*	*46.86*	*1.2 %*	*45.52*	*(1.7)%*
Gross profit	500.6	398.3	25.7 %	382.2	31.0 %
Gross profit margin (% of NSR)	*38.7%*	*36.9%*	*4.9 %*	*36.7%*	*5.4 %*
Cost of doing business	(273.8)	(255.5)	(7.2)%	(248.1)	(10.4)%
Cost of doing business margin (% of NSR)	*21.1%*	*23.7%*	*2.6ppts*	*23.8%*	*2.7ppts*
EBITS	**226.8**	**142.8**	**58.8 %**	**134.1**	**69.1 %**
EBITS margin (%)	*17.5%*	*13.2%*	*4.3ppts*	*12.9%*	*4.6ppts*
SGARA	(10.5)	(14.5)	27.6 %	(14.3)	26.6 %
EBIT	**216.3**	**128.3**	**68.6 %**	**119.8**	**80.6 %**
Net finance costs	(13.1)	(7.5)	(74.7)%	(7.7)	(70.1)%
Tax expense	(60.4)	(35.2)	(71.6)%	(34.6)	(74.6)%
Net profit after tax (before material items)	**142.8**	**85.6**	**66.8 %**	**77.5**	**84.3 %**
Material items (after tax)	(6.1)	(26.9)	77.3 %	(26.7)	77.2 %
Non-controlling interests	(0.5)	(0.1)	NM	(0.1)	NM
Net profit after tax	**136.2**	**58.6**	**132.4 %**	**50.7**	**NM**
Reported EPS (A¢)	18.5	8.5	117.6 %		
Net profit after tax (before material items and SGARA)	**148.6**	**94.3**	**57.6 %**	**87.3**	**70.2 %**
EPS (before material items and SGARA) (A¢)	20.2	13.7	47.4 %		
Average no. of shares (m)	736.6	690.7			
Dividend (A¢)	13.0	8.0			

Financial headlines[4,5]

- Net Sales Revenue (NSR) up 20% on a reported currency basis and by 24% on a constant currency basis[6]
- EBITS $226.8m, up 59% on a reported currency basis and 69% on a constant currency basis
- 4.3ppts EBITS margin accretion to 17.5% on a reported currency basis
- Strong uplift in Net Profit after Tax, Reported EPS and EPS (before material items & SGARA)
- Strong cash conversion at 104%
- Net debt[7] / EBITDAS, adjusted for operating leases 1.5x and interest cover 16.0x[8]

Business headlines

- Margin accretion delivered by acquired business and strong portfolio premiumisation (notably in the US), enhanced price realisation, accelerated growth in Asia, Supply Chain savings and lower Cost Of Doing Business margin
- All four regions delivered double digit EBITS growth
- Re-set of US brand portfolio supported by 30% higher A&P per case, front-ended in 1H17; portfolio positioned for growth in US and Asia in 2H17
- Strengthened partnerships with wholesale and retail customers in all regions supported by outstanding global marketing campaigns and in-region sales execution
- Sale of non-priority Commercial (NPC) brand portfolio[9] in July 2016; comprising approximately 1m cases sold annually
- TWE recognised a cumulative run rate supply chain savings of $56m; of which $15m was recognised in 1H17

Dividend

- Interim dividend 13.0 cents per share, unfranked, 5 cents per share higher than the pcp (up 63%)
- Dividend pay-out ratio 64%; consistent with dividend policy[10]

Outlook

- Absent significant fluctuations in foreign exchange rates, TWE expects 2H17 EBITS to be broadly in line with 1H17
- Total cash synergies recognised from the acquisition of Diageo Wine to reach a run-rate of US$35m by F20
- Total COGS savings from TWE's Supply Chain Optimisation initiative to reach a run-rate of at least $100m by F20
- High-teens EBITS margin by F18

---

[4] Financial information in this report is based on reviewed 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 operational performance of the business and make decisions on the allocation of resources
[5] Comparative balances have been restated to reflect the final purchase price allocation for the Diageo acquisition, reallocation of inter-regional corporate and IT costs, and a change in accounting standards relating to Agricultural Assets. Refer to Appendix 1
[6] Unless otherwise stated all percentage or Dollar movements from prior periods are pre any material items and on a constant currency basis
[7] Borrowings increased by $3.6m (1H16: $5.3m, F16: $12.7m) to reflect a fair value hedge of a portion of US Private Placement notes
[8] Interest cover calculated as the ratio of earnings to net interest expense, where earnings is the consolidated pre-tax profit (pre material items and SGARA) plus the sum of the amount of net interest expense adjusted for amortised interest costs, per financial covenants
[9] Divested NPC brands include: Little Penguin, Stone Cellars, Cellar No 8, Colores Del Sol, Black Opal, Century Cellars, Great American Wine Company, Chateau La Paws, Once Upon A Vine, Rosenblum, Snapdragon and Orogeny
[10] TWE targets a dividend payout ratio of between 55%-70% of Net Profit After Tax (pre-material items and SGARA) over a fiscal year

