TREASURY WINE ESTATES

16 February 2022 **ASX ANNOUNCEMENT**

2022 Interim Results Investor and Analyst Presentation

Enclosed are the presentation materials for the investor and analyst webcast and conference call to be hosted by Treasury Wine Estates Ltd (ASX:TWE) commencing at 10:00am (AEDT) on 16 February 2022. Links to register for the conference are provided in the 2022 Interim Results Announcement also lodged with the ASX today.

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

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TREASURY WINE ESTATES

F22 Half Year Results

16 FEBRUARY 2022

TREASURY
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Introduction

Tim Ford Chief Executive Officer

1H22 Financial Highlights[1,2,3,4,5]

Reported EBITS down 7% in 1H22; up 28% excluding Australian COO sales to Mainland China

NSR
$1.3bn ▼ (10.1)% Reported ▼ (3.8)% Organic[6]

NSR per case
$95.6 ▲ 16.0%

EBITS
$262.4m ▼ (6.7)% Reported ▼ (1.2)% Organic[6]

EBITS margin
20.7% ▲ 0.8 ppts

NPAT
$163.2m ▼ (5.3)%

EPS
22.6cps ▼ (5.4)%

Cash conversion
115.1% ▼ 14.2ppts

Net Debt / EBITDAS
1.8x ▲ 0.1x

ROCE
10.3% ▲ 1.0ppt

Interim dividend
15.0cps No change

Luxury and Premium contribution to global NSR
83% ▲ 8ppts

1. Financial information in this report is based on unaudited financial statements. Non-IFRS measures will not be subject to audit or review, and are used internally by Management to assess the operational performance of the business and make decisions on the allocation of resources
2. TWE has updated its accounting policies in relation to the treatment of configuration and customisation costs in cloud computing arrangements per *IFRIC agenda decision Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS38 Intangible Assets)*, resulting in the restatement of historical financials for the period F18 to 1H21. Refer to Supplementary Information for further information
3. All figures and calculations in this presentation are subject to rounding
4. Unless otherwise stated, Financial Highlights are disclosed on a reported currency basis
5. Before material items and SGARA
6. 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

1H22 Divisional performance

Strong underlying earnings growth delivered across each of the brand portfolio divisions

Metric[1]	Penfolds 1H22	Penfolds %	Treasury Americas 1H22	Treasury Americas %	Treasury Americas % Organic[2]	Treasury Premium Brands 1H22	Treasury Premium Brands %
NSR (A$m)	382.7	(16.3)%	465.9	(7.7)%	13.6%	418.4	(6.3)%
Excluding Mainland China[3]	*364.7*	*49.1%*	-	-	-	-	-
NSR per case (A$)	343.2	(0.6)%	116.3	51.3%	20.2%	51.5	6.1%
EBITS (A$m)	165.1	(17.4)%	85.2	26.9%	46.0%	39.0	20.7%
Excluding Mainland China	*163.1*	*32.1%*	-	-	-	-	-
EBITS margin	43.1%	(0.6) ppts	18.3%	5.0ppts	3.9 ppts	9.3%	2.1 ppts

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2. 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
3. Adjusted to exclude Australian COO product shipments to Mainland China

Status of key sales channels

1H22 performance delivered against a backdrop of varied and ongoing impacts from the pandemic

Indicative 1H22 channel status by geography[1]	Asia Status	Americas Status	ANZ Status	EMEA Status
Bricks & Mortar Retail	🟢	🟢	🟢	🟢
Wholesale[2]	🟠	Not applicable	Not applicable	Not applicable
E-commerce	🟢	🟢	🟢	🟢
On-premise[2]	Not measurable	🟠	🔴	🟠
Cellar doors	Not measurable	🟠	🟠	Not applicable
Travel retail & other	🔴	🔴	🔴	🔴

Legend

Green
Open, with minimal disruption or positive short-term impacts

Orange
Generally open, but with disruptions

Red
Closed or significantly disrupted

Favourable trend in 1H22

Adverse trend in 1H22

1. For Asia only, on-premise sales are reflected in wholesale channel performance

TWE

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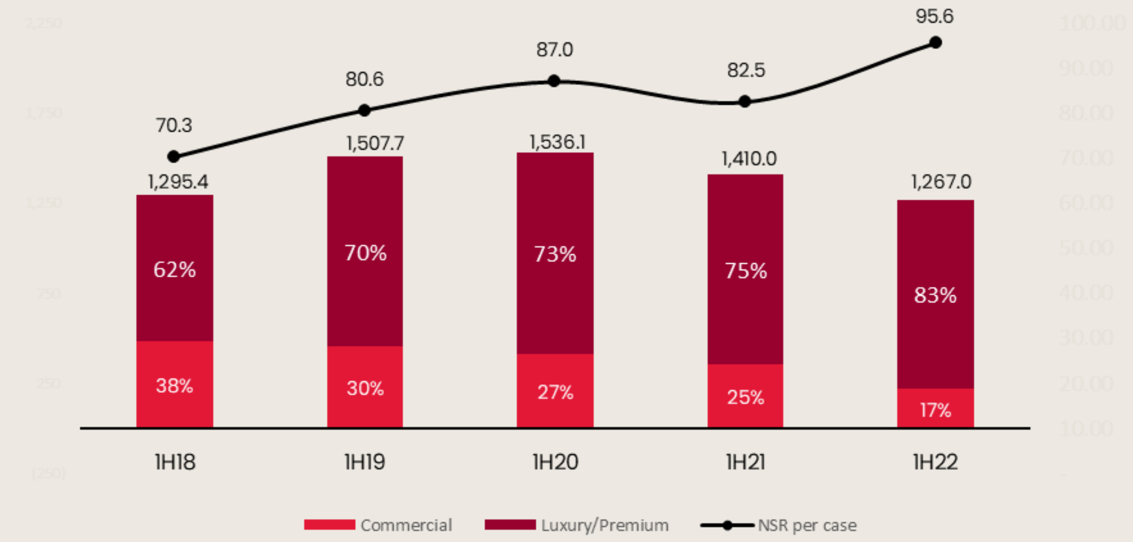
Financial Performance

