Execution of strategic priorities delivering strong performance globally across TWE

Announcement highlights

- Reported EBITS declined 7% to $262.4m[1], up 28% excluding Australian COO sales to Mainland China, driven by global distribution growth for Penfolds and growth in TWE's other Luxury and Premium portfolio brands
- New divisional model a key enabler of the strong underlying growth across all divisions and in priority markets
- Strong premiumisation trend continues, with 83% of NSR contributed by the Premium and Luxury portfolios
- Substantially completed changes in the Treasury Americas brand portfolio and asset base in 1H22, including the acquisition of Frank Family Vineyards for US$315m and the divestment of non-priority US brands and assets

Group financial summary[2]

A$m (unless otherwise stated)	1H22	% Chg. Reported	% Chg. Constant Currency	% Chg. Organic[3]
Net Sales Revenue (NSR)	1,267.0	(10.1)%	(10.0)%	(3.8)%
NSR per case (A$)	95.6	16.0%	16.1%	7.3%
Earnings Before Interest, Tax, SGARA and Material items (EBITS)	262.4	(6.7)%	(3.6)%	(1.2)%
EBITS Margin	20.7%	0.8ppts	1.4ppts	0.6ppts
Net Profit After Tax	109.1	(7.5) %	1.5%	
Earnings Per Share (A$ cents)	15.1	(7.7)%	1.4%	
Net Profit After Tax before Material Items and SGARA	163.2	(5.3)%	0.2%	
Earnings Per Share before Material Items and SGARA (A$ cents)	22.6	(5.4)%	0.1%	

- NSR declined 10.1% to $1,267.0m, reflecting the impact of the US Commercial portfolio divestiture[4] and the significant decline in shipments to Mainland China[5], partly offset by growth in the Premium portfolio
- NSR per case improved 16.0%, with TWE's continuing focus on portfolio premiumisation increasing the contribution of the Luxury and Premium portfolios to 83% of Group NSR, up from 75% in the pcp
- EBITS declined 6.7% to $262.4m, however excluding the contribution from Australian COO wine sold in Mainland China[6], EBITS increased by 28.3%
- EBITS margin improved 0.8ppts to 20.7%, with strong Premium portfolio performance and reduced cost of doing business (CODB) partly offsetting the decline in NSR
- NPAT and EPS, before material items and SGARA, both declined approximately 5% to $163.2m and 22.6 cents per share respectively
- ROCE 10.3%, a 1.0ppt improvement on the pcp
- Cash conversion 115.1%; excluding the change in Luxury and Premium inventory, cash conversion was 94.1%
- Net Debt to EBITDAS of 1.8x[7] reflects TWE's investment grade credit profile, up from 1.7x in the pcp
- Interim dividend of 15.0 cents per share declared, fully franked, representing a payout ratio of 66% NPAT, consistent with TWE's long-term dividend policy

[1] Unless otherwise stated, all figures and percentage movements are stated on a reported currency basis versus the prior corresponding period, are pre-SGARA and material items and are subject to rounding
[2] Prior year financials have been restated to reflect revised treatment of configuration and customisation costs in cloud computing arrangements in accordance with IFRIC agenda decision Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS38 Intangible Assets), refer to Appendix 2 for further information
[3] On a constant currency basis, excluding the contribution of divested portfolio brands. 1H21 US commercial brand portfolio contribution, divested in March 2021, was 2.5m cases and NSR $112.0m; 1H22 contribution of Provenance and Chateau St Jean, divested in November and December 2021 respectively, was 0.2m cases and NSR $20.1m
[4] In March 2021, TWE reached an agreement to divest the majority of its US commercial brand portfolio
[5] In November and December 2020, the Chinese Ministry of Commerce ("MOFCOM") announced provisional anti-dumping and countervailing measures, with a combined duty of 175.6% to be applied to the value of TWE wine in containers of two litres or less imported into Mainland China. In March 2021, MOFCOM announced its final determination, announcing that the combined duty rate of would remain in place for a minimum period of five years.
[6] EBITS contribution from Australian COO wine sold in Mainland China: 1H22 $2.0m, 1H21 $78.2m
[7] Includes last-twelve months EBITDAS of Frank Family Vineyards

Divisional performance overview

A$m	1H22	% Chg. Reported	% Chg. Constant Currency	% Chg. Organic
NSR				
Penfolds	382.7	(16.3)%	(16.3)%	-
Treasury Americas	465.9	(8.5)%	(7.7)%	13.6%
Treasury Premium Brands	418.4	(5.6)%	(6.3)%	-
Group	**1,267.0**	**(10.1)%**	**(10.0)%**	**(3.8)%**
Luxury & Premium (%NSR)	*82.7%*	*7.8ppts*	*7.9ppts*	*2.8ppts*
EBITS				
Penfolds	165.1	(19.0)%	(17.4)%	-
Treasury Americas	85.2	18.8%	26.9%	46.0%
Treasury Premium Brands	39.0	19.3%	20.7%	-
Corporate	(26.9)	0.9%	0.9%	-
Group	**262.4**	**(6.7)%**	**(3.6)%**	**(1.2)%**
EBITS Margin (%)	*20.7%*	*0.8ppts*	*1.4ppts*	*0.6ppts*