Revenue by region

A$m	1H17	1H16	%	1H16	%
		Reported currency		Constant currency	
Net Sales Revenue					
ANZ	322.8	318.1	1.5%	319.3	1.1%
Europe	187.5	153.2	22.4%	132.7	41.3%
Asia	218.1	157.3	38.7%	156.6	39.3%
Americas	566.3	450.8	25.6%	433.3	30.7%
Total sales revenue	**1,294.7**	**1,079.4**	**19.9%**	**1,041.9**	**24.3%**
Other revenue	73.7	58.6	25.8%	58.9	25.1%
Total Revenue	**1,368.4**	**1,138.0**	**20.2%**	**1,100.8**	**24.3%**

Volume

- Volume up 2.9m 9Le cases (+19%) to 18.7m 9Le cases
- Continued volume growth reported in Asia and Australia, with volume in the Americas and Europe benefitting from the acquisition of Diageo Wine
- Volume growth partially offset by deliberate exit of unsustainable Commercial volume in the US and UK in 2H16 and divestment of non-priority Commercial portfolio in July 2016 (comprising approximately 1 million cases sold on an annual basis)

Revenue

- Net Sales Revenue up 24% driven by acquisition of Diageo Wine, portfolio premiumisation, price increases across key brands and improved price realisation
- Other revenue up 25% reflecting revenue recognised on sale of bulk wine associated with the divestment of the non-Priority Commercial brand portfolio in July 2016

Cost of Goods Sold (COGS)

- Higher COGS per case driven by premiumised portfolio mix and underlying COGS headwinds as TWE continues to cycle higher vintage costs, partially offset by TWE's Supply Chain Optimisation Initiative
- TWE's Supply Chain Optimisation initiative delivered incremental COGS savings of $0.80 per case (or $15m) in 1H17. Total, cumulative run-rate COGS savings delivered by this initiative is now $56m ($41m delivered F16)

Cost of Doing Business (CODB)

- CODB up $25.7m or 10% to $273.8m principally driven by the front-ended, 30% increase in A&P per case in the US, integration of Diageo Wine and continued investment in organisational capability and presence in Asia and the US
- CODB margin below pcp with incremental increase in CODB more than offset by strong NSR growth

EBITS by region

A$m	1H17	1H16	%	1H16	%
		Reported currency		Constant currency	
ANZ	53.1	46.9	13.2%	48.3	9.9%
Europe	23.1	17.2	34.3%	9.6	NM
Asia	79.0	45.0	75.6%	46.2	71.0%
Americas	90.7	51.7	75.4%	48.1	88.6%
Corporate	(19.1)	(18.0)	(6.1)%	(18.1)	(5.5)%
TWE EBITS	**226.8**	**142.8**	58.8%	**134.1**	69.1%

EBITS

- EBITS up 69% to $226.8m; EBITS margin up 4.6ppts to 17.5%
- EBITS increase driven by continued momentum across all regions, portfolio premiumisation, Supply Chain savings and lower CODB as a percentage of NSR, partially offset by continued investment in marketing and organisational capability
- Also included in 1H17 EBITS are one-off items, netting to a $5m gain; principally relating to profit on asset sales in the US

SGARA

- SGARA loss of $10.5m ($3.8m lower than the pcp) principally driven by higher vintage costs associated with 2016 Californian vintage

Net finance costs

- Higher net finance costs driven by higher average borrowings and assumption of finance leases post acquisition of Diageo Wine
- Net finance costs in pcp included interest income earned on funds held on deposit prior to settlement of acquisition of Diageo Wine

Tax expense

- Higher tax expense due to increased earnings, including the acquisition of Diageo Wine. Effective tax rate: 29.7% (versus 29.6% in the pcp)

Material items

- Material items expense of $6.1m (post tax) reflected integration costs associated with the acquisition of Diageo Wine and implementation of supply chain optimisation in the US

Net profit after tax (NPAT)

- NPAT before material items up to $142.8m (+84%) driven by higher EBITS and lower SGARA loss, partially offset by higher net finance costs and tax expense

Corporate costs

- Corporate costs remained broadly in line with pcp at $19.1m

Earnings Per Share (EPS)

- EPS (before SGARA and material items) increased 47% to 20.2 cents per share. EPS attributable to shareholders more than doubled to 18.5 cents per share

Balance Sheet (condensed)[11,12]

A$m	1H17	F16	1H16
Cash & cash equivalents	339.9	256.1	1,101.2
Receivables	622.3	611.4	593.8
Current inventories	927.3	895.7	710.9
Non-current inventories	645.2	678.4	461.0
Property, plant & equipment	1,354.2	1,347.8	1,090.0
Agricultural assets	37.2	35.8	36.0
Intangibles	1,120.3	1,101.5	812.2
Assets held for sale	37.7	68.2	17.6
Other assets	261.3	291.6	191.3
Total assets	**5,345.4**	**5,286.5**	**5,014.0**
Payables	704.2	726.3	509.3
Borrowings	640.2	631.1	670.9
Provisions	78.3	83.1	105.9
Other liabilities	274.3	276.8	184.0
Total liabilities	**1,697.0**	**1,717.3**	**1,470.1**
Net assets	**3,648.4**	**3,569.2**	**3,543.9**