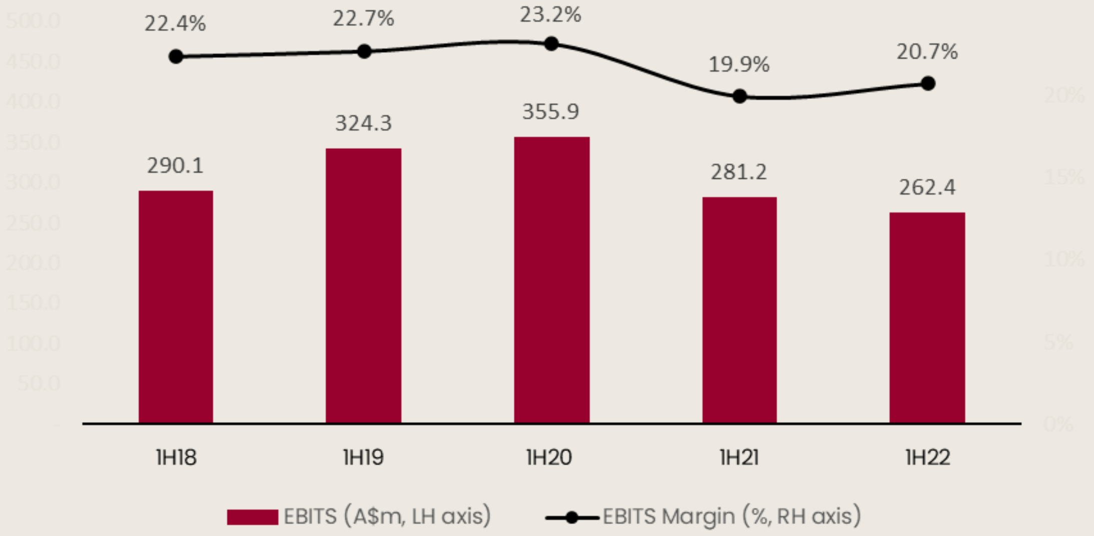
Matt Young Chief Financial Officer

Key measures of performance[1,2]