Focused execution of strategic priorities under the new divisional operating model delivered positive momentum throughout TWE in 1H22:

- Penfolds reported a 19% decline in EBITS to $165.1m and an EBITS margin of 43.1% (down 1.4ppts). Reduced shipments to Mainland China were partly offset by strong growth across global priority markets and channels, with NSR and EBITS outside of Mainland China increasing by 49.1% and 32.1% respectively on a constant currency basis. Penfolds growth was particularly strong in Asian markets outside of Mainland China, where NSR grew 119%, supported by strong depletions trends. Increasing distribution in Asia, ANZ, Europe and the United States was a key execution highlight in 1H22.
- Treasury Americas reported a 19% increase in EBITS to $85.2m and an EBITS margin of 18.3% (up 4.2ppts). The TWE priority portfolio continued its strong momentum, delivering 18.8% NSR growth, led by Luxury portfolio performance in the on-premise and DTC channels where progressive reopening trends continued. In 1H22, Treasury Americas substantially completed its significant asset and portfolio optimisation program with the divestment of Provenance, Chateau St Jean and surplus supply chain assets, in addition to the acquisition of Frank Family Vineyards, an excellent portfolio complement that supports Treasury Americas priorities for premiumisation, growth and margin expansion.
- Treasury Premium Brands reported a 19% increase in EBITS to $39.0m and an EBITS margin of 9.3% (up 1.9ppts). NSR declined 5.6%, with the impact of reduced Commercial portfolio volumes in EMEA and ANZ moderated by the growth of key Premium portfolio brands, including 19 Crimes, Squealing Pig and Pepperjack. NSR per case increased 6.9%, reflecting strong portfolio premiumisation. Treasury Premium Brands continued its focus on innovation led portfolio growth, with the successful launch of the Wolf Blass Zero alcohol range and new multi-country of origin offerings for Rawson's Retreat and Blossom Hill key execution highlights.

Sustainability

TWE continued to take considerable steps forward in 1H22 towards its sustainability ambition of *cultivating a brighter future*, including defining its sustainability strategy and setting a comprehensive suite of sustainability targets.

Key sustainability highlights in the period included:

- Improved reporting of progress against targets and commitments in the 2021 Sustainability Report
- Joining RE100, a global initiative bringing together the world's most influential businesses, underlining TWE's commitment to 100% renewable energy
- Refinancing $1.4bn of existing debt facilities to include the establishment of Sustainability Linked Loans, providing a direct link between TWE's sustainability performance and its cost of capital

Future perspectives

TWE's financial objective remains to deliver sustainable top-line growth and high-single digit average earnings growth over the long-term[8].

TWE expects that trading conditions for the remainder of F22 will be broadly consistent with those in 1H22 across all key global markets and channels.

On today's results announcement, TWE's Chief Executive Officer Tim Ford commented:

"We are very pleased with our first half results, where we delivered comparable EBITS growth of 28% when taking into account the effective closure of the Mainland China market, while at the same time continuing with the implementation of important changes across the business. This performance reflects the focused execution of our plans and strategic priorities, led for the first time by Penfolds, Treasury Americas and Treasury Premium Brands. Each division is now on a clear and positive trajectory towards their respective long-term growth objectives, with the benefits of separate focus and accountability already very evident throughout TWE.

Following the past two years of significant change within TWE and the markets in which we operate, we have shifted our focus from a mindset of 'recovery and restructuring' to one of 'growth and innovation'. We have great confidence that by leveraging the unique strengths of our business – our people, our brands and our asset base – we are well placed to capitalise on the significant opportunities across the global markets in which we operate."

Conference call

Treasury Wine Estates will host an investor and analyst webcast and conference call commencing at 10:00am (AEDT) on 16 February 2022. Links to register are provided below. A replay of the presentation will also be available on the website www.tweglobal.com from approximately 1:00pm AEDT.

Conference call registration

https://apac.directeventreg.com/registration/event/5373119

Webcast registration

https://edge.media-server.com/mmc/p/9vceup9s

For the purposes of ASX Listing Rule 15.5, TWE confirms that this document has been authorised for release to the market by the Board.

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[8] Organic, pre material items and on a constant currency basis.