Balance sheet movements as at 31 December 2016

Net assets up $104.5m reflecting the acquisition of Diageo Wine. Adjusting for movements in foreign currency, net assets increased $108.8m

Cash and cash equivalents

- Lower cash balance in 1H17 versus pcp due to receipt of shareholder funds related to the Diageo Wine acquisition in 1H16, which were held in escrow ahead of transaction settlement on 1 January 2016
- Relative to 30 June 2016, higher cash balances were driven by continued momentum across all regions

Working Capital

Higher working capital balance relative 30 June 2016, driven by;

- Higher receivables driven by strong trading performance across key festive occasions in 2Q17 in all regions, partially offset by some improved collection terms with customers
- Inventory broadly in line with 30 June 2016 balance, reflecting depletion of Australian and New Zealand vintages partially offset by the intake of the high yielding 2016 Californian vintage
- Seasonally lower payables, principally driven by increased payments made to growers following the conclusion of the high yielding 2016 Australian and New Zealand vintages in 2H16

Inventory

Total inventory increased $400.6m. Factors driving the movement in inventory included:

- Significant uplift in total Luxury inventory; up $283m to $881m in the period driven by the outstanding 2016 vintages in Australia, the US and New Zealand and the acquisition of Diageo Wine in 2H16
- Increase in Current Luxury inventory driven by strong inventory mix and robust demand for TWE's Luxury wine portfolio, globally
- Continued optimisation of inventory mix by reducing Commercial and lower-end Masstige inventory holdings, ongoing SKU rationalisation and shift to an outsourced model for Commercial wine in the US
- NPC brand portfolio divested in July 2016 (comprising circa 1m cases sold annually)

Property, Plant & Equipment

Property, Plant & Equipment increased $264.2m to $1,354.2m reflecting winery and packaging facilities acquired under the Diageo Wine acquisition, partially offset by the implementation of Supply Chain Optimisation initiatives across Australia, New Zealand and the US

Agricultural assets

Increase in agricultural assets to $37.2m reflects the market value of unharvested grapes prior to the 2017 Australian and New Zealand vintages

Intangibles

Increase in intangible assets reflected goodwill and brand value on acquisition of Diageo Wine

Provisions

Lower provisions relative to the pcp driven by utilisation of restructuring-related provisions in respect of TWE's Supply Chain Optimisation initiative

Other Assets / Other Liabilities

Net movement in Other Assets and Other Liabilities reflected movements in Deferred Tax Assets (DTA) and Deferred Tax Liabilities in 1H17 relative to 1H16 driven by current year movements in assets and liabilities and the recognition of a net DTA driven by the acquisition of Diageo Wine

Borrowings[13]

Borrowings decreased $30.7m to $640.2m reflecting repayment of the US$125m Diageo Wine acquisition bridge facility in 2H16, partially offset by inclusion of acquired finance leases from Diageo Wine acquisition

Balance sheet leverage

Net debt / EBITDAS 1.5x (adjusted for operating leases) and interest cover of 16.0x

Funding structure

At 31 December 2016, TWE had committed debt facilities totalling approximately $1bn, comprising;

- Drawn bank facilities of $207.8m and US Private Placement notes of $346.4m
- Undrawn committed, syndicated debt facilities total $473.2m
- Weighted average term to maturity of committed facilities 3.9 years

---

[11] Unless otherwise stated, all balance sheet percentage or Dollar movements from the previous corresponding period are on a reported currency basis and in respect of the pcp. Movement in working capital is in respect of the 6 months from 30 June 2016 to 31 December 2016 to align with the reconciliation of net debt disclosure on page 7

[12] Appendix 1 provides a detailed breakdown of prior year restatements in respect of TWE's Balance Sheet following finalisation of Purchase Price Accounting adjustments and the impact of an accounting standards change relating to Agricultural Assets

[13] Borrowings increased by $3.6m (1H16: $5.3m, F16: $12.7m) to reflect a fair value hedge of a portion of US Private Placement notes