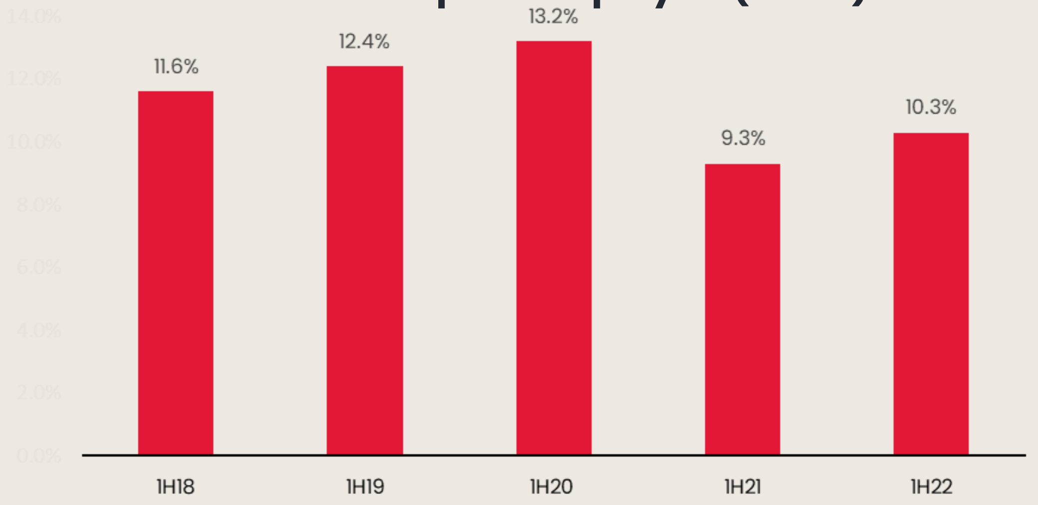
Group NSR (A$m) and NSR per case



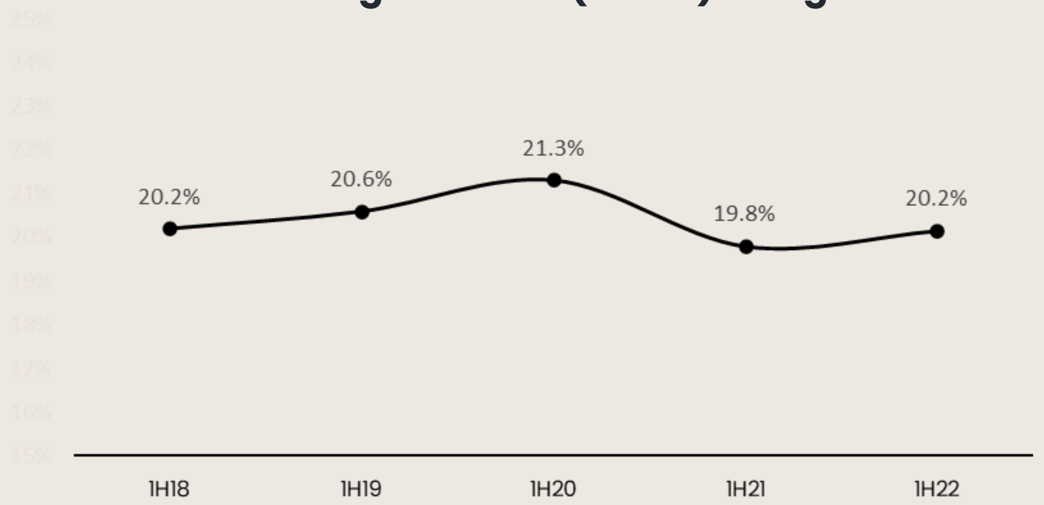
Group EBITS (A$m) and EBITS margin



Return on Capital Employed (ROCE)



Cost of Doing Business (CODB) margin



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Material items

Material Items	Benefits	Benefits from	Expected one-off costs	Total recognised to date	Recognised in 1H22
Divestment of US brands & assets (announced 17 February 2021)	Enable prioritisation of premium focus brand portfolio as driver of Americas regional performance	F21	$(100.0)m	$(88.1)m	$(25.8)m
South Australian Luxury expansion (announced 15 August 2019)	1/3 Luxury capacity increase	F25	$(35.0)m	$(37.5)m[1]	$(4.4)m
Overhead & supply chain restructure (announced 13 August 2020)	Overheads - $35m Supply Chain - $75m+	F21 F23+	$(45.0)m	$(34.6)m	$(4.9)m
Acquisition of Frank Family Vineyards (announced 18 November 2021)	Complements the Treasury Americas Luxury portfolio and supports premiumisation, growth and margin expansion	1H22	$(18.0)m	$(10.4)m	$(10.4)m
Total Material Items (pre-tax)			**$(198.0)m**	**$(170.7)m**	**$(45.6)m**

Total Material Items (post-tax)				**$(127.3)m**	**$(35.0)m**

1. A gain is expected on the divestment of surplus supply chain assets in 2H22

Balance sheet[1,2]

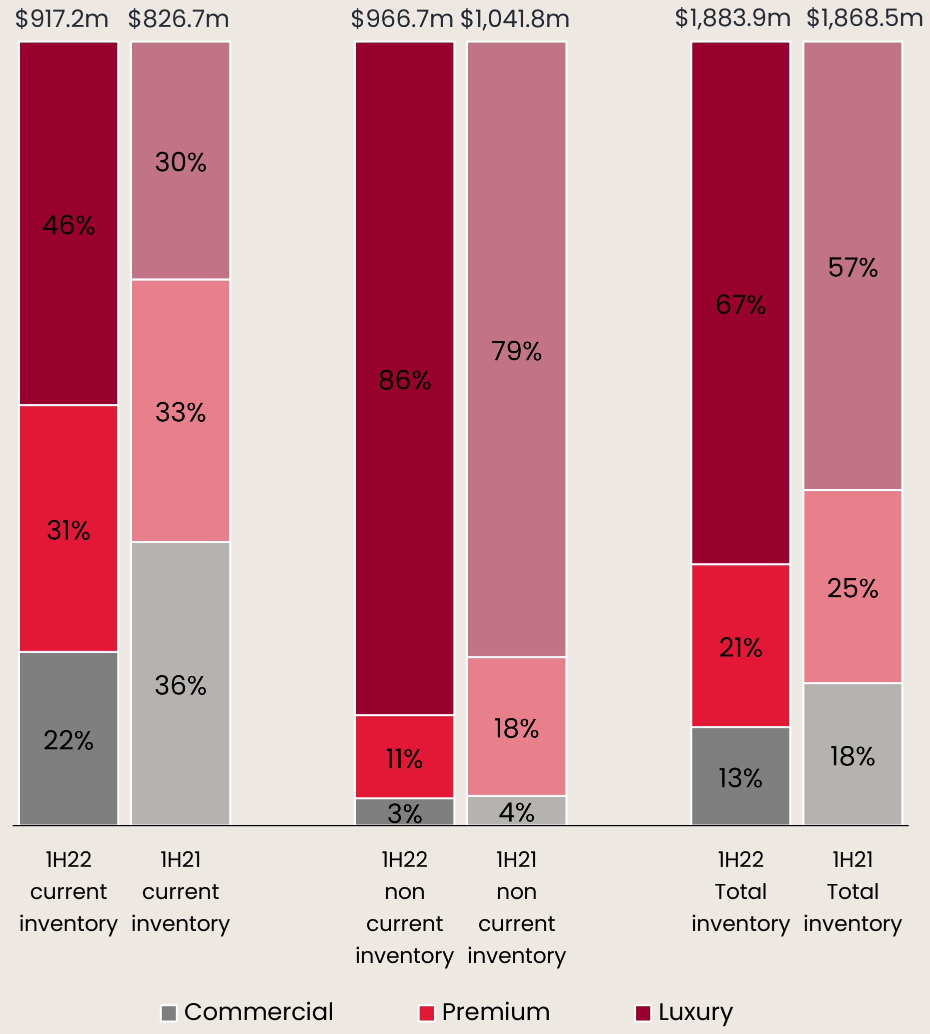
A$m	1H22	F21	1H21
Cash & cash equivalents	616.6	448.1	480.8
Receivables	622.1	622.0	511.5
Current inventories	917.2	839.7	826.7
Non-current inventories	966.7	1,056.8	1,041.8
Property, plant & equipment	1,392.3	1,322.5	1,335.7
Right of use lease assets	436.3	448.4	475.5
Agricultural assets	29.5	33.8	40.7
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 on a reported currency basis in 1H22
- Adjusting for the movement in foreign exchange rates, net assets increased by $30.4m
- Key drivers of the increase in net assets include:
  - $168.5m increase in cash, reflecting TWE's strong operating cash flow and the proceeds of asset divestments in the US
  - An increase in Intangibles and Property, Plant and Equipment of $301.1m and $69.8m respectively following the acquisition of Frank Family Vineyards
  - Partly offset by a $354.9m increase in Interest Bearing Debt, primarily to fund the acquisition of Frank Family Vineyards