Profit and Loss[9]

$Am (unless otherwise stated)	1H22	Reported Currency 1H21	Reported Currency Change	Constant Currency 1H21	Constant Currency Change
Net sales revenue	1,267.0	1,410.0	(10.1)%	1,408.2	(10.0)%
NSR per case ($)	*95.6*	*82.5*	*16.0%*	*82.4*	*16.1%*
Other Revenue	32.3	14.2	127.5%	13.8	133.3%
Cost of goods sold	(781.6)	(864.0)	9.5%	(868.4)	10.0%
Cost of goods sold per case ($)	*59.0*	*50.6*	*(16.5)%*	*50.8*	*(16.1)%*
Gross profit	517.7	560.3	(7.6)%	553.7	(6.5)%
Gross profit margin (% of NSR)	*40.9%*	*39.7%*	*1.1ppts*	*39.3%*	*1.5ppts*
Cost of doing business	(255.3)	(279.0)	8.5%	(281.3)	9.3%
Cost of doing business margin (% of NSR)	*20.2%*	*19.8%*	*(0.4)ppts*	*20.0%*	*(0.2)ppts*
EBITS (before material items)	**262.4**	**281.2**	**(6.7)%**	**272.3**	**(3.6)%**
EBITS margin (%)	*20.7%*	*19.9%*	*0.8ppts*	*19.3%*	*1.4ppts*
SGARA	(26.2)	(11.9)	(119.2)%	(12.2)	(114.1)%
EBIT (before material items)	**236.2**	**269.3**	**(12.3)%**	**260.1**	**(9.2)%**
Net finance costs	(34.7)	(39.8)	12.8%	(39.6)	12.3%
Tax expense	(57.4)	(65.9)	12.8%	(66.2)	13.3%
Net profit after tax (before material items)	**144.1**	**163.6**	**(11.9)%**	**154.3**	**(6.6)%**
Material items (after tax)	(35.0)	(45.6)	23.3%	(46.8)	25.3%
Net profit after tax	**109.1**	**118.0**	**(7.5)%**	**107.4**	**1.5%**
Reported EPS (A¢)	15.1	16.4	(7.7)%	14.9	1.4%
Net profit after tax (before material items and SGARA)	**163.2**	**172.4**	**(5.3)%**	**162.8**	**0.2%**
EPS (before material items and SGARA) (A¢)	22.6	23.9	(5.4)%	22.6	0.1%
Average no. of shares (m)	721.4	721.2	0.1%	721.2	0.1%
Dividend (A¢)	15.0	15.0	0.0%	15.0	0.0%

NSR declined 10.0% reflecting the divestiture of the US Commercial portfolio in March 2021, the decline in shipments to Mainland China and reduced Commercial volumes in the UK and Australia. The decline was partly offset by strong Luxury brand performance in Treasury Americas and Penfolds, as well as Premium brand performance in Treasury Premium Brands

NSR per case improved 16.1% with TWE's continuing focus on portfolio premiumisation increasing the contribution of the Luxury and Premium portfolios to 83% of Group NSR, up from 75% in the pcp

COGS per case increased 16.1% reflecting the portfolio mix shift, higher COGS from the fire and drought impacted 2020 Californian vintage, higher COGS from the low yielding 2020 Australian vintage and elevated global supply chain and logistics costs

CODB improved 9.3% to $255.3m, driven by lower overheads and brand building investment in Mainland China; CODB margin was in line with the pcp

EBITS margin improved 1.4ppts to 20.7%, progress towards TWE's Group EBITS margin target of 25% and beyond

SGARA loss of $26.2m reflects reduced intake from the 2021 Californian vintage and lower grape pricing in Australia, partly offset by the unwinding of losses associated with the 2018 and 2019 Californian vintages

Net finance costs were 12.3% favourable in 1H22, driven by lower average net borrowings and the benefit of lower average interest rates

Tax expense declined 13.3% in 1H22, reflecting lower earnings. The effective tax rate (before material items) of 28.4% was in line with the pcp

Material Items A post-tax net material items loss of $35.0m has been recognised, and relates to costs associated with the divestment of US brands and assets, the acquisition of Frank Family Vineyards and supply chain changes

EPS (before SGARA and material items) increased 0.1% to 22.6 cents per share. Reported EPS increased 1.4% to 15.1 cents per share.

[9] Unless otherwise stated, all percentage movements are stated on a constant currency basis versus the prior corresponding period and are subject to rounding

Divisional Performance Overview

Penfolds[10]

A$m (unless otherwise stated)	1H22	Reported Currency 1H21	%	Constant currency 1H21	%
Volume (m 9Le)	**1.1**	**1.3**	**(15.8)%**	**1.3**	**(15.8)%**
NSR (A$m)	**382.7**	**457.3**	**(16.3)%**	**457.2**	**(16.3)%**
ANZ	114.3	108.8	5.1%	108.8	5.1%
Asia	203.8	297.5	(31.5)%	297.4	(31.5)%
Americas	35.4	25.7	37.9%	25.4	39.3%
EMEA	29.2	25.3	15.4%	25.6	14.3%
NSR per case (A$)	*343.2*	*345.3*	*(0.6)%*	*345.2*	*(0.6)%*
EBITS (A$m)	**165.1**	**203.9**	**(19.0)%**	**200.0**	**(17.4)%**
EBITS margin (%)	*43.1%*	*44.6%*	*(1.4)ppts*	*43.7%*	*(0.6)ppts*

Financial performance

Volume and **NSR** declined 15.8% and 16.3% respectively, driven by:

- The decline in shipments to Mainland China;
- Partly offset by strong momentum across the portfolio in priority global markets and channels, with division NSR outside of Mainland China increasing by 49.1% in 1H22