Cash flow – reconciliation of net debt

A$m (unless otherwise stated)	1H17	1H16
EBITDAS	283.9	190.6
Change in working capital	12.8	42.5
Other items	(2.8)	6.2
Net operating cash flows before financing costs, tax & material items	**293.9**	**239.3**
Cash conversion	**103.5%**	**125.6%**
Capital expenditure	(60.7)	(43.4)
Net investment expenditure/other	14.7	2.3
Cash flows after net capital expenditure, before financing costs, tax & material items	**247.9**	**198.2**
Net interest paid	(11.5)	(6.3)
Tax paid	(22.8)	(2.2)
Cash flows before dividends & material items	**213.6**	**189.7**
Dividends/distributions paid	(88.6)	(52.1)
Cash flows after dividends before material items	**125.0**	**137.6**
Material item cash flows	3.1	35.8
Issue of shares, less transaction costs	-	475.5
On-market share purchases	(18.3)	(4.6)
Total cash flows from activities	**109.8**	**644.3**
Opening net debt at 30 June	**(365.2)**	**(213.9)**
Total cash flows from activities (above)	109.8	644.3
Proceeds from settlement of derivatives	1.1	13.6
Debt revaluation and foreign exchange movements	(41.6)	(7.2)
Decrease in net debt	**69.3**	**650.7**
Closing net debt at 31 December	**(295.9)**	**436.8**

Movement in net debt

Net debt decreased $69.3m to $295.9m. Drivers of the movement in net debt included:

EBITDAS

EBITDAS increased $93.3m on a reported currency basis driven by continued momentum across all regions, the acquisition of Diageo Wine, portfolio premiumisation, strengthening customer partnerships and strong brand and portfolio execution

Movement in working capital

Favourable movement in working capital driven by:

- Lower inventory, principally driven by operating cash flow movements reflecting the depletion of Australian and New Zealand vintages largely offset by harvest costs associated with the 2016 vintage in the US
- Increased receivables driven by strong trading performance across all regions, partially offset by some improved collection terms with customers
- Seasonally lower payables principally driven by increased payments made to growers following the conclusion of the high yielding 2016 Australian and New Zealand vintages in 2H16

Capital expenditure

Capital expenditure up $17.3m to $60.7m comprising:

- Continued investment in premiumisation activities, including investment in vineyard redevelopments and upgrades to Luxury wine making facilities
- Implementation of Supply Chain Optimisation initiative
- Integration of Diageo Wine

Maintenance and replacement expenditure not expected to be more than $110m in F17. Capital expenditure required to deliver TWE's integration synergies of US$35m (run rate by F20) is expected to be circa $80m in F17

Net investment expenditure

Net investment expenditure reflects proceeds received on the sale of St. Clement cellar door and surplus assets as TWE continues to optimise its production asset footprint

Net interest paid

Increase in net interest paid in line with higher average net debt

Dividends paid

Increase in dividends paid commensurate with F16 final dividend of 12 cents per share, 4 cents higher than the pcp

Tax paid

Higher tax paid reflected increase in underlying earnings. 1H16 tax paid included the benefit of the franking deficit tax offset which was fully utilised during F16

Material items

Lower net material items inflows driven by:

- Proceeds from the sale of assets across Australia, New Zealand and the US as part of TWE's Supply Chain Optimisation initiative in 1H17
- Offset by restructuring and redundancy outflows and costs associated with the acquisition of Diageo Wine

Proceeds from issue of shares, less transaction costs

Proceeds from issue of shares, net of transaction costs of $475.5m in 1H16 related to the cash inflow from the equity funding component of the Diageo Wine acquisition

On-market share purchases

Increase driven by greater number of vested Long Term Incentive Plan versus pcp as well as appreciation in TWE's share price

Exchange rate impact

Lower period-end exchange rates used to revalue foreign currency borrowings and cash flows as at 31 December 2016 increased net debt by $41.6m

Cash conversion

Cash conversion was 104%, compared with 125.6% in the pcp

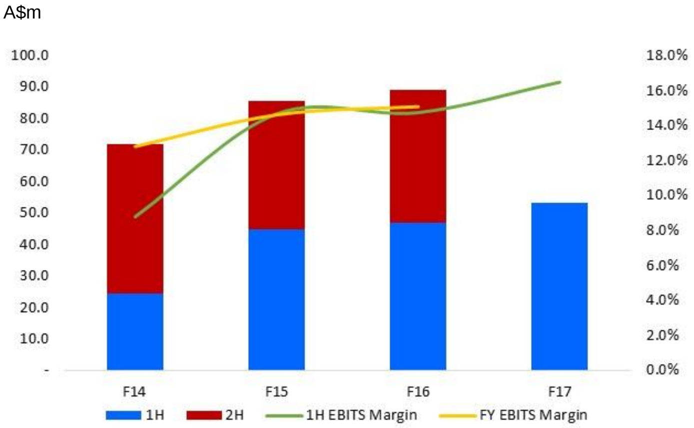
Regional Summaries

Australia & New Zealand (ANZ)

Financial performance

A$m	1H17	1H16	%	1H16	%
		Reported currency		Constant currency	
Volume (m 9Le)	4.2	4.2	0.3%	4.2	0.3%
NSR (A$m)	322.8	318.1	1.5%	319.3	1.1%
NSR per case (A$)	77.25	76.37	1.2%	76.66	0.8%
EBITS (A$m)	53.1	46.9	13.2%	48.3	9.9%
EBITS margin (%)	16.4%	14.7%	1.7ppts	15.1%	1.3ppts