1. Unless otherwise stated, balance sheet percentage or dollar movements from the previous period are on a reported currency basis
2. Working capital balances may include items of payables and receivables which are not attributable to operating activities

Inventory analysis

Inventory at book value split by price segment[1,2]



Total Luxury at cost $1,256m (1H21: $1,069m)

Total Premium at cost $391m (1H21: $461m)

Total Commercial at cost $237m (1H21: $338m)

- Total inventory **volume** declined 2% versus the pcp
- Total inventory **value** was in line with the pcp:
  - Excluding the impact of the weaker Australian dollar, total inventory value declined $34.2m
  - 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
  - Luxury inventory value increased 17%
- Reduced Commercial inventory position following the divestment of US commercial portfolio brands

1. Inventory composition subject to rounding. Totals based on sum of Non-Current and Current Inventory
2. TWE participates in three price segments: Luxury (A$30+), Premium (A$10-A$30) and Commercial (below A$10). Segment price points are retail shelf prices

Supply Chain Update

Supply chain initiatives and market dynamics to support improved mix-adjusted COGS over time

Global supply chain disruptions

- Successful execution of supply chain management supported delivery of operating plans in 1H22, with 98.6% of planned shipments completed
- Costs of packaging materials, shipping and labour expected to remain elevated
- Price increases being implemented to partly mitigate impacts across select portfolio brands
- Continued discipline around variable cost management

2022 Australian vintage planning

- The Australian wine industry is managing through higher levels of inventory following imposition of tariffs in Mainland China
  - Lower grape and bulk wine prices are expected in 2022
- TWE has proactively managed its inventory position and is planning for a smaller 2022 vintage intake:
  - Benefits from favourable market pricing are expected to be moderated
- Planned approach strikes the right balance between vintage costs, margin structure and retail pricing, particularly across the Luxury portfolio

Cash flow and net debt[1]

A$m (unless otherwise stated)	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/distributions 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 item 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[2]	**(1,240.9)**	**(1,030.5)**

- Cash conversion of 115.1% delivered in 1H22, reflecting continued strong operating cash flow performance, the smaller 2021 Californian vintage and earlier sales phasing of 1H22 shipments to reduce supply chain risks
- Net Debt[2] increased $183.2m to $1,240.9m, with funding of the Frank Family Vineyards acquisition a key driver
- TWE targets cash conversion of 90% or higher for each full financial year, excluding the annual change in non-current Luxury and Premium inventory
  - Excluding the net change in non-current Luxury and Premium inventory, cash conversion was 94.1% in 1H22
- In relation to the confirmed total net cash proceeds of approximately $300m from divestments in Treasury Americas, approximately $235m had been received in cash by 1H22, with the remainder expected to be received by the end of calendar year 2022

1. All cash flow percentage or dollar movements from the previous corresponding period are on a reported currency basis
2. 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)

