Treasury Wine Estates

Interim 2021 financial result

Treasury Wine Estates will host an investor and media webcast and conference call commencing at 11:00am (AEDT) on 17 February 2021. Links to register for the conference are provided 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 2:00pm.

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

Link to join webcast

https://edge.media-server.com/mmc/p/z9ytk5cc

Link to register for teleconference

http://apac.directeventreg.com/registration/event/4947709
ASX ANNOUNCEMENT

17 February 2021

Strong execution driving positive momentum
Reported 1H21 NPAT of $120.9m and EPS of 16.8 cps¹

Announcement highlights

• 1H21 EBIT² down 23% to $284.1m and EBIT margin declined 3.8ppts to 20.1%

• Global pandemic related disruptions to sales channels for higher margin luxury wine in key markets, and reduced shipments in China resulting from the anti-dumping and countervailing investigations initiated by the Chinese Ministry of Commerce (“the MOFCOM investigations”)³ leading to NSR⁴ down 8% to $1,410.0m

• Retail and e-commerce channels continue to perform at elevated levels across all TWE’s key markets, reflecting the consumer behaviour shift towards in-home consumption of well-known and trusted brands during the pandemic

• TWE’s execution of its COVID-19 Plan Ahead Agenda is driving strong momentum towards recovery in all regions. In comparison to 2H20, which was also a period impacted by the global pandemic, 1H21 EBIT was up 70% on a reported currency basis

• NPAT⁵ down 24% to $175.3m and EPS⁶ of 24.3 cents per share, down 24%

• Net material items loss of $45.6m (post-tax) recognised in 1H21, primarily non-cash, relating to divestment of US brands and assets, the South Australian luxury winery expansion and the overhead and supply chain restructure

• Statutory reported NPAT down 43% to $120.9m and reported EPS down 43% to 16.8 cents per share

• Cash conversion 128.9%, with the smaller than average 2020 Californian vintage intake and earlier sales phasing in Asia contributing to the improvement

• Strong, flexible balance sheet and investment grade credit profile retained, with net debt⁷ down $403.7m in 1H21 to $1,030.5m and net debt to EBITDAS⁸ of 1.7x in line with the prior year

• Interim dividend of 15.0 cents per share declared, fully franked, representing a payout ratio of 62% NPAT, consistent with TWE’s long-term dividend policy

• TWE to implement a new divisional operating model, aimed at maximising the benefits of separate focus across its brand portfolios, rather than regions. From F22, TWE will operate under three new internal divisions being Penfolds, Treasury Premium Brands and Treasury Americas

• TWE has progressed on key initiatives to deliver a future state premium wine business in the US, including the planned exit of a significant portion of the commercial brand portfolio. In addition, TWE will explore the divestment and exit of other non-priority brands, operating assets and leases as it continues to prioritise the growth of its focus premium brand portfolio to drive future performance in the region

• TWE actively implementing its global response plan following the announcement of provisional measures by MOFCOM, with increasing confidence around its plans for reallocation of the Penfolds Bins and Icon range from China to other markets

¹ Unless otherwise stated, all figures and percentage movements outlined in the ASX announcement are stated on a reported currency basis versus the prior corresponding period and are subject to rounding
² Earnings before interest, tax, SGARA and material items
³ In August 2020, the Chinese Ministry of Commerce (“MOFCOM”) announced anti-dumping and countervailing investigations into imports of Australian wine in containers of two-litres or less. In November and December 2020, MOFCOM announced provisional anti-dumping and countervailing measures, with an aggregate deposit rate of 175.6% applied to the imported value of TWE wine into China
⁴ Net sales revenue
⁵ Net profit after tax before SGARA and material items
⁶ Earnings per share before SGARA and material items
⁷ Net debt excludes fair value adjustments related to derivatives that are in a fair value hedge relationship on a portion of US Private Placement notes: 1H21 +$31.2m, F20 +$41.7m, 1H20 +$13.2m
⁸ Ratio of total Net Borrowings to last twelve-month EBITDAS which includes the addition of depreciation expense attributable to leases in the period per AASB16 Leases
Treasury Wine Estates Limited (ASX: TWE) today announced its interim 2021 financial result, with NPAT down 24% to $175.3m and EPS down 24% to 24.3 cents per share. On a statutory reported basis, NPAT was down 43% to $120.9m and EPS was down 43% to 16.8 cents per share.

TWE reported EBITs of $284.1m, down 23%, with EBITs margin 3.8ppt lower to 20.1%.

Net material items loss of $45.6m (post-tax) recognised in 1H21, primarily non-cash, relating to divestment of US brands and assets, the South Australian luxury winery expansion and the overhead and supply chain restructure. Higher COGS per case of 2.8% was driven by a favourable portfolio mix shift, lower volume and higher costs associated with Australian sourced commercial and masstige wine in addition to one-off costs.

Ongoing impacts from global pandemic disruptions to sales channels for higher margin luxury wine across key regional markets, in addition to reduced shipments in China resulting from the MOFCOM investigations into imports of wine by Australian producers, were key drivers of lower EBITs in 1H21.

Strong Operating cash flow included the impact from the smaller than average 2020 Californian vintage intake. Earlier sales phasing in Asia also ensured strong cash flow performance as reflected by 1H21 cash conversion of 128.9%.

TWE’s flexible and efficient capital structure remains a key strength that will allow it to manage through the ongoing recovery from global pandemic impacts and implementation of the global response plan to the MOFCOM investigations. Net debt reduced by $403.7m in 1H21 to $1,030.5m, with Net debt to EBITDAS of 1.7x in line with the pcp and reflecting the maintenance of TWE’s investment grade credit profile. Total available liquidity of approximately $1.5bn was on hand at 31 December 2020.

ROCE declined 4.1ppt to 9.5% as a result of lower EBITs and TWE continues to take a disciplined approach to capital allocation.

The Board declared an interim dividend of 15.0 cents per share, representing a payout ratio of 62% NPAT, which is consistent with TWE’s long-term dividend policy.

Key highlights from a regional perspective include:

- Asia reported a 28% decline in EBITs to $127.2m and an EBITs margin of 38.2% (down 4.9ppt) with China shipments reduced due to the MOFCOM investigations in addition to pandemic restrictions which continued to impact luxury portfolio performance across other Asian markets. TWE saw progressive and consistent recovery in consumption through 1H21, with positive trends in a number of markets.