NSR per case was in line with the pcp, with Penfolds global pricing structure retained consistently across all markets

COGS per case increased 3.7%, including higher cost Premium portfolio releases from the 2020 Australian vintage

CODB improved 19.2%, driven by reduced costs in Mainland China (net of reinvestment to other global markets) and a temporary re-phasing of overheads and promotional investment that will begin to normalise in 2H22

EBITS declined 17.4% to $165.1m, and **EBITS margin** declined 0.6ppts to 43.1%; excluding Mainland China, EBITS increased 32.1% in 1H22

Division insights

- Key 1H22 execution highlights include:
  - Distribution, volume and NSR growth achieved across all priority markets, reflecting the continuing momentum behind Penfolds global execution strategy
  - Delivery of strong growth in Asia, where NSR in regional markets ex-Mainland China increased 119%, supported by strong depletion trends, and inventory days remain in line with the prior year
  - Successful activation of key brand building platforms, including sponsorship of the VRC Derby Day in Australia, participation in the 2021 China International Import Expo and launch of the inaugural Penfolds barrel NFTs
- While retail and e-commerce channels delivered strong performance, pandemic related disruptions continued to impact on-premise and global travel retail channels. Positive signs of improvement were evident in a number of key markets across Asia late in 1H22
- Penfolds is transitioning to a single global release date for its multi country of origin portfolio, commencing in August 2022 when the Australian, Californian and French country of origin wines will be released as the Penfolds Collection. As a result, the Californian and French portfolio releases that were due in 2H22 will now be deferred to 1H23
- F22 EBITS are expected to be slightly weighted to the first half, by approximately 1-2%, reflecting the timing of the annual Penfolds release and key gift giving occasions in addition to the change in the northern hemisphere market release dates

[10] Unless otherwise stated, all percentage or dollar movements from prior periods are pre-material items on a constant currency basis versus the prior corresponding period and are subject to rounding

Divisional Performance Overview

Treasury Americas[11]

	Reported Currency			Constant Currency		
A$m (unless otherwise stated)	**1H22**	**1H21**	**%**	**1H21**	**%**	**% Organic[12]**
Volume (m 9Le)	**4.0**	**6.6**	**(39.0)%**	**6.6**	**(39.0)%**	**(5.5)%**
NSR	**465.9**	**509.4**	**(8.5)%**	**504.5**	**(7.7)%**	**13.6%**
ANZ	–	–	–	–	–	–
Asia	–	–	–	–	–	–
Americas	465.9	509.4	(8.5)%	504.5	(7.7)%	13.6%
EMEA	–	–	–	–	–	–
NSR per case (A$)	*116.3*	*77.6*	*49.9%*	*76.9*	*51.3%*	*20.2%*
EBITS	**85.2**	**71.7**	**18.8%**	**67.1**	**26.9%**	**46.0%**
EBITS margin (%)	*18.3%*	*14.1%*	*4.2ppts*	*13.3%*	*5.0ppts*	*3.9ppts*

Financial performance

Volume and **NSR** declined 39.0% and 7.7% respectively, driven by:

- The divestiture of the US Commercial brand portfolio in March 2021
- On an organic basis, NSR grew 13.6% led by strong Luxury portfolio growth, supported by distribution and velocity gains as well as progressive re-opening of cellar doors and on-premise, partly offset by declines in US$8-11 price point brands
- Shipments were ahead of depletions by approximately 0.3m cases due to one-off, distributor stocking as part of the distributor model change in California to RNDC

NSR per case increased 51.3% reflecting significantly improved portfolio mix, with the Premium and Luxury portfolios now contributing 91% of divisional NSR (up from 73% in 1H21)

COGS per case increased 41.4%, driven predominantly by the improved portfolio mix in addition to higher COGS from recent vintages

CODB improved 8.6% and includes insurance proceeds relating to lost profits from the ongoing closure of cellar doors following the 2020 Californian wildfires

EBITS increased 26.9% to $85.2m, with **EBITS margin** improving 5.0ppts to 18.3%; on an organic basis, EBITS increased 46.0%

Division insights

- Key 1H22 execution highlights include:
  - Continued momentum in the TWE priority brand portfolio, which grew NSR by 18.8%, led by strong recovery in on-premise and cellar doors
  - Outstanding innovation success, with 19 Crimes Cali Rose the leading US wine market innovation of 2021[13], marking the second consecutive year that Treasury Americas has achieved this result
  - Successful transition of distribution arrangements in California and Texas to RNDC, with performance gaining momentum in 2Q22
  - Substantial completion of significant changes in brand portfolio and asset base, including the acquisition of Frank Family Vineyards and the divestment of Provenance, Chateau St Jean and surplus supply chain assets, with disciplined capital allocation supporting Treasury Americas transition to a premium focused business
- Premiumisation remains a dominant theme in the US wine market, with continued growth in the above US$11 price points offsetting declines below US$11; restoring momentum in Treasury Americas US$8-11 portfolio will be a key execution priority in 1H22
- Supply chain and logistics costs are expected to remain elevated in 2H22, with price increases to be implemented across select portfolio brands to partly mitigate impacts
- Trading conditions for the remainder of F22 are expected to remain broadly consistent with those in 1H22