TWE

Capital expenditure

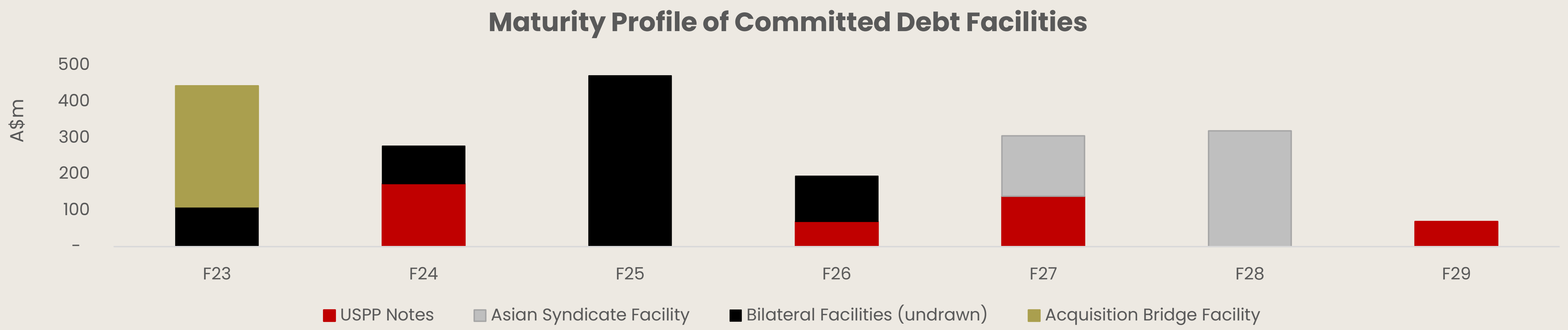
A$m	1H22	1H21
Vineyard redevelopments	11.2	11.0
Wine making equipment and facilities	6.7	8.3
IT spend	4.2	3.7
Oak purchases[1]	0.6	2.1
Other capital expenditure	7.3	5.3
Maintenance and replacement capex	**30.0**	**30.4**
Growth capex	**28.6**	**32.6**
Gross capex	**58.6**	**63.0**
Net lease additions	0.7	30.0

- Capital expenditure (capex) $58.6m in 1H22, including:
  - Maintenance & replacement capex of $30.0m
  - Growth capex of $28.6m, predominantly related to the investment in South Australian Luxury wine making infrastructure which will be commissioned for the 2022 Australian vintage
- F22 full year capex is now expected to be approximately $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
- TWE is continuing to prioritise investment in technology, the sustainability agenda and its Luxury winemaking asset base in Bordeaux, France

1. TWE prioritises leasing for the majority of its oak barrel requirements, however per AASB16 Leases, these are deemed low value assets and therefore not treated as a lease liability

Capital management

- TWE's efficient and flexible investment grade capital structure remains a key business strength[1]:
  - Net debt / EBITDAS 1.8x at 1H22 (1.7x at 1H21) inclusive of leases[2] and 1.2x excluding leases (1.0x at 1H21)
  - Interest cover 13.5x at 1H22 (9.0x at 1H21)
  - TWE expects to maintain net debt / EBITDAS below the 2.0x 'through the cycle' target
- Total available liquidity $1.4bn, comprising cash $616.6m and undrawn committed facilities of $807.0m
  - 1H22 financing highlights include the establishment of Sustainability Linked Loans on $1.4bn of existing committed debt facility commitments and the US$240m bridge facility to support the acquisition of Frank Family Vineyards
- Strong, flexible and efficient capital structure and liquidity position supports the maintenance of TWE's long-term dividend policy:
  - 1H22 interim dividend of 15.0 cents per share declared, fully franked, representing a 66% NPAT payout ratio[3]



1. Credit metrics adjusted to include last twelve months EBITS / EBITDAS for Frank Family Vineyards
2. Ratio of total Net Borrowings to last twelve-month EBITDAS, includes capitalised leases in accordance with *AASB16 Leases*
3. TWE targets a dividend payout ratio of 55-70% of NPAT (pre-material items and SGARA) over a fiscal year

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Divisional Performance

Tom King Managing Director, Penfolds

Ben Dollard President, Treasury Americas

Peter Neilson Managing Director, Treasury Premium Brands

Penfolds

Building strong momentum across priority markets and channels, with EBITS ex-Mainland China up 32%

		Reported Currency		Constant Currency	
A$m	**1H22**	**1H21**	**%**	**1H21**	**%**
Volume (m 9Le)	**1.1**	**1.3**	**(15.8)%**	**1.3**	**(15.8)%**
NSR (A$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**

1H22 Luxury and Premium contribution to division NSR

100% Unchanged

Performance summary[1]

- EBITS declined 17.4% and EBITS margin declined 0.6 ppts to 43.1%:
  - Volume and NSR declined 15.8% and 16.3% respectively reflecting the decline in shipments to Mainland China, partly offset by strong growth in priority global markets and channels
  - CODB improved 19.2%, driven by reduced costs in Mainland China (net of reinvestment to other global markets) and a temporary rephasing of overheads and promotional investment across F22
- NSR and EBITS outside of Mainland China grew 49.1% and 32.1% respectively
- 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 to August 2022

1. Unless otherwise stated, all percentage movements from prior periods are pre-material items and on a constant currency basis versus the pcp