- Americas reported a 15% decline in EBITs to $83.1m and an EBITs margin of 15.5% (down 0.6ppt), with performance impacted by disruptions from pandemic restrictions and the Californian wildfires on key channels for higher margin luxury wine. Momentum in the retail and e-commerce channels remained strong and TWE’s focus premium brand portfolio continued to outperform the market.

- Australia & New Zealand (ANZ) reported a 12% decline in EBITs to $75.3m and an EBITs margin of 23.3% (down 3.1ppt), reflecting the ongoing impact of restrictions on people movement to key sales channels for higher margin luxury wine. In retail and e-commerce, TWE’s portfolio of well-known and trusted focus brands continues to perform strongly.

- EMEA reported a 22% decline in EBITs to $25.0m and an EBITs margin of 11.5% (down 5.3ppt), with top-line growth driven by strong performance in retail channels. Offsetting were higher COGS on Australian and US sourced commercial wine and higher CODB, including one-off Brexit related costs. TWE’s focus brands continue to perform strongly across key EMEA markets.

On today’s results announcement, TWE’s Chief Executive Officer Tim Ford commented: “Our first half fiscal 2021 results demonstrate that we are making progress against our TWE 2025 strategy, despite a period of significant disruption. Our progress is the result of disciplined execution of the plans we put in place to manage through these disruptions and highlight the strength of our business models in all regions. I would like to thank our team who have done a great job in delivering these results, and I am incredibly proud of the agility and resilience we have shown during this period. I remain confident that this team has the ability to grow our business in existing and new markets, just as it has done in the past.”
F21 strategic priorities update

TWE is continuing to progress on the delivery of its key F21 strategic priorities:

- **Accelerating separate focus across the portfolio.** Effective 1 July 2021, TWE will operate under three new divisions – Penfolds, Treasury Premium Brands and Treasury Americas – with each having unique strategic, geographic and consumer characteristics with distinct growth opportunities. These three divisions will be serviced by centralised business, supply and corporate functions. Establishment of the new operating model will maximise the benefits of separate focus across TWE’s brand portfolios.

- **Delivery of the future state premium US wine business.** TWE has progressed on key initiatives, including the planned exit of a significant portion of the commercial brand portfolio. In addition, TWE will explore the divestment and exit of other non-priority brands, operating assets and leases to deliver cost reductions across vineyard, winemaking, and packaging operations, as well as improving the balance of the US asset base. TWE expects to generate a net cash inflow of at least $300m as a result of the divestment and restructuring activities and will recognise total one-off non-cash material items of approximately $100m, related primarily to write downs of intangible and lease assets. These costs are expected to be incurred over the course of F21 and F22, with $50.7m (pre-tax) recognised at 31 December 2020.

- **Implementation of the global response plan following the announcement of provisional measures by MOFCOM.** Key actions to date include the acceleration of sales, marketing and brand building investment into other priority Asian markets and overhead cost base reductions in China and across corporate functions that net of reinvestment will deliver annualised benefits of $10m from F22 onwards. TWE is becoming increasingly confident around the opportunity for reallocation of the Penfolds Bins and Icon range to other global markets.

Future perspectives

TWE is planning for the continuation of conditions consistent with recent trading in the Americas, ANZ, EMEA and Asian markets outside of China. In China, TWE expects that demand for its portfolio will remain extremely limited while the provisional (or similar) measures announced by MOFCOM remain in place and is therefore planning for minimal EBIT contribution from China in 2H21. TWE is becoming increasingly confident around its plans for reallocation of the Penfolds Bins and Icon range from China to other markets as it continues to engage with its customer and consumer base, with modest benefits to commence towards the end of F21. Reflecting this, TWE expects that 2H21 EBIT will be below that of 1H21.

On TWE’s outlook, Tim Ford commented: “While we expect disruptions to continue across a number of our sales channels through the remainder of fiscal 2021, we are well placed to further our recovery once conditions improve in key channels for luxury wine. The fundamentals of our diversified global business remain strong and I am confident they will continue to support our execution into the future. Further, the momentum behind our strategic agenda continues to build, and the changes we have announced today, particularly in relation to our future operating model, are key foundational milestones towards the ongoing delivery of our TWE 2025 strategy.”

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Profit Report

Key Highlights

Business headlines
- Strong execution of the COVID-19 Plan Ahead Agenda drove positive momentum towards recovery in all regions - in comparison to 2H20, which was also a period impacted by COVID-19 trading conditions. 1H21 Group NSR and EBITs were up 26.6% and 70.3% respectively on a reported currency basis.
- In all markets, TWE has maintained positive momentum in retail and e-commerce, reflecting the consumer behaviour shift towards in-home consumption of well-known and trusted brands during the pandemic. The pace of recovery through sales channels for higher margin, luxury wine (including on-premise, cellar doors and travel retail) remained mixed as a result of ongoing global pandemic related disruptions.
- Premiumisation trends continue for TWE, driven in 1H21 by strong margaille portfolio growth. Opportunity exists for improved luxury portfolio performance upon re-opening of channels globally, and execution of luxury growth plans in the US.
- TWE will implement a new internal operating model designed to maximise the benefits of separate focus across its diverse brand portfolios. Commencing 1 July 2021, TWE will operate under three new divisions – Penfolds, Treasury Premium Brands and Treasury Americas – which each have unique strategic, geographic and consumer characteristics with distinct growth opportunities. These three lead divisions will be serviced by centralised business, supply and corporate functions.
- TWE has progressed with its plan to deliver the future state premium wine business in the United States, including the planned exit of a significant portion of the commercial brand portfolio. In addition, TWE will explore the divestment and exit of other non-priority brands, operating assets and leases. TWE expects to generate a net cash inflow of at least $300m as a result of the divestment and restructuring activities and will recognise total one-off non-cash material items of approximately $100m, related primarily to write downs of intangible and lease assets.
- TWE has commenced implementation of its global response plan to mitigate the impact of the provisional measures announced by the Chinese Ministry of Commerce ("MOFCOM") in November 2020.