[11] Unless otherwise stated, all percentage or dollar movements from prior periods are pre-material items on a constant currency basis versus the prior corresponding period and are subject to rounding

[12] On a constant currency basis, excluding the contribution of divested portfolio brands. 1H21 US commercial brand portfolio contribution, divested in March 2021, was 2.5m cases and NSR $112.0m; 1H22 contribution of Provenance and Chateau St Jean, divested in November and December 2021 respectively, was 0.2m cases and NSR $20.1m

[13] IRI, Total US MULO+Convenience, calendar year ending 26 December 2021

Divisional performance overview

Treasury Premium Brands[14]

A$m (unless otherwise stated)	1H22	Reported Currency 1H21	Reported Currency %	Constant currency 1H21	Constant currency %
Volume (m 9Le)	**8.1**	**9.2**	**(11.7)%**	**9.2**	**(11.7)%**
NSR	**418.4**	**443.2**	**(5.6)%**	**446.5**	**(6.3)%**
ANZ	203.9	215.1	(5.2)%	215.4	(5.3)%
Asia	35.7	35.6	0.3%	35.5	0.7%
Americas	–	–	–	–	–
EMEA	178.7	192.5	(7.2)%	195.6	(8.6)%
NSR per case (A$)	*51.5*	*48.2*	*6.9%*	*48.5*	*6.1%*
EBITS	**39.0**	**32.7**	**19.3%**	**32.3**	**20.7%**
EBITS margin (%)	*9.3%*	*7.4%*	*1.9ppts*	*7.2%*	*2.1ppts*

Financial Performance

Volume and **NSR** declined 11.7% and 6.3% respectively, driven by:

- Reduced Commercial portfolio volumes in EMEA and ANZ, most notably through the UK retail channel following heightened pandemic related demand in 1H21
- Partly offset by strong Premium portfolio growth in EMEA and Asia

NSR per case increased 6.1%, reflecting improved portfolio mix, with the Premium and Luxury portfolios contributing 58% of divisional NSR (up from 52% in 1H21)

COGS per case increased 4.4%, driven by the improved portfolio mix, higher cost releases from the 2020 Australian vintage and elevated global supply chain costs

CODB improved 10.9% reflecting more focused, prioritised brand investment, lower commercial portfolio volumes and the timing of key promotional activity in F22

EBITS increased 20.7% to $39.0m, and **EBITS margin** improved 2.1ppts to 9.3%

Division insights

- Key 1H22 execution highlights include:
  - Positive early momentum towards delivery of key divisional financial priorities, including portfolio premiumisation, EBITS growth and EBITS margin expansion
  - Continued innovation-led portfolio growth, including the launch of the Wolf Blass Zero alcohol range, new varietals for Pepperjack and the release of additional 19 Crimes brand tiers in EMEA where there were strong distribution gains across key markets, supporting brand NSR growth of 45%
  - Expansion of the multi-COO portfolio, with new brand offerings for Rawson's Retreat and Blossom Hill sourced from Chile and Spain respectively
- Supply chain costs and logistics are expected to remain elevated in 2H22, with price increases planned to be implemented across select portfolio brands to partly mitigate impacts
- Trading conditions for the remainder of F22 are expected to remain broadly consistent with those in 1H22 across key global markets and channels

[14] Unless otherwise stated, all percentage or dollar movements from prior periods are pre-material items on a constant currency basis versus the prior corresponding period and are subject to rounding

Balance Sheet (condensed)[15]

A$m	1H22	F21	1H21
Cash & cash equivalents	616.6	448.1	480.8
Receivables	622.1	622.0	511.5
Current inventories	917.2	839.7	826.7
Non-current inventories	966.7	1,056.8	1,041.8
Property, plant & equipment	1,392.3	1,322.5	1,335.7
Right to use lease assets	436.3	448.4	475.5
Agricultural assets	29.5	33.8	40.7
Intangibles	1,456.6	1,155.5	1,169.6
Tax assets	172.6	183.7	166.6
Assets held for sale	30.8	140.2	45.7
Other assets	22.7	33.5	53.6
Total assets	**6,663.4**	**6,284.2**	**6,147.1**
Payables	686.8	703.6	673.0
Interest bearing debt	1,270.1	915.2	903.4
Lease liabilities	603.1	612.6	639.5
Tax liabilities	324.6	330.7	306.3
Provisions	100.4	104.8	53.7
Other liabilities	17.9	26.1	40.5
Total liabilities	**3,002.9**	**2,693.0**	**2,616.4**
Net assets	**3,660.5**	**3,591.2**	**3,530.7**

Net assets increased $69.3m to $3,660.5m in 1H22. Adjusting for foreign exchange rate movements, net assets increased by $30.4m

Inventory declined $12.6m to $1,883.9m in 1H22.