Penfolds

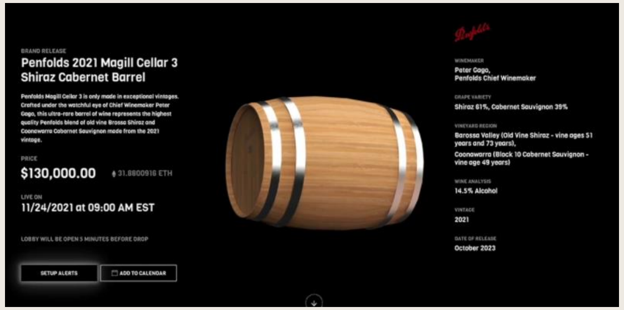
Progression against F22 strategic priorities

1 Attract new consumers

- Scaling Penfolds luxury status in 1H22 with key brand activations:

Penfolds becomes naming rights sponsor of the Victorian Racing Club's Derby Day

Launch of the Venture Beyond thematic at the China International Import Expo



Launch of inaugural Penfolds barrel NFT's

2 Grow global distribution and availability

- Strong growth in distribution, volume and NSR across priority markets and channels in 1H22
- Asia the standout, with NSR growing 119% ex Mainland China, supported by strong depletions trends and led by Malaysia, Singapore, Thailand, Hong Kong and Taiwan
- Americas and EMEA NSR grew 39% and 14% respectively

3 Optimise the portfolio for long term growth, including multi COO

- Inaugural French portfolio collection to be launched in August 2022, along side Australian and Californian collections
- Additional production assets acquired in Bordeaux to support French portfolio growth
- Continuing to explore the potential for China sourced portfolio

TWE

Treasury Americas

A reshaped business, with strong growth in 1H22 led by the Luxury portfolio

A$m	1H22	Reported Currency 1H21	Reported Currency %	Constant Currency 1H21	Constant Currency %	Organic %[2]
Volume (m 9Le)	**4.0**	**6.6**	**(39.0)%**	**6.6**	**(39.0)%**	**(5.5)%**
NSR (A$m)	**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$)	**116.3**	**77.6**	**49.9%**	**76.9**	**51.3%**	**20.2%**
EBITS (A$m)	**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**

1H22 Luxury and Premium contribution to division NSR

91% ▲ 18ppts vs. pcp

Performance summary[1]

- EBITS increased 26.9% and EBITS margin improved 5.0 ppts to 18.3%:
  - Volume and NSR declined 39.0% and 7.7% respectively driven by the divestiture of the US Commercial brand portfolio in March 2021
  - Organic NSR grew 13.6%, led by strong Luxury portfolio growth, supported by distribution and velocity gains in addition to progressive reopening of cellar doors and on-premise, partly offset by declines in US$8-11 price point brands
  - Shipments were ahead of depletions by 0.3m cases due to one-off distributor stocking as part of the distribution model change to RNDC in California
- RNDC transition in California and Texas gained momentum in 2Q22, with points of distribution growing approximately 30% across Premium and Luxury portfolios in California
- Trading conditions for the remainder of F22 are expected to remain broadly consistent with those in 1H22

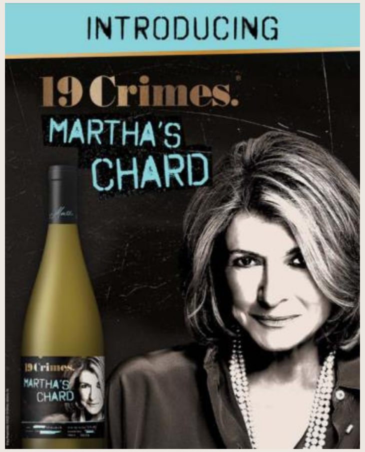
1. Unless otherwise stated, all percentage movements from prior periods are pre-material items and on a constant currency basis versus the pcp
2. On a constant currency basis, excluding the contribution of US commercial brands divested in March 2021 (1H21 volume 2.5m cases, NSR $113.1m) and the Provenance and Chateau St Jean brands which were divested in November and December respectively (1H22 volume 0.2m cases, NSR $20.1m)

Treasury Americas

Progression against F22 strategic priorities

1 Expand the Premium and Luxury portfolio

- Consumer-led brand innovation and investment continues to drive momentum across the Treasury Americas portfolio



19 Crimes Cali Rose the leading US wine market innovation of 2021, the second consecutive year achieved by the 19 Crimes franchise[1]

Martha Stewart Chardonnay launched early 2022

Frank Family Vineyards – an outstanding portfolio addition that further enhances Treasury Americas leading luxury credentials

2 Deliver asset portfolio and cost optimisation

- Disciplined capital allocation is supporting the Treasury Americas premiumisation strategy
- Program to divest non-priority US portfolio brands and assets substantially completed, with net cash proceeds of ~A$300m confirmed
- Acquired Frank Family Vineyards for US$315m, adding a strong complement to Treasury Americas Luxury portfolio
  - Frank Family Vineyards 1H22 EBITS US$10.5m [2]
  - F22 EBITS expected to be broadly in line with F21 (US$20.6m)

3 Drive relentless focus on premiumisation

- 90%+ division NSR now delivered by the Premium and Luxury portfolios
- Treasury Americas priority brand portfolio grew NSR by 18.8% in 1H22

1. IRI, Total US MULO+Convenience, calendar year ending 26 December 2021
2. 1H22 EBITS provided by Frank Family Vineyards, not reflected in TWE's 1H22 EBITS outcome