1H21 luxury and masstigie contribution to Group NSR

75% ▲ 2ppts vs. pcp

EBITs by region

<table>
<thead>
<tr>
<th></th>
<th>1H21</th>
<th>1H20</th>
<th>%</th>
<th>1H20</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td></td>
<td></td>
<td>$m</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reported currency</td>
<td>Constant currency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Americas</td>
<td>83.1</td>
<td>98.3</td>
<td>(15.5)%</td>
<td>85.4</td>
<td>(2.7)%</td>
</tr>
<tr>
<td>Asia</td>
<td>127.2</td>
<td>175.5</td>
<td>(27.5)%</td>
<td>178.2</td>
<td>(28.6)%</td>
</tr>
<tr>
<td>EMEA</td>
<td>25.0</td>
<td>32.0</td>
<td>(21.9)%</td>
<td>34.0</td>
<td>(26.5)%</td>
</tr>
<tr>
<td>ANZ</td>
<td>75.3</td>
<td>85.9</td>
<td>(12.3)%</td>
<td>89.6</td>
<td>(16.0)%</td>
</tr>
<tr>
<td>Corporate</td>
<td>(26.5)</td>
<td>(25.0)</td>
<td>(6.0)%</td>
<td>(25.0)</td>
<td>(6.0)%</td>
</tr>
<tr>
<td>TWE EBITs</td>
<td>284.1</td>
<td>366.7</td>
<td>(22.5)%</td>
<td>362.2</td>
<td>(21.6)%</td>
</tr>
</tbody>
</table>

Financial headlines
- EBITs of $284.1m before material items, down 22.5% on a reported currency basis and 21.6% on a constant currency basis; EBITs margin declined 4.1ppt to 20.1%.
- Ongoing impacts from global pandemic disruptions to sales channels for higher margin luxury wine across key regional markets, in addition to reduced shipments in China resulting from the MOFCOM investigations into imports of wine by Australian producers, were key drivers of lower EBITs in 1H21.
- NPAT and EPS (before material items and SGARA) declined 22.7% and 22.9% respectively.
- Cash conversion of 128.9% reflects continued strong operating cash flow performance in addition to impacts from the lower 2020 Californian vintage intake and earlier sales phasing in Asia. Excluding the change in non-current luxury and masstigie inventory, cash conversion was 121.0%.
- TWE’s strong, flexible balance sheet and investment grade capital structure retained, with net debt reducing $403.7m in 1H21 and net debt/EBITDAS of 1.7x in line with the prior year. For financial covenant compliance purposes, which exclude the capitalisation of leases, net debt/EBITDAS was 1.0x.
- A post-tax net material items loss of $45.6m has been recognised in 1H21, which is primarily non-cash, and relates to divestment of US brands and assets, the South Australian luxury winery expansion and the overhead and supply chain structure.

Dividend
- Interim dividend 15.0 cents per share, fully franked, representing a pay-out ratio of 62%.

Outlook
- TWE is planning for the continuation of recent trading conditions in the Americas, ANZ, EMEA and Asian markets outside of China through 2H21, including the continued closure of key luxury channels.
- In China, TWE expects that demand for its portfolio will remain extremely limited while the provisional (or similar) measures announced by MOFCOM remain in place, and is therefore planning for minimal EBITs contribution from China in 2H21.
- TWE is becoming increasingly confident around its plans for reallocation of the Penfolds Bins and Icon range from China to other markets, with modest benefits to commence towards the end of F21.
- TWE expects 2H21 EBITs will be below that of 1H21.
- TWE expects F21 full year cash conversion to be delivered in accordance with its ordinary course target of 90%+, excluding the investment in non-current luxury and masstigie inventory.
- Net debt to EBITDAS is expected to increase modestly in 2H21 with a strong path to deleveraging below the 'up to 2.0x' target by no later than the end of F22.
- TWE expects to recognise approximately $100m in total one-off costs as part of the restructuring of the Americas division (with $50.7m pre-tax, recognised in 1H21). Material items are non-cash in nature and relate primarily to the write-down of intangible and lease assets. TWE expects to generate a net cash inflow of at least $300m as a result of the divestments and restructuring steps announced today.

* Financial information in this report is subject to audit review. Non-IFRS measures will not be 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.
9 Unless otherwise stated, all percentage or dollar movements from prior periods contained in the Profit report are pre-material items on a constant currency basis versus the prior corresponding period and are subject to rounding.
10 Net debt excludes fair value adjustments related to derivatives that are in a fair value hedge relationship on a portion of US Private Placement notes: 1H21: +$31.2m, F20: +$41.7m, 1H20: +$13.2m.
12 TWE targets a dividend payout ratio of between 55%-70% of Net Profit After Tax (pre-material items and SGARA) over a fiscal year.
**Profit and Loss**

<table>
<thead>
<tr>
<th>$m (unless otherwise stated)</th>
<th>Reported Currency</th>
<th>Constant Currency</th>
<th>Reported Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H21</td>
<td>1H20</td>
<td>Change</td>
</tr>
<tr>
<td>Net sales revenue</td>
<td>1,410.0</td>
<td>1,536.1</td>
<td>(8.2)%</td>
</tr>
<tr>
<td>NSR per case ($)</td>
<td>82.49</td>
<td>87.00</td>
<td>(5.2)%</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>14.2</td>
<td>15.1</td>
<td>(6.0)%</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>(864.0)</td>
<td>(868.0)</td>
<td>0.5 %</td>
</tr>
<tr>
<td>Gross profit</td>
<td>560.2</td>
<td>683.2</td>
<td>(18.0)%</td>
</tr>
<tr>
<td>Gross profit (% of NSR)</td>
<td>39.7%</td>
<td>44.5%</td>
<td>(4.8)ppts</td>
</tr>
<tr>
<td>Cost of doing business</td>
<td>(276.1)</td>
<td>(316.5)</td>
<td>12.8%</td>
</tr>
<tr>
<td>Cost of doing business (% of NSR)</td>
<td>19.6%</td>
<td>20.8%</td>
<td>1.0%ppts</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>168.5</td>
<td>36.7</td>
<td>(22.5)%</td>
</tr>
<tr>
<td>SGARA</td>
<td>20.1%</td>
<td>23.9%</td>
<td>(3.8)ppts</td>
</tr>
<tr>
<td>EBIT (before material items)</td>
<td>272.2</td>
<td>364.1</td>
<td>(25.2)%</td>
</tr>
<tr>
<td>EBIT margin (%)</td>
<td>20.1%</td>
<td>23.9%</td>
<td>22.5%</td>
</tr>
<tr>
<td>EBIT (before material items and SGARA) (Ac)</td>
<td>175.3</td>
<td>229.2</td>
<td>(23.5)%</td>
</tr>
<tr>
<td>EPS (before material items and SGARA) (Ac)</td>
<td>24.3</td>
<td>31.9</td>
<td>(23.8)%</td>
</tr>
<tr>
<td>Average no. of cases (m)</td>
<td>721.2</td>
<td>719.5</td>
<td>0.5%</td>
</tr>
<tr>
<td>Dividend (Ac)</td>
<td>15.5</td>
<td>20.0</td>
<td>(25.0)%</td>
</tr>
</tbody>
</table>