Historical EBITS and EBITS margin



** Chart presented on a reported currency basis*

Business performance

- Volume up 13.1k 9Le cases (+0.3%) to 4,178.4k. Australia volume up 32.6k 9Le cases (+1.0%); outperforming the category[14]
- TWE made the deliberate decision to reallocate Australian customers who service Asia to the Asia market; adjusting for this reallocation, volume grew 2% in Australia
- NSR up 1% reflecting favourable portfolio mix and price realisation
- Increased COGS per case in 1H17. Portfolio premiumisation and higher vintage costs from lower yielding 2014 and 2015 vintages partially offset by Supply Chain optimisation benefits, particularly in Commercial segment
- Lower A&P spend driven by investment optimisation in 1H17 and elevated A&P in the pcp to support strong pipeline of NPD and innovation in 1H16
- Favourable CODB margin driven by lower overheads, optimised brand building spend and NSR growth
- Exit from less profitable volume and growth in the Masstige segment delivered positive mix and EBITS growth in New Zealand in the period
- EBITS up 9.9% to $53.1m
- EBITS margin accretion delivered, up 1.3ppt to 16.4%

ANZ regional perspectives

- Continued focus on strengthening partnerships with strategic customers in Australia underpinned by investment in consumer insights and category leading growth initiatives
- Depletions ahead of shipments in 1H17 demonstrating strong customer and consumer response to marketing and promotion activities across key festive periods in 1H17
- Investment in innovation that drives portfolio premiumisation, further optimisation of brand building investment and ongoing focus on cost management expected to drive further margin accretion in F17 and beyond

---

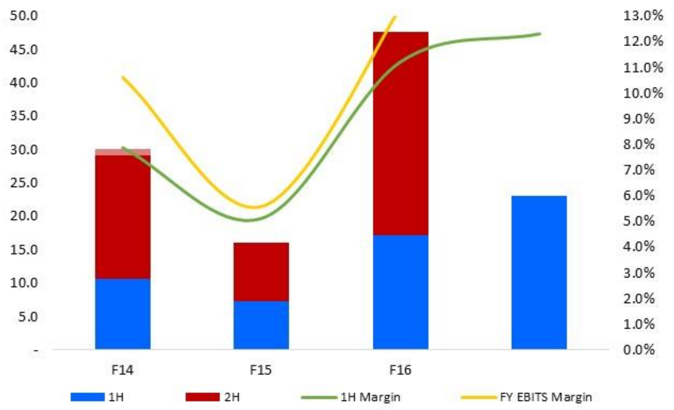
[14] Aztec Sales Data | Off premise only | Bottled Wine Only | Scan MAT to January 2017 and Company estimates

Regional Summaries
Europe

Financial performance

A$m	1H17	1H16	%	1H16	%
		Reported currency		Constant currency	
Volume (m 9Le)	5.0	3.4	47.2%	3.4	47.2%
NSR (A$m)	187.5	153.2	22.4%	132.7	41.3%
NSR per case (A$)	37.82	45.50	(16.9)%	39.41	(4.0)%
EBITS (A$m)	23.1	17.2	34.3%	9.6	NM
EBITS margin (%)	12.3%	11.2%	1.1ppts	7.2%	5.1ppts

Historical EBITS and EBITS margin
A$m



** Chart presented on a reported currency basis*

Business performance

- Total volume, NSR, EBITS and EBITS margin up driven by the acquisition of the Diageo Wine business
- Volume headwinds driven by TWE's SKU rationalisation initiative and ongoing category decline in the UK
- NSR up 41% driven by acquisition of Diageo, partially offset by adverse portfolio mix, with Commercial brand NSR up 48%
- Lower NSR per case driven by acquired Commercial wine volume and continued reallocation of Luxury wine to optimise global margins
- Masstige portfolio in Europe delivered 12% volume growth driven by Wolf Blass, Rosemount and 19 Crimes
- Lower COGS per case reflected acquired business
- Higher A&P investment driven by acquisition of Diageo Wine and targeted investment in core tiers of Wolf Blass, Lindeman's and 19 Crimes
- CODB margin favourable versus pcp as NSR growth more than offset increased brand building investment and slightly higher Overheads due to the acquisition of Diageo Wine in the period
- LATAM EBITS up strongly at $2.6m; ongoing investment in sales and marketing capability delivering positive momentum
- EBITS up $13.5m to $23.1m
- EBITS margin accretion delivered, up 5.1ppts to 12.3% (prior year impacted by elevated A&P per case)