Treasury Premium Brands

Positive early momentum with portfolio premiumisation, earnings growth and margin expansion

		Reported Currency		Constant Currency	
A$m	1H22	1H21	%	1H21	%
Volume (m 9Le)	**8.1**	**9.2**	**(11.7)%**	**9.2**	**(11.7)%**
NSR (A$m)	**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$)	**51.5**	**48.2**	**6.9%**	**48.5**	**6.1%**
EBITS (A$m)	**39.0**	**32.7**	**19.3%**	**32.3**	**20.7%**
EBITS margin (%)	**9.3%**	**7.4%**	**1.9ppts**	**7.2%**	**2.1ppts**

1H22 Luxury and Premium contribution to division NSR

58% ▲ 6ppts vs. pcp

Performance summary[1]

- EBITS increased 20.7% and EBITS margin improved 2.1 ppts to 9.3%:
  - Volume and NSR declined 11.7% and 6.3% respectively reflecting reduced Commercial portfolio volumes in ANZ and EMEA following heightened pandemic related demand in 1H21, partly offset by strong Premium portfolio growth
  - Improved portfolio mix drove a 6.1% increase in NSR per case
  - CODB improved 10.9%, reflecting more focused and prioritised brand investment, lower commercial portfolio volumes and the timing of promotional activity within F22
- Trading conditions for F22 are expected to remain broadly consistent with those in 1H22 across key global markets and channels

1. Unless otherwise stated, all percentage movements from prior periods are pre-material items and on a constant currency basis versus the pcp

Treasury Premium Brands

Progression against F22 strategic priorities

1 Expand the Premium portfolio

- Expansion of Treasury Premium Brands portfolio continued to gain traction in 1H22, supporting portfolio premiumisation

Building strong momentum for 19 Crimes in global priority markets, with distribution and rate of sale growth achieving 45% NSR increase in EMEA and Asia in 1H22

Wolf Blass Zero - launched October 2021 and delivering leading rate of sale growth across the zero alcohol wine category in distributed outlets

2 Accelerate in priority growth markets, channels and COOs

- Building momentum in priority global markets, with strong Premium portfolio growth delivered in EMEA (NSR +35%) in addition to total portfolio growth in China (NSR +38%)
- Expanded the multi-COO portfolio, with new brand offerings for Rawson's Retreat and Blossom Hill sourced from Chile and Spain respectively

3 Implement fit for purpose cost and capital base

- Prioritised cost management under new divisional model, with more strategic brand investment supporting improved CODB
- Optimising product cost profile, with multi-COO sourcing pursued where appropriate
- Continuing to explore opportunities for asset optimisation

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Outlook

Tim Ford Chief Executive Officer

F22 Group priorities

We remain focused on delivering against a clear set of priorities in F22

TWE 2025 — **The world's most admired premium wine company**

Divisional priorities

Penfolds
- Attract new consumers
- Grow global distribution and availability
- Optimise portfolio for long-term growth, including multi-COO

Treasury Americas
- Drive relentless focus on premiumisation
- Expand the Premium portfolio
- Deliver asset, portfolio and cost optimisation

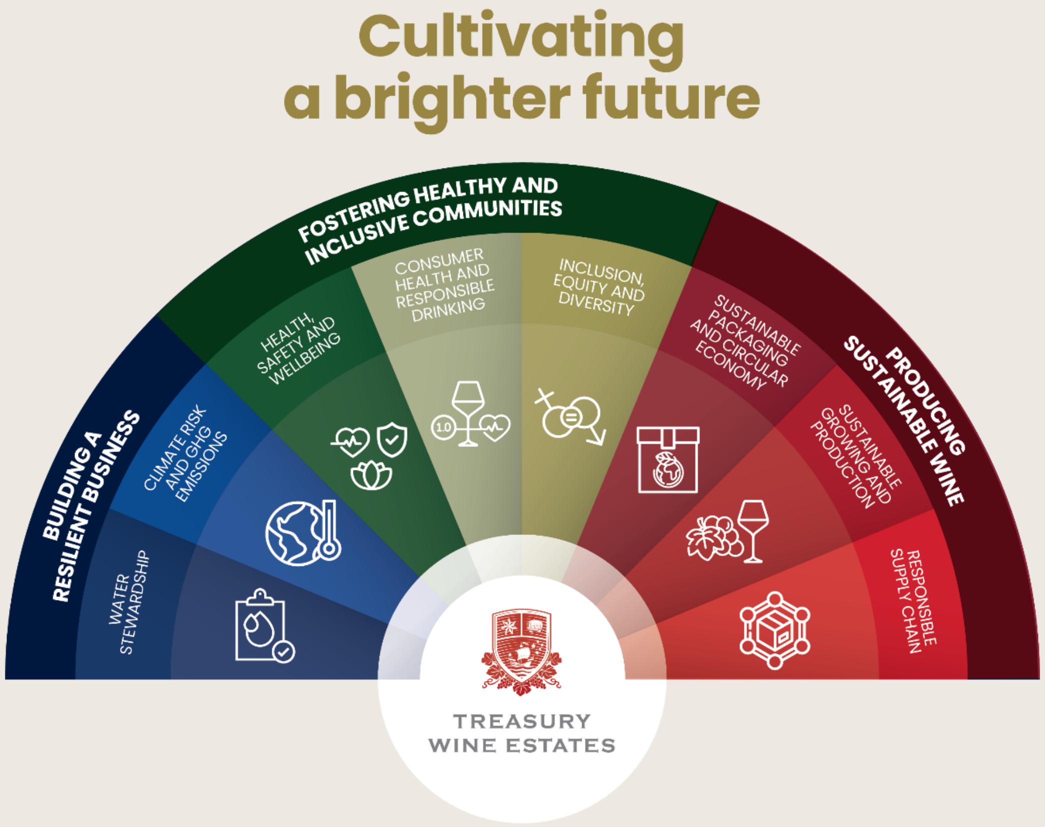
Treasury Premium Brands
- Expand Premium portfolio
- Accelerate in priority growth markets, channels and COO's
- Implement fit for purpose cost and capital base