**EBITS**

- EBIT of $284.1m, down 22.5% on a reported basis and 21.6% on a constant currency basis, driven principally by:
  - Continued impacts of global pandemic disruptions to key sales channels for higher margin, luxury wine in the Americas, Asia and ANZ; and
  - Reduced shipments in China due to the MOFCOM investigations.
- EBIT margin declined 4.1ppt to 20.1%. TWE continues to target delivery of 25% Group EBITs margin

**SGARA**

- SGARA loss of $11.9m driven by the 2020 Californian vintage loss, partly offset by the unwinding of prior year losses

**Net finance costs**

- Net finance costs were 8.3% favourable in 1H21, driven by lower average net borrowings and the benefit of lower average interest rates

**Tax expense**

- Lower tax expense reflects lower earnings in 1H21 vs pcp. The effective tax rate (before material items) of 28.4% is in line with the pcp.

**Material Items**

- A post-tax net material items loss of $45.6m has been recognised in 1H21, which is primarily non-cash, and relates to the divestment of US brands and assets, the South Australian luxury winery expansion and the overhead and supply chain restructuring

**Net profit after tax (NPAT)**

- NPAT before material items and SGARA $175.3m, down 22.7%, driven by lower EBITs in 1H21 and partly offset by lower tax expense and net finance costs

**Earnings Per Share (EPS)**

- EPS (before SGARA and material items) decreased 22.9% to 24.3 cents per share. Reported EPS decreased 42.1% to 16.8 cents per share.
Balance Sheet (condensed)\(^\text{13}\)

<table>
<thead>
<tr>
<th>A$m</th>
<th>1H21</th>
<th>F20</th>
<th>1H20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; cash equivalents</td>
<td>480.8</td>
<td>449.1</td>
<td>335.6</td>
</tr>
<tr>
<td>Receivables</td>
<td>511.5</td>
<td>554.1</td>
<td>702.8</td>
</tr>
<tr>
<td>Current inventories</td>
<td>826.7</td>
<td>1,017.4</td>
<td>996.6</td>
</tr>
<tr>
<td>Non-current inventories</td>
<td>1,041.8</td>
<td>1,059.2</td>
<td>1,015.3</td>
</tr>
<tr>
<td>Property, plant &amp; equipment</td>
<td>1,335.7</td>
<td>1,397.4</td>
<td>1,393.0</td>
</tr>
<tr>
<td>Right of use lease assets</td>
<td>475.5</td>
<td>517.0</td>
<td>537.7</td>
</tr>
<tr>
<td>Agricultural assets</td>
<td>40.7</td>
<td>34.1</td>
<td>39.1</td>
</tr>
<tr>
<td>Intangibles</td>
<td>1,208.9</td>
<td>1,331.6</td>
<td>1,322.7</td>
</tr>
<tr>
<td>Tax assets</td>
<td>156.5</td>
<td>183.5</td>
<td>171.9</td>
</tr>
<tr>
<td>Assets held for sale</td>
<td>45.7</td>
<td>74.3</td>
<td>72.3</td>
</tr>
<tr>
<td>Other assets</td>
<td>52.5</td>
<td>54.2</td>
<td>20.2</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>6,176.3</strong></td>
<td><strong>6,671.9</strong></td>
<td><strong>6,607.2</strong></td>
</tr>
<tr>
<td>Payables</td>
<td>673.0</td>
<td>682.1</td>
<td>665.6</td>
</tr>
<tr>
<td>Interest bearing debt</td>
<td>903.4</td>
<td>1,227.0</td>
<td>1,082.5</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>639.5</td>
<td>698.6</td>
<td>708.6</td>
</tr>
<tr>
<td>Tax liabilities</td>
<td>306.3</td>
<td>357.1</td>
<td>375.7</td>
</tr>
<tr>
<td>Provisions</td>
<td>53.7</td>
<td>59.2</td>
<td>52.7</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>40.5</td>
<td>24.5</td>
<td>12.2</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>2,616.4</strong></td>
<td><strong>3,048.5</strong></td>
<td><strong>2,897.3</strong></td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td><strong>3,559.9</strong></td>
<td><strong>3,623.4</strong></td>
<td><strong>3,709.9</strong></td>
</tr>
</tbody>
</table>

Balance sheet movements as at 31 December 2020

Net assets decreased $63.5m to $3,559.9m. Adjusting for movements in foreign exchange rates, net assets increased by $90.1m.

Working Capital\(^\text{14}\)

Working capital decreased $241.6m to $1,707.0m, driven by:

- Lower receivables, reflecting lower sales and earlier sales phasing in Asia; and
- Total inventory decreased $208.1m to $1,868.5m in 1H21.