Europe regional perspectives

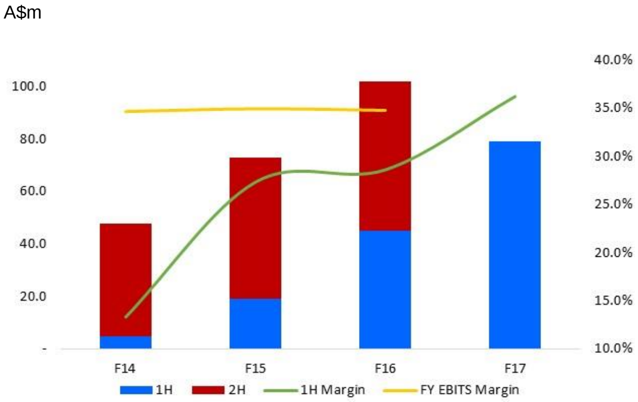
- Continued category decline in the UK and a reduction in under-bond trading in response to changes introduced by HMRC in the UK to tighten up the control of alcohol sales are headwinds in Europe in 2H17
- Movements in foreign exchange rates as a result of Brexit leading to higher COGS for Australian and US imported wine in F17, notably Blossom Hill
- While distribution of priority brands remains strong – supported by strong customer partnerships and brand marketing – SKU rationalisation program expected to continue to lower overall volume in Europe
- Impact of Brexit on customer and consumer demand remains uncertain; cost and revenue mitigation plans in effect

Regional Summaries
Asia

Financial performance

A$m	1H17	1H16	%	1H16	%
		Reported currency		Constant currency	
Volume (m 9Le)	1.7	1.2	38.5%	1.2	38.5%
NSR (A$m)	218.1	157.3	38.7%	156.6	39.3%
NSR per case (A$)	131.77	131.65	0.1%	131.07	0.5%
EBITS (A$m)	79.0	45.0	75.6%	46.2	71.0%
EBITS margin (%)	36.2%	28.6%	7.6ppts	29.5%	6.7ppts

Historical EBITS and EBITS margin



** Chart presented on a reported currency basis*

Business performance

- Volume up 39% to 1.7m 9Le cases, delivered by both North Asia (+27%) and South East Asia & Middle East & Africa (SEAMEA) (+65%)
- Volume growth driven by Australian brand portfolio; US brand portfolio in growth, up circa 200k case in the period
- Favourable NSR per case reflected price increases on select brand tiers
- Higher COGS per case driven by portfolio mix, partially offset by Supply Chain savings and diversified portfolio mix
- A&P investment in line with prior year, supporting price increases taken and brand-led marketing campaigns for Singles Day, Mid-Autumn Festival and ahead of Chinese New Year
- Investment in consumer marketing and on-the-ground sales and marketing capabilities to support new routes-to-market more than offset by strong NSR growth; CODB margin down 7ppts
- EBITS up $32.8m to $79.0m; strong EBITS margin accretion delivered, up 6.7ppts to 36.2%

Asian regional perspectives

- Fundamentals of Asian wine markets continue to be highly attractive; imported wine category grew 17% in CY15 versus historical CAGR of 13% per annum between CY10 and CY14[15]
- Relative to 2H, TWE expects 1H in Asia to be seasonally stronger by volume due to timing of key consumption and gift giving occasions requiring shipments in 1H
- Refreshed US brand portfolio now positioned for growth in 2H17 following official launch of 90+ collection in Shanghai in November; elevated brand investment to support US portfolio expected in 2H17
- Continued focus on deepening customer partnerships and more efficient routes-to-market across Asia, notably in China and Japan
- New route-to-market established in Japan in January 2017; expected to facilitate closer and more direct customer partnerships and increased consumer connections in Asia's second largest wine market
- Asia region continues to focus on driving a balanced brand and country-of-origin (i.e. Australian, US and New Zealand wine) mix via portfolio diversification strategy
- EBITS margin toward the higher end of the previously communicated 30%-35% range expected in F17 driven by portfolio mix diversification, continued investment in marketing and sales presence, partially offset by optimised pricing and brand building investment

[15] IWSR still and sparkling wines only (excludes non-grape and fortified wines)

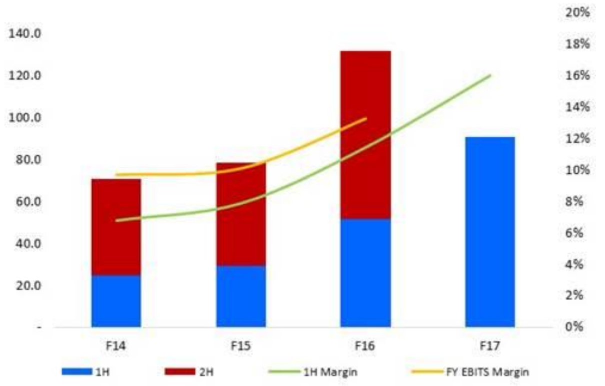
Regional Summaries
Americas

Financial performance

A$m	1H17	1H16	%	1H16	%
		Reported currency		Constant currency	
Volume (m 9Le)	7.9	7.1	12.6%	7.1	12.6%
NSR (A$m)	566.3	450.8	25.6%	433.3	30.7%
NSR per case (A$)	71.24	63.87	11.5%	61.39	16.0%
EBITS (A$m)	90.7	51.7	75.4%	48.1	88.6%
EBITS margin (%)	16.0%	11.5%	4.5ppts	11.1%	4.9ppts