Group wide priorities

- Elevate our culture and talent
- Invest in technology as a growth platform
- Pursue global innovation and inorganic opportunities
- Embed sustainability throughout TWE

Cultivating a brighter future

We create long-term value by being sustainable in everything we do



Our 1H22 sustainability highlights include:

- Strategy defined with full suite of **targets and commitments** designed to drive performance
- Improved **reporting of progress** against our targets and commitments in the 2021 Sustainability Report
- Joined **RE100**, underlining our commitment to 100% renewable electricity
- Established **Sustainability Linked Loans** on existing debt commitments totalling approximately $1.4bn

Summary and outlook

- In 1H22, we delivered strong underlying growth across all divisions, with EBITS up 28% excluding Australian COO sales to Mainland China
- This performance reflects the focused execution of our F22 strategic priorities and plans under our new divisional operating model, with each division now on a clear and positive trajectory towards their long-term growth objectives
- We enter 2H22 with a shift in focus from a mindset of 'recovery and restructuring' to one of 'growth and innovation'
- We expect trading conditions for the remainder of F22 to be broadly consistent with those in 1H22 across all key global markets and channels
- Our financial objective remains to deliver sustainable top-line growth and high-single digit average earnings growth over the long-term[1]

1. Organic, pre material items and on a constant currency basis.

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Questions

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Supplementary Information

Impact of foreign exchange and hedging

1H22 constant currency impact

CFX Impact (A$m)			
Currency	**Underlying**	**Hedging**[1]	**Total**
AUD/USD and AUD/GBP	2.7	(3.5)	(0.8)
Net other currencies	(8.1)	0.0	(8.1)
1H22	**(5.4)**	**(3.5)**	**(8.9)**
AUD/USD and AUD/GBP	(17.5)	4.6	(12.9)
Net other currencies	8.4	0.0	8.4
1H21	**(9.1)**	**4.6**	**(4.5)**

- $(8.9)m adverse constant currency impact in 1H22 (comprising transaction and translation impacts)
- TWE has a diversified portfolio of currency exposures where production cost currencies and revenue generating currencies are not matched
  - $2.7m favourable impact from depreciation of the AUD relative to the main currency pairs (USD and GBP), offset by $(8.1)m adverse impact largely reflecting movements in TWE's other key currency exposures[2]
  - $(3.5)m relative adverse impact from hedging in 1H22 versus the prior year ($0.3m realised loss in 1H22 vs $3.2m gain in the prior year based on constant currency basis)

2H22 EBITS sensitivity and risk management

Currency Pair	Primary Exposure	Movement	EBITS Sensitivity (A$m)
AUD/USD	COGS, EBITS	+1%	(1.7)
AUD/GBP	COGS, EBITS	+1%	(0.8)
CAD/USD	NSR	+1%	0.5
EUR/GBP	NSR, COGS	+1%	0.3

- The sensitivity of EBITS to a 1% change in primary cost and revenue currencies is shown in the accompanying table (which excludes the potential impact of currency hedging)
- TWE maintains an active foreign exchange risk management strategy, focused on the transactional exposures associated with the Commercial and Premium price segments:
  - AUD/GBP c.69% of 2H22 exposure protected against appreciation of the exchange rate above 0.55
  - AUD/USD: c.76% of 2H22 exposure protected against appreciation of the exchange rate above 0.75

1. CFX hedging impact relative to the prior year
2. USD relative to the CAD in Treasury Americas, GBP relative to the EUR, SEK and NOK in Treasury Premium Brands, AUD relative to Asian currency pairs in Penfolds

Reconciliation of key performance measures

Metric (A$m unless otherwise stated)	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%**

Impact of cloud computing accounting policy changes

	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 (A¢)	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) (A¢)	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 (A¢)	18.0	–	18.0	20.0	–	20.0	15.0	–	15.0

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 price point below A$10 (or equivalent) per bottle
DTC	Direct to consumer
EPS	Earnings per share
EBITDAS	Earnings before interest, tax, depreciation, amortization, 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 price point 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 the addition of depreciation expense attributable to capitalised leases in the period per AASB 16 Leases
NPD	New product development
NSR	Net sales revenue
Premium wine	Wine that is sold at a price point 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.

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