Versus 31 December 2020, inventory increased by $15.4m:

- Current inventory increased $90.5m to $917.2m reflecting improved demand expectations for the Penfolds and Treasury Americas portfolios in addition to the acquisition of Frank Family Vineyards
- Non-current inventory declined $75.1m to $966.7m, driven by the smaller 2021 Californian vintage intake, partly offset by the 2021 Australian vintage intake and the acquisition of Frank Family Vineyards
- Luxury inventory increased 17% to $1,256m

Property, Plant & Equipment increased $69.8m to $1,392.3m driven by the Frank Family Vineyard acquisition and foreign currency movements[16]

Intangible assets increased by $301.1m to $1,456.6m, driven by the acquisition of Frank Family Vineyards and foreign currency movements

Assets held for sale declined $109.4m, driven by the divestment of Provenance, Chateau St Jean and surplus supply chain assets in the US

Provisions includes employee provisions and allowance for future repairs on leased assets damaged by the Californian wildfires, which are recoverable under insurance

Net Borrowings[17] (including lease liabilities) increased by $176.9m to $1,256.6m, with interest bearing debt increasing by $354.9m following the acquisition of Frank Family Vineyards, partly offset by cash proceeds from asset divestments.

Cash increased $168.5m to $616.6m driven by strong operating cash flow and cash proceeds from asset divestments in the United States.

Balance sheet leverage[18]

Net debt to EBITDAS 1.8x, up from 1.7x in F21. For financial covenant reporting purposes, which excludes the capitalisation of leases, Net debt to EBITDAS was 1.2x and interest cover was 13.5x

[15] Unless otherwise stated, balance sheet percentage or dollar movements from the previous period are on a reported currency basis
[16] Frank Family Vineyard values are preliminary values prior to purchase price accounting
[17] Interest bearing debt *includes* fair value adjustments related to derivatives that are in a fair value hedge relationship on a portion of US Private Placement notes: 1H22 +$15.2m, 1H21 +$31.2m
[18] Credit metrics adjusted to include last twelve months EBITS / EBITDAS for Frank Family Vineyards

Cash flow – reconciliation of net debt[19]

A$m	1H22	1H21
EBITDAS	**335.7**	**357.4**
Change in working capital	52.9	85.2
Other items	(2.1)	19.7
Net operating cash flows before financing costs, tax & material items	**386.5**	**462.3**
Cash conversion	**115.1%**	**129.3%**
Payments for capital expenditure	(58.6)	(63.0)
Payments for subsidiaries	(429.0)	-
Proceeds from sale of assets	1.5	2.7
Cash flows after net capital expenditure, before financing costs, tax & material items	**(99.5)**	**402.0**
Finance costs paid	(34.2)	(39.6)
Tax paid	(50.9)	(81.1)
Cash flows before dividends & material items	**(184.6)**	**281.3**
Dividends/distribution paid	(93.8)	(55.1)
Cash flows after dividends before material items	**(278.4)**	**226.3**
Material item cash flows – proceeds from US asset sales	162.8	56.0
Material items cash flows – other costs	(19.1)	(19.1)
(On-market share purchases) / issue of shares	(10.3)	0.9
Total cash flows from activities (before debt)	**(145.0)**	**264.0**
Net (repayment) / proceeds from borrowings	307.0	(217.7)
Total cash flows from activities	**162.0**	**46.2**
Opening net debt	**(1,057.7)**	**(1,434.2)**
Total cash flows from activities (above)	(145.0)	264.0
Net lease liability additions	(0.7)	(30.0)
Debt revaluation and foreign exchange movements	(37.4)	169.7
(Increase) / Decrease in net debt	**(183.2)**	**403.7**
Closing net debt[20]	**(1,240.9)**	**(1,030.5)**

Cash conversion of 115.1% reflects continued strong operating cash flow performance in addition to impacts from the lower 2021 California vintage intake and earlier sales phasing of 1H22 shipments to reduce supply chain risks. Excluding the net change in non-current Luxury and Premium inventory, cash conversion was 94.1%

Capital expenditure (capex) of $58.6m comprised maintenance and replacement capex of $30.0m and growth capex of $28.6m, including the progression of investment in South Australian Luxury winemaking infrastructure. F22 capex is now expected to be up to $120m, down from $150m previously, as a result of supply chain and labour constraints which will result in deferred implementation of a number of projects

Investment in subsidiaries of $429.0m is driven by the acquisition of Frank Family Vineyards in December 2021, in addition to the purchase of supply assets in the Bordeaux region of France

Material item cash flows includes the divestiture of vineyard assets in California and a portion of the US commercial brand portfolio, partly offset by investment in luxury winemaking infrastructure in South Australia and restructuring costs relating to the new divisional model

With respect to the confirmed total net cash proceeds of approximately $300m from divestments in Treasury Americas, approximately $235m had been received as cash by 31 December 2021, with the remainder expected to be received by the end of calendar year 2022

[19] Unless otherwise stated, cash flow percentage or dollar movements from the previous period are on a reported currency basis

[20] Net debt *excludes* fair value adjustments related to derivatives in a fair value hedge relationship on a portion of US Private Placement notes: 1H22 +$15.2m 1H21 +$31.2m)

Vintage update

Australia

Vintage 2022 growing conditions have been mixed to date, with welcome early winter/spring rainfall at the start of the season followed by pockets of frost across key growing regions, in addition to hailstorms in the Barossa Valley and Adelaide Hills. It has been a mild and dry summer in all key viticultural regions, with current expectations for average yields in inland regions and lighter yields in cooler regions. Proactive adjustments to sourcing will continue to be made in response to Commercial category volume declines and changed demand expectations for Mainland China.