Versus the pcp, inventory decreased $143.4m:

- Current inventory declined $169.9m to $826.7m, driven by a decrease in expected demand in China resulting from the implementation of provisional measures by MOFCOM in addition to revised expectations for purchase of higher margin luxury wine as a result of channel disruptions due to the global pandemic
- Non-current inventory increased $26.5m to $1,041.8m due to the carry-forward of luxury inventory that had been allocated for sale in China during 1H21, partly offset by significantly lower 2020 vintages in Australia and California
- Luxury inventory declined 6.0% to $1,190.9m, with volume 9% lower; average cost per case was higher for both the 2020 Australian and Californian vintages

Property, Plant & Equipment

Property, Plant and Equipment decreased $61.7m to $1,335.7m, largely driven foreign currency movements and depreciation, partly offset by investment in luxury winemaking infrastructure in South Australia and vineyard redevelopments

Right of use lease assets

Right of use lease assets declined by $41.5m to $475.5m, driven by foreign currency movements, with lease asset additions largely offset by depreciation

Agricultural assets

Agricultural assets at 31 December 2020 represent the market value of unharvested grapes prior to the 2021 Australian and New Zealand vintages

Intangibles

Intangible assets decreased $122.7m to $1,208.9m, driven by foreign currency movements and impairment of commercial brands in the US

Provisions

Lower provisions have been driven by the utilisation of past provisions, primarily related to establishment of the Global Business Services function

Tax and other assets

Lower net tax liability at 31 December 2020 due to instalments paid during 1H21, partly offset by the current period tax expense

Assets held for sale

Assets held for sale relates to surplus supply assets in the US and is $28.6m lower following the disposal of Californian vineyard assets in 1H21

Other assets and liabilities

Other assets and liabilities include derivatives in relation to TWE’s foreign currency and interest rate hedging program

Net Debt\(^\text{15}\)

Net debt, decreased $414.4m to $1,062.1m comprising:

- Cash, which increased $31.7m to $480.8m
- Interest bearing debt, which decreased $323.6m to $903.4m
- Lease liabilities, which decreased $59.1m to $639.5m

Key credit metrics

Net Debt to EBITDAS of 1.7x was in line with the prior year. For financial covenant reporting purposes, which excludes the capitalisation of leases, Net debt to EBITDAS was 1.0x and interest cover was 9.0x

Funding structure

At 31 December 2021, TWE had committed debt facilities totalling approximately $1,924.1m, comprising:

- Drawn bank facilities of $455.4m and US Private Placement notes of $422.9m
- Undrawn committed bilateral debt facilities totalling $785.6m
- Undrawn committed term funding facility of $260.2m

The weighted average term to maturity of committed facilities was 4.0 years at 31 December 2021, with the Group’s liquidity position (including cash and committed undrawn facilities) totalling $1,526.6m

\(^\text{13}\) Unless otherwise stated, balance sheet percentage or dollar movements from the previous period are on a reported currency basis and in respect of the six months from 30 June 2020. Prior year comparatives have been restated for the application of AASB 112 Income Taxes

\(^\text{14}\) Working capital balances may include items of payables and receivables which are not attributable to operating activities

\(^\text{15}\) 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: 1H21 +$31.2m, F20 +$41.7m, 1H20 +$13.2m
Cash flow – reconciliation of net debt\(^{16}\)

<table>
<thead>
<tr>
<th>A$m (unless otherwise stated)</th>
<th>1H21</th>
<th>1H20</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDAS</td>
<td>362.8</td>
<td>444.7</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>85.2</td>
<td>(73.9)</td>
</tr>
<tr>
<td>Other items</td>
<td>19.7</td>
<td>7.4</td>
</tr>
<tr>
<td>Net operating cash flows before financing costs, tax &amp; material items</td>
<td>467.7</td>
<td>378.3</td>
</tr>
<tr>
<td>Cash conversion</td>
<td>128.9%</td>
<td>85.1%</td>
</tr>
<tr>
<td>Payments for capital expenditure and subsidiaries</td>
<td>(68.4)</td>
<td>(113.2)</td>
</tr>
<tr>
<td>Proceeds from sale of assets</td>
<td>2.7</td>
<td>28.7</td>
</tr>
<tr>
<td>Cash flows after net capital expenditure, before financing costs, tax &amp; material items</td>
<td>402.0</td>
<td>293.8</td>
</tr>
<tr>
<td>Net interest paid</td>
<td>(93.6)</td>
<td>(43.8)</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(81.1)</td>
<td>(123.7)</td>
</tr>
<tr>
<td>Cash flows before dividends &amp; material items</td>
<td>281.3</td>
<td>126.3</td>
</tr>
<tr>
<td>Dividends/distributions paid</td>
<td>(55.1)</td>
<td>(140.2)</td>
</tr>
<tr>
<td>Cash flows after dividends before material items</td>
<td>226.2</td>
<td>(13.9)</td>
</tr>
<tr>
<td>Material item cash flows</td>
<td>36.9</td>
<td>(6.3)</td>
</tr>
<tr>
<td>Issue of shares, less transaction costs</td>
<td>0.9</td>
<td>-</td>
</tr>
<tr>
<td>On-market share purchases</td>
<td>-</td>
<td>(4.9)</td>
</tr>
<tr>
<td>Total cash flows from activities (before debt)</td>
<td>264.0</td>
<td>(25.1)</td>
</tr>
<tr>
<td>Net (repayment) / proceeds from borrowings</td>
<td>(217.8)</td>
<td>(42.2)</td>
</tr>
<tr>
<td>Total cash flows from activities</td>
<td>46.2</td>
<td>(87.3)</td>
</tr>
<tr>
<td>Opening net debt</td>
<td>(1,434.2)</td>
<td>(1,380.0)</td>
</tr>
<tr>
<td>Total cash flows from activities (above)</td>
<td>264.0</td>
<td>(25.1)</td>
</tr>
<tr>
<td>Net lease liability additions</td>
<td>(50.0)</td>
<td>(30.9)</td>
</tr>
<tr>
<td>Net debt acquired</td>
<td>-</td>
<td>(3.2)</td>
</tr>
<tr>
<td>Debt revaluation and foreign exchange movements</td>
<td>169.7</td>
<td>(2.4)</td>
</tr>
<tr>
<td>(Increase) / Decrease in net debt</td>
<td>403.7</td>
<td>(61.4)</td>
</tr>
<tr>
<td>Closing net debt</td>
<td>(1,030.5)</td>
<td>(1,441.6)</td>
</tr>
</tbody>
</table>

### Movement in net debt

Net debt\(^{17}\) decreased by $403.7m to $1,030.5m, with drivers of the movement including:

**EBITDAS**

EBITDAS decreased $81.9m on a reported currency basis driven by the lower EBITS

**Movement in working capital\(^{18}\)**

Net working capital cash inflow of $85.2m a result of the lower inventory position following the smaller 2020 Australian and Californian vintages and lower receivables as a result of earlier sales phasing in Asia

**Other items**

Other items reflect the movement in provisions, which are non-cash

---

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

17 Net debt excludes fair value adjustments related to derivatives in a fair value hedge relationship on a portion of US Private Placement notes: 1H21 +$31.2m, F20 +$41.7m, 1H20 +$13.2m

18 Change in working capital reflects operating cash flow movements

### Capital expenditure

Capital expenditure (capex) of $68.4m comprising:

- Maintenance & Replacement capex of $30.4m
- Growth capex of $38.0m, which includes investments in South Australian Luxury winemaking assets

In F21, capex is expected to be approximately $150.0m, including maintenance and replacement expenditure and continued business investment to support future premiumisation and growth

### Proceeds from sale of assets

Proceeds from sale of assets relates primarily to the sale of surplus supply assets in Australia and California

### Net interest paid

Favourable net interest paid of $4.2m driven by lower average net borrowings and the benefits of lower average interest rates

### Dividends paid

Dividends paid reflects payment of the F20 final dividend of 8.0 cents per share

### Tax paid

Decrease in tax paid predominantly reflects the reduced tax payable on the lower earnings in 2H20

### Lease liability additions

Additions of $30.0m primary reflects a new warehousing facility lease in California

### Material item cash flows

Material item net cash inflow of $36.9m reflects the divestiture of vineyard assets in California partly offset by expenditure relating to restructuring initiatives in the Americas

### Exchange rate impact

Higher period-end exchange rates used to revalue foreign currency borrowings and cash as at 31 December 2020 decreased net debt by $169.7m

### Cash conversion

Cash conversion 128.9% reflects continued strong operating cash flow performance in addition to impacts from the lower 2020 California vintage intake and earlier sales phasing in China. Excluding the change in non-current luxury and masstige inventory, cash conversion was 121.0%
Regional Summaries

Asia

Financial performance

<table>
<thead>
<tr>
<th>$A$m</th>
<th>1H21</th>
<th>1H20</th>
<th>%</th>
<th>1H20</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reported Currency</td>
<td>Constant Currency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Region</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NSR</td>
<td>333.2</td>
<td>407.5</td>
<td>(18.2)%</td>
<td>406.9</td>
<td>(18.1)%</td>
</tr>
<tr>
<td>NSR per case</td>
<td>253.52</td>
<td>202.71</td>
<td>25.1%</td>
<td>202.41</td>
<td>25.3%</td>
</tr>
<tr>
<td>EBITS</td>
<td>127.2</td>
<td>175.5</td>
<td>(27.5)%</td>
<td>178.2</td>
<td>(28.6)%</td>
</tr>
<tr>
<td>EBITS margin (%)</td>
<td>38.2%</td>
<td>43.1%</td>
<td>(4.9)ppts</td>
<td>43.8%</td>
<td>(5.6)ppts</td>
</tr>
<tr>
<td><strong>Mainland China</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NSR</td>
<td>225.7</td>
<td>289.4</td>
<td>(22.0)%</td>
<td>289.4</td>
<td>(22.0)%</td>
</tr>
<tr>
<td>NSR per case</td>
<td>298.66</td>
<td>227.48</td>
<td>31.3%</td>
<td>227.48</td>
<td>31.3%</td>
</tr>
<tr>
<td>EBITS</td>
<td>78.8</td>
<td>124.2</td>
<td>(36.6)%</td>
<td>125.2</td>
<td>(37.1)%</td>
</tr>
<tr>
<td>EBITS margin (%)</td>
<td>34.9%</td>
<td>42.9%</td>
<td>(8.0)ppts</td>
<td>43.3%</td>
<td>(8.4)ppts</td>
</tr>
<tr>
<td><strong>Rest of Asia</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NSR</td>
<td>107.5</td>
<td>118.1</td>
<td>(9.0)%</td>
<td>117.5</td>
<td>(8.5)%</td>
</tr>
<tr>
<td>NSR per case</td>
<td>192.45</td>
<td>160.01</td>
<td>20.3%</td>
<td>159.19</td>
<td>20.9%</td>
</tr>
<tr>
<td>EBITS</td>
<td>48.4</td>
<td>51.3</td>
<td>(5.7)%</td>
<td>53.0</td>
<td>(8.7)%</td>
</tr>
<tr>
<td>EBITS margin (%)</td>
<td>45.0%</td>
<td>43.4%</td>
<td>1.6ppts</td>
<td>45.1%</td>
<td>(0.1)ppts</td>
</tr>
</tbody>
</table>

Historical EBITS and EBITS margin

1H21 luxury and masstige contribution to NSR

95% ▲ 4ppts vs. pcp

Business performance

- Volume and NSR declined 34.6% and 18.1% respectively:
  - In China, volume and NSR was impacted by reduced shipments resulting from the commencement of investigations by MOFCOM in August 2020 and subsequent introduction of provisional measures in November 2020
  - Across other Asian markets pandemic restrictions continued to impact luxury trading performance, particularly across on-premise and global travel retail
- Improved mix within the luxury portfolio throughout the region, led by demand for higher-end Penfolds Bins, partly offset the impact of reduced regional volumes
- NSR per case rose 25.3%, driven by improved portfolio mix as the contribution of the luxury and masstige portfolios increased to 95% of Asia region NSR (an improvement of 4ppts)
- COGS per case increased 39.1% reflecting improved portfolio mix, higher COGS due to lower than planned regional volumes, and one-off costs relating to the MOFCOM investigations, including additional freight (demurrage) costs on clearance delays through Chinese ports in 1H21
- CODB improved 11.3%, driven by alignment of brand investment to sales volume following the announcement of provisional measures by MOFCOM in November 2020
- Regional EBITS fell 28.6% to $127.2m and EBITS margin declined 5.6ppts to 38.2%; excluding China EBITS margin of 45.0% was broadly in line with the pcp
- In comparison to 2H20, NSR and EBITS increased 59.0% and 86.5% respectively on a reported currency basis, with reopening of luxury channels driving improved top-line performance in the region