Historical EBITS and EBITS margin

A$m



** Chart presented on a reported currency basis*

Business performance

- Volume and NSR up strongly driven by contribution from the acquired Diageo Wine business, partially offset by divestment of Non-Priority Commercial brand portfolio in July 2016 (comprising approximately 1m cases sold annually)
- Outstanding NSR per case growth reflects portfolio premiumisation with volume and value growth delivered by Luxury, Masstige and Commercial segments, price increases on select brands and focus on sustainable volume
- Increased COGS per case reflects premiumised portfolio mix and higher inventory costs, partially offset by Supply Chain optimisation savings
- Re-set of US brand portfolio underpinned higher brand building investment that was front-ended in 1H17; A&P per case increased 30%
- Following US brand reset and refresh, shipments exceeded depletions by 150k cases in 1H17
- Despite increase in brand building spend and investment in organisational talent in 1H17, CODB margin in line with pcp with NSR growth higher than the incremental increase in costs
- EBITS reported in Canada below pcp driven by operational challenges and adverse macroeconomic conditions. New route-to-market announced in January 2017
- EBITS up 89% to $90.7m principally reflecting acquisition of Diageo Wine and portfolio premiumisation. TWE also recognised one-off items, netting to $5m gain in 1H17, principally relating to the profit on asset sales
- EBITS margin accretion delivered, up 4.9ppts to 16.0%

Americas regional perspectives

- Fundamentals of the US wine market remain attractive; total bottled wine category in volume and value growth of 0.9% and 2.8%, respectively. TWE expects to deliver volume and value growth in line with category in 2H17[16]
- Reset of US brand portfolio on-track; TWE well positioned to rebuild distribution of refreshed portfolio with enhanced margin structures
- Strengthened partnerships with distributor and retail customers in 1H17; further opportunity exists to drive improved performance with key customers and distributors
- TWE will continue to cycle higher vintage costs in 2H17 and 1H18 due to the low-yielding, but high quality 2015 vintage in California. TWE's Supply Chain Savings is partially offsetting these COGS headwinds
- Continued margin accretion to be underpinned by volume growth and portfolio premiumisation, enhanced returns from the Diageo Wine business, optimisation of brand investment and cost management

[16] Total Wine Category $4+ Table (excluding Box) - Source: IRI Market Advantage, Table $4+ excluding Box and Aseptic Wine Size Package, 26 weeks ending 1/8/17, Total Multi Outlet + Liquor

Summary

In summary, the strong interim result demonstrates that TWE is executing on all strategic initiatives; enabling the Company to transition TWE **from** an agricultural, order-taking company **to** a brand-led, high performance organisation.

Crucial to this transition is embedding balanced and sustainable business models across TWE's brand and regional earnings mix, as well as building further flexibility and diversification into the Company's supply model.

TWE is now marketing and selling its key brands across all four quarters of the year, rather than delivering the majority of its earnings from only a few brands in the final quarter of the fiscal year. As a result, TWE's earnings will continue to be more evenly spread across the fiscal year.

Furthermore, the Company's brand building investment is focused on a global, 'portfolio of brands' approach, which in turn, diversifies the revenue and earnings composition.

TWE is also diversifying its sourcing profile; driving an improved balance across key varietals, sourcing regions and appellations.

In 1H17, TWE has been focused on integrating Diageo Wine, with integration and rationalisation of acquired brands and supply chain assets in progress. As TWE updates and refreshes the acquired brands, TWE is increasingly well positioned to grow distribution of these brands in both the US and in Asia with improved creatives and promotions and importantly, enhanced margin structures.

Following the strong 1H17 performance and with accelerating momentum across the business, the outlook for TWE is positive. As a result, TWE is on track to deliver previously stated targets of:

- Total cash synergies recognised from the acquisition of Diageo to reach a run-rate of US$35m by F20
- Total COGS savings from its Supply Chain Optimisation initiative to reach a run-rate of at least $100m by F20
- High-teens EBITS margin by F18

Vintage update

Californian

The 2016 growing season started three weeks later than 2015 with a desirable extended ripening phase and yields returning to the long term average. Strong yields were noted on high-demand varietals including Napa Cabernet and Santa Barbara Pinot Noir. Quality and yields of these varietals were comparable to the strong 2013 harvest. While the 2016 Californian harvest assisted in bridging some of the shortfall of the 2015 vintage, the market is still in deficit on key varietals, notably Cabernet, with grape prices for cabernet increasing. Drought conditions that have persisted in California for the last five years began to lift at the beginning of the 2016 harvest which positively impacted yields and quality across all regions.