California

Vintage 2021 was lighter than average due to persistent drought conditions across California, yet quality is expected to be high, particularly for premium reds. Yields in Napa Valley and Sonoma County vineyards were more impacted than the Central Coast, which was assisted by early irrigation from ground water. The lower than average vintage 2021 has brought the market into supply deficit across a number of tiers and varietals, which has led to limited availability of bulk wine and upward pricing for fruit and bulk wine.

New Zealand

Vintage 2022 growing conditions for the Marlborough region have been positive, with warmer than average temperatures and average rainfall. Current expectations are for above-average industry tonnage across the regions. TWE is comfortable with the supply position for its NZ sourced portfolio compared to expectations for demand in F22 and F23.

France

Vintage 2021 industry volume was historically low due to the spring frost and challenging growing season. Quality was variable between key regions and sub regions, with Cabernet Sauvignon a standout in terms of high quality. Low supply of luxury red and white wine has led to price increases across the market. For TWE it was a good quality third vintage from Bordeaux despite the challenging weather conditions.

Definitions

Term	Definition
Cash conversion	Net operating cash flows before financing costs, tax and material items divided by EBITDAS
COO	Country of origin
CODB	Cost of doing business. Gross profit less EBITS. Excludes non-cash items as well as tax, the cost of the Group's capital structure and non-operating transactions as a measure of underlying operational costs
COGS	Cost of goods sold
Commercial wine	Wine that is sold at a retail shelf price below A$10 (or equivalent) per bottle
EPS	Earnings per share
EBITDAS	Earnings before interest, tax, depreciation, amortisation, material items and SGARA
EBITS	Earnings before interest, tax, material items and SGARA
EBITS margin	EBITS divided by Net sales revenue
Exchange rates	Average exchange rates used for profit and loss purposes in 1H22: AUD/USD 0.7321 (1H21: AUD/USD 0.7227), AUD/GBP 0.5369 (1H21: AUD/GBP 0.5536) Period end exchange rates used for balance sheet items in 1H22: AUD/USD 0.7252 (1H21: AUD/USD 0.7686), AUD/GBP 0. 5372 (1H21: AUD/ GBP 0.5644)
Luxury wine	Wine that is sold at a retail shelf price above A$30 (or equivalent) per bottle
Material items	Items of income or expense which have been determined as being sufficiently significant by their size, nature or incidence and are disclosed separately to assist in understanding the Group's financial performance
Net Debt to EBITDAS	Ratio of Net Debt to EBITDAS includes capitalised leases per *AASB 16 Leases*
Net Operating Cashflow	Operating cash flow before finance costs, tax and material items
NPAT	Net profit after tax
NSR	Net sales revenue
Premium wine	Wine that is sold at a retail shelf price between A$10 and A$30 (or equivalent) per bottle
ROCE	Return on Capital Employed. EBITS divided by Capital Employed (at constant currency). Capital Employed is the sum of average net assets (adjusted for SGARA) and average net debt
SGARA	Self-generating and re-generating assets. SGARA represents the difference between the fair value of harvested grapes (as determined under AASB 141 Agriculture) and the cost of harvest. The fair value gain or loss is excluded from Management EBITS so that earnings can be assessed based on the cost of harvested grapes, rather than their fair value. This approach results in a better reflection of the true nature of TWE's consumer branded and FMCG business and improved comparability with domestic and global peers.

Appendix 1: Reconciliation of key performance measures

A$m (unless otherwise stated)

Metric	Management calculation	1H22	1H21
EBITS	Statutory net profit	109.1	118.0
	Income tax expense	46.9	51.0
	Net finance costs	34.7	39.8
	Material items	45.6	60.5
	SGARA (gain) / loss	26.2	11.9
	EBITS	**262.4**	**281.2**
EBITDAS	EBITS	262.4	281.2
	Depreciation & Amortisation	73.3	76.2
	EBITDAS	**335.7**	**357.4**
EPS	Statutory net profit	109.1	118.0
	Material items	45.6	60.5
	Tax on material items	(10.6)	(14.9)
	SGARA	26.2	11.9
	Tax on SGARA	(7.1)	(3.1)
	NPAT (before material items & SGARA)	**163.2**	**172.4**
	Weighted average number of shares (millions)	721.4	721.2
	EPS (cents)	**22.6**	**23.9**
ROCE	EBITS (LTM)	491.5	437.8
	Net assets	3,660.5	3,530.7
	SGARA in inventory	(29.5)	(25.5)
	Net debt	1,240.9	1,030.5
	Capital employed – Current year	**4,871.9**	**4,535.7**
	Net assets (CFX)	3,616.7	3,547.6
	SGARA in inventory (CFX)	(23.9)	(25.2)
	Net debt (CFX)	1,072.8	1,346.4
	Capital employed – Prior year (CFX)	**4,665.6**	**4,868.8**
	Average capital employed	4,768.8	4,702.3
	ROCE	**10.3%**	**9.3%**