Asian regional perspectives

- The fundamentals of the wine category remain positive across the Asia region, with consumption of luxury and masstige wine expected to continue growing over the long-term¹⁹
- TWE saw progressive and consistent recovery of consumption through 1H21, with positive momentum in a number of markets including Malaysia, Thailand and Korea. However, a number of other markets continue to be impacted by restrictions to travel and on-premise venues
- Implementation of a global response plan to the provisional measures announced by MOFCOM is in progress, with the following key priorities for the Asia region in 2H21:
  - Accelerated investment in sales and marketing capability across the region to support reallocation plans for the Penfolds Bin and Icon range. TWE is becoming increasingly confident around its plans for reallocation of the Penfolds Bins and Icon range from China to other markets
  - Implementation of the future state China business model, including the alignment of regional CODB with expectations for trading volume over the short to medium term. Net of reinvestment to regional growth markets, TWE expects annualised cost savings of approximately $10m from F22 onwards
  - TWE targets Asia region EBITS margin in the high 30% range

¹⁹ IWSR 2020 value growth. Still, sparkling and fortified wine. Imported wine only.
Regional Summaries

**Americas**

**Financial performance**

<table>
<thead>
<tr>
<th></th>
<th>1H21</th>
<th>1H20</th>
<th>%</th>
<th>1H20</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSR</td>
<td>535.1</td>
<td>612.4</td>
<td>(12.6)%</td>
<td>576.8</td>
<td>(7.2)%</td>
</tr>
<tr>
<td>NSR per case</td>
<td>80.68</td>
<td>88.08</td>
<td>(8.4)%</td>
<td>82.96</td>
<td>(2.7)%</td>
</tr>
<tr>
<td>EBITS</td>
<td>83.1</td>
<td>98.3</td>
<td>(15.5)%</td>
<td>85.4</td>
<td>(2.7)%</td>
</tr>
<tr>
<td>EBITS margin (%)</td>
<td>15.5%</td>
<td>16.1%</td>
<td>(0.6)ppts</td>
<td>14.8%</td>
<td>0.7ppts</td>
</tr>
</tbody>
</table>

**Historical EBITS and EBITS margin**

**Business performance**

- Volume and NSR declined 4.6% and 7.2% respectively, driven by the continued proactive reduction in commercial volume in addition to disruptions from pandemic restrictions and the Californian wildfires on key channels for higher margin luxury wine; momentum in the retail and e-commerce channel remained strong.
- In the US, total shipments were in line with depletions, and excluding New Product Development launches, 3% below depletions.
- NSR per case declined 2.7%, reflecting the impact to portfolio mix as a result of channel disruptions.
- COGS per case rose 3.1%, including higher costs on Australian sourced commercial wine and the impact of inventory damaged by the Californian wildfires (the cost of this impact, US$5.8m, was recovered through insurance and disclosed as Other Revenue\(^{20}\)).
- CODB declined 30.3%, driven by the new US sales and marketing model and organisational structure that was implemented in 4Q20, in addition to reduced levels of promotional investment which reflect strong demand through the retail channel and improved US wine market dynamics compared to 1H20.
- Regional EBITS declined 2.7% to $83.1m, and EBITS margin improved 0.7ppts to 15.5%.
- In comparison to 2H20, TWE’s strong performance in retail channels led to NSR and EBITS increasing 17.1% and 69.6% respectively on a reported currency basis.

**Americas regional perspectives**

- The fundamentals of the US wine market remain attractive, with long-term premiumisation trends remaining firmly intact. During 1H21 the above $20 price segment was the fastest growing segment in the category with 26% value growth\(^{21}\).
- TWE’s focus premium brand portfolio continued its strong retail channel performance, collectively growing 31% in 1H21 led by 19 Crimes, St Huberts the Stag, Beringer Brothers, Matua, Stags’ Leap and Beaulieu Vineyard\(^{22}\).
- The launch of 19 Crimes Cali Red was a significant innovation success, becoming the number one wine innovation for 2020 (total category) and the number 15 brand in the US wine market in a short period of time\(^{21}\). A brand extension, Cali Rose, will be launched in 2H21.
- The March 2021 inaugural release of the Californian Penfolds Collection will be an important milestone for the brand in the US.
- Increased wine consumption through the pandemic period, coupled with the significantly smaller, wildfire impacted 2020 Californian vintage has accelerated the re-balancing of supply across the US wine industry.
- TWE continues to progress key restructuring initiatives in the US that will support progression towards the 25% regional EBITS margin target.

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\(^{20}\) Further insurance claims are currently in progress, determination pending

\(^{21}\) IRI Market Advantage MULO+Conv; Still Wine Segment 26wks ending 12.27.20

\(^{22}\) IRI Market Advantage MULO+Conv; Still Wine Segment 52wks ending 12.27.20
Regional Summaries

Australia & New Zealand (ANZ)

Financial performance

<table>
<thead>
<tr>
<th>$m</th>
<th>1H21</th>
<th>1H20</th>
<th>%</th>
<th>1H20</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reported Currency</td>
<td>Constant Currency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NSR</td>
<td>323.8</td>
<td>325.8</td>
<td>(0.6)%</td>
<td>325.6</td>
<td>(0.6)%</td>
</tr>
<tr>
<td>NSR per case</td>
<td>82.76</td>
<td>80.36</td>
<td>3.0%</td>
<td>80.31</td>
<td>3.1%</td>
</tr>
<tr>
<td>EBITs</td>
<td>75.3</td>
<td>85.9</td>
<td>(12.3)%</td>
<td>89.6</td>
<td>(16.0)%</td>
</tr>
<tr>
<td>EBITs margin (%)</td>
<td>23.3%</td>
<td>26.4%</td>
<td>(3.1)ppts</td>
<td>27.5%</td>
<td>(4.2)ppts</td>
</tr>
</tbody>
</table>

Business performance

- Volume and NSR declined 3.5% and 0.6% respectively, with proactive reduction of the commercial portfolio being offset by growth in luxury and masstige brands through the retail and e-commerce channels.
- NSR per case increased 3.1%, driven by portfolio mix shift reflecting growth in the luxury and masstige portfolios.
- COGS per case increased 9.7%, reflecting portfolio premiumisation, recent higher cost vintages for Australian sourced commercial wine and incremental costs associated with finished goods that had been intended for sale in China.
- CODB increased 3.5% and includes increased depreciation following recent long-term investments in e-commerce and planning systems.
- EBITs declined 16.0% to $75.3m, and EBITs margin declined 4.2ppts to 23.3%.
- Versus 2H20, NSR and EBITs rose 21.5% and 58.9% respectively on a reported currency basis, supported by the gradual re-opening of some key sales channels.