Australia

An excellent Winter and well-timed Spring rains have resulted in healthy canopies and a 2017 Australian harvest which will be later than prior vintages. Hail storms across the Riverland and Sunraysia regions have reduced industry yield expectations, however the more premium areas have benefited from the additional ground moisture. Provided favourable conditions continue through the remainder of the harvest, TWE expects quality and yield to be in line with the outstanding 2016 Australian vintage.

New Zealand

The 2017 New Zealand harvest to date has been characterised by a wet Spring and Summer, leading to consistent fruit set and yields across regions. Conditions to date have favoured most varietals, notably Central Otago Pinot Noir and Marlborough Sauvignon Blanc. Yield and quality are expected to be in line with the 2016 high yielding and excellent quality harvest, with the New Zealand earthquake not expected to impact yields.

Appendix 1: Reconciliation of prior year comparatives

Profit & Loss – 1H16

Group P&L

$Am (unless otherwise stated)	Previously reported	Change in accounting standard - SGARA	Reallocation of Corporate & IT costs	Restated
Volume (m 9L cases)	15.8	-	-	15.8
Net sales revenue	1,079.4	-	-	1,079.4
Other Revenue	58.6	-	-	58.6
Cost of goods sold	(733.7)	(4.0)	(2.0)	(739.7)
Gross profit	404.3	(4.0)	(2.0)	398.3
Cost of doing business	(257.5)	-	2.0	(255.5)
EBITS	**146.8**	**(4.0)**	**-**	**142.8**
SGARA	(14.8)	0.3	-	(14.5)
EBIT	**132.0**	**(3.7)**	**-**	**128.3**
Net finance costs	(7.5)	-	-	(7.5)
Tax expense	(36.9)	1.7	-	(35.2)
Net profit after tax (before material items)	**87.6**	**(2.0)**	**-**	**85.6**
Material items (after tax)	(26.9)	-	-	(26.9)
Non-controlling interests	(0.1)	-	-	(0.1)
Net profit after tax	**60.6**	**(2.0)**	**-**	**58.6**
Reported EPS (A¢)	8.8	(0.3)	-	8.5
Net profit after tax (before material items and SGARA)	**96.6**	**(2.3)**	**-**	**94.3**
EPS (before material items and SGARA) (A¢)	14.0	(0.3)	-	13.7
Average no. of shares (m)	690.7	-	-	690.7
Dividend (A¢)	8.0	-	-	8.0

Regional P&L

	Previously reported	Change in accounting standard - SGARA	Reallocation of Corporate & IT costs	Restated
ANZ	46.7	(1.6)	1.8	46.9
Europe & LATAM	17.2	-	-	17.2
Asia	46.5	-	(1.5)	45.0
Americas	56.2	(2.4)	(2.1)	51.7
Corporate	(19.8)	-	1.8	(18.0)
TWE EBITS	**146.8**	(4.0)	-	**142.8**

Balance Sheet

Balance sheet as at 31 December 2015

A$m	Previously reported	Change in accounting standard - SGARA	Restated
Cash & cash equivalents	1,101.2	-	1,101.2
Receivables	593.8	-	593.8
Current inventories	710.9	-	710.9
Non-current inventories	461.0	-	461.0
Property, plant & equipment	961.3	128.7	1,090.0
Agricultural assets	255.5	(219.5)	36.0
Intangibles	812.2	-	812.2
Assets Held for Sale	17.6	-	17.6
Other assets	191.3	-	191.3
Total assets	**5,104.8**	**(90.8)**	**5,014.0**
Payables	509.3	-	509.3
Borrowings	670.9	-	670.9
Provisions	105.9	-	105.9
Other liabilities	212.8	(28.8)	184.0
Total liabilities	**1,498.9**	**(28.8)**	**1,470.1**
Net assets	**3,605.9**	**(62.0)**	**3,543.9**

Balance sheet as at 30 June 2016

A$m	Previously reported	Final purchase price accounting - Diageo	Change in accounting standard - SGARA	Restated
Cash & cash equivalents	256.1		-	256.1
Receivables	611.4		-	611.4
Current inventories	904.0	(8.3)	-	895.7
Non-current inventories	678.4	-	-	678.4
Property, plant & equipment	1,154.5	(13.1)	206.4	1,347.8
Agricultural assets	340.0	(2.2)	(302.0)	35.8
Intangibles	1,060.2	41.3	-	1,101.5
Assets Held for Sale	98.8	(30.6)	-	68.2
Other assets	273.8	17.8	-	291.6
Total assets	**5,377.2**	**4.9**	**(95.6)**	**5,286.5**
Payables	725.4	0.9	-	726.3
Borrowings	630.9	0.2	-	631.1
Provisions	80.4	2.7	-	83.1
Other liabilities	305.4	1.1	(29.7)	276.8
Total liabilities	**1,742.1**	**4.9**	**(29.7)**	**1,717.3**
Net assets	**3,635.1**	**-**	**(65.9)**	**3,569.2**