Appendix 2: Impact of cloud computing arrangements

A$m (unless otherwise stated)

	1H19			1H20			1H21		
$Am (unless otherwise stated)	**Reported**	**Adjustment**	**Restated**	**Reported**	**Adjustment**	**Restated**	**Reported**	**Adjustment**	**Restated**
Volume (m 9L cases)	18.7	–	18.7	17.7	–	17.7	17.1	–	17.1
Net sales revenue	1,507.7	–	1,507.7	1,536.1	–	1,536.1	1,410.0	–	1,410.0
NSR per case ($)	*80.6*	–	*80.6*	*87.0*	–	*87.0*	*82.5*	–	*82.5*
Other Revenue	30.1	–	30.1	15.1	–	15.1	14.2	–	14.2
Cost of goods sold	(884.9)	–	(884.9)	(868.0)	–	(868.0)	(864.0)	–	(864.0)
Cost of goods sold per case ($)	*47.3*	–	*47.3*	*49.2*	–	*49.2*	*50.6*	–	*50.6*
Gross profit	652.9	–	652.9	683.2	–	683.2	560.3	–	560.3
Gross profit margin (% of NSR)	*43.3%*	–	*43.3%*	*44.5%*	–	*44.5%*	*39.7%*	–	*39.7%*
Cost of doing business	(306.0)	(4.6)	(310.6)	(316.5)	(10.8)	(327.3)	(276.1)	(2.9)	(279.0)
Cost of doing business margin (% of NSR)	*20.3%*	*0.3ppts*	*20.6%*	*20.6%*	*0.7ppts*	*21.3%*	*19.6%*	*0.2ppts*	*19.8%*
EBITS	**346.9**	(4.6)	**342.3**	**366.7**	(10.8)	**355.9**	**284.1**	(2.9)	**281.2**
EBITS margin (%)	*23.0%*	*(0.3)ppts*	*22.7%*	*23.9%*	*(0.7)ppts*	*23.2%*	*20.1%*	*(0.2)ppts*	*19.9%*
SGARA	(6.2)	–	(6.2)	(2.6)	–	(2.6)	(11.9)	–	(11.9)
EBIT	**340.7**	(4.6)	**336.1**	**364.1**	(10.8)	**353.2**	**272.2**	(2.9)	**269.3**
Net finance costs	(40.7)	–	(40.7)	(44.8)	–	(44.8)	(39.8)	–	(39.8)
Tax expense	(86.6)	–	(86.6)	(91.9)	–	(91.9)	(65.9)	–	(65.9)
Net profit after tax (before material items)	**213.4**	(4.6)	**208.9**	**227.4**	(10.8)	**216.6**	**166.5**	(2.9)	**163.6**
Material items (after tax)	-	–	-	(16.0)	–	(16.0)	(45.6)	–	(45.6)
Net profit after tax	213.4	(4.6)	**208.9**	**211.4**	(10.8)	**200.6**	**120.9**	**(2.9)**	**118.0**
Reported EPS (Ac)	29.7	(0.6)	29.1	29.4	(1.5)	27.9	16.8	(0.4)	16.4
Net profit after tax (before material items and SGARA)	**218.0**	(4.6)	**213.5**	**229.2**	(10.8)	**218.3**	**175.3**	(2.9)	**172.4**
EPS (before material items and SGARA) (Ac)	30.4	(0.7)	29.7	31.9	(1.6)	30.3	24.3	(0.4)	23.9
Average no. of shares (m)	718.3	–	718.3	719.5	–	719.5	721.2	–	721.2
Dividend (Ac)	18.0	–	18.0	20.0	–	20.0	15.0	–	15.0

Disclaimer

This report contains certain forward looking statements, which may be identified by the use of terminology including but not limited to, 'intend', 'target', 'likely', 'could', 'aim', 'project', 'see', 'anticipate', 'estimate', 'plan', 'objective', 'believe', 'expect', 'may', 'should', 'will', 'would', 'continue' or similar words. Indicators of and guidance on future earnings and financial position are also forward-looking statements. These forward looking statements are based on the information available as at the date of this presentation and are not guarantees or predictions of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of TWE, and which may cause actual results to differ materially from those expressed or implied in such statements. Readers are cautioned against reliance on any forward-looking statements or guidance, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption arising in connection with COVID-19. Except as required by applicable regulations or by law, TWE does not undertake to publicly update or review any forward-looking statements, whether as a result of new information or future events

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