ANZ regional perspectives

- Over the long-term, TWE expects Australian wine market volume and value growth to be driven by the luxury and masstige price points, a trend which has continued strongly through the pandemic.
- While there has been progressive re-opening of on-premise venues in Australia through 1H21, key sales channels for higher margin luxury wine, including travel retail and cellar doors, remain impacted by restrictions on people movement.
- In the retail channel, market growth is centred on the masstige and luxury price points. TWE’s portfolio of well-known and trusted focus brands continues to perform strongly, led by 19 Crimes, Pepperjack, Wynns and Squealing Pig.
- TWE will monitor potential short-term impacts to Australian wine market conditions following the announcement of the provisional measures by MOFCOM in November 2020.
- TWE targets EBITs margin in the high 20% range in ANZ.

Historical EBITs and EBITs margin*

ANZ regional perspectives

ANZ regional perspectives

1H21 luxury and masstige contribution to NSR

78% ▲ 2ppts vs. pcp

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25 Aztec sales value data, bottle and canned wine only, Australia liquor weighted, six months to 27 December 2020
Regional Summaries
Europe, Middle East and Africa (EMEA)

Financial performance

<table>
<thead>
<tr>
<th>$A$m</th>
<th>1H21</th>
<th>1H20</th>
<th>%</th>
<th>1H20</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reported Currency</td>
<td>Constant Currency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NSR</td>
<td>217.9</td>
<td>190.4</td>
<td>14.4%</td>
<td>189.1</td>
<td>15.2%</td>
</tr>
<tr>
<td>NSR per case</td>
<td>41.64</td>
<td>41.05</td>
<td>1.4%</td>
<td>40.77</td>
<td>2.1%</td>
</tr>
<tr>
<td>EBITs</td>
<td>25.0</td>
<td>32.0</td>
<td>(21.9)%</td>
<td>34.0</td>
<td>(26.5)%</td>
</tr>
<tr>
<td>EBITs margin (%)</td>
<td>11.5%</td>
<td>16.8%</td>
<td>(5.3)ppts</td>
<td>18.0%</td>
<td>(6.5)ppts</td>
</tr>
</tbody>
</table>

Historical EBITs and EBITs margin

1H21 luxury and masstige contribution to NSR

41% ▲ 6ppts vs. pcp

Business performance

- Volume and NSR increased 12.8% and 15.2% respectively, with top-line growth driven by strong performance in retail channels led by the masstige portfolio.
- NSR per case rose 2.1% in line with improved portfolio mix.
- COGS per case increased 10.2%, reflecting masstige-led mix shift and higher cost on Australian and US sourced commercial wine.
- CODB increased 22.5%, with first half weighting of brand building investment for key focus brands and one-off Brexit related costs the key drivers.
- 1H21 EBITs declined 26.5% to $25.0m, and 1H21 EBITs margin declined 6.5ppts to 11.5%.
- In comparison to 2H20, NSR and EBITs increased by 20.9% and 26.9% respectively on a reported currency basis with outstanding execution in the retail channel driving improving momentum.

EMEA regional perspectives

- Long-term wine category value growth is being driven by premiumisation across key EMEA markets, and TWE’s focus brand portfolio is well positioned to take advantage of this trend.
- The wine category remains in growth across key retail markets in EMEA, with in-home consumption a strong consumer trend resulting from the global pandemic. The UK, Nordics and Netherlands retail markets all remain in strong growth.
- TWE’s focus brands continue to perform strongly across key EMEA markets, with 19 Crimes, Blossom Hill, Lindeman’s and Wolf Blass all delivering strong volume and value growth in 1H21. 19 Crimes was the largest contributor to regional volume growth and is growing in all key markets across EMEA.
- Brand building investment included significant focus on digital marketing to support online purchasing and visibility of TWE brands.
- TWE continues to target mid-teen EBITs margin in EMEA, however in F21 the benefits of portfolio premiumisation will be more than offset by the impacts of Australian sourced commercial COGS.

26 UK – Nielsen Scantrack, Table Wine Summary, Volume 9LE (000) data to 02.01.2021; Netherlands - Wine en PSV / Summary to wk44 2020 data to 28.11.20 EYC, Card Sales (€); Sweden – Opis IQ Vin XL 202012, Volume 9LE (000)
Vintage update

California

Vintage 2020 was below long-term averages as a result of several environmental and market factors including drought conditions in winter, and several extreme heat events and fires during summer. This has been a reset year from a supply perspective, with the lighter yield bringing most regions back into a position of balance after a period of surplus. The industry wine grape crush was 3.4m tons, down 13% from the prior vintage27. Volume was down across the state with some variation by regions. The North Coast was most impacted by low yields, as fruit was left on the vine due to smoke taint risk and early varieties (Chardonnay and Pinot Noir) were heavily impacted by the late summer heat waves.

Pleasingly, the quality of the wine produced is high across the board despite the challenges of the season. This reflects the high level of diligence by TWE to assess all grapes for smoke taint prior to picking from fire impacted regions.

Australia

Vintage 2021 growing conditions have been favourable to date, with welcome winter rainfalls followed by mild and relatively cool conditions in the lead up to Christmas which have resulted in a very good, even fruit set. Veraison across all regions was swift and in some cases earlier than vintage 2020. This has resulted in even, balanced crops entering their final phase of ripening prior to picking. Current expectations are for average yields across all regions in the absence of any extraordinary events.

TWE will make proactive adjustments to its Vintage 2021 intake in response to revised demand expectations for China as a result of the MOFCOM investigations. Impact on luxury intake is expected to be minimal, with reductions to be focused on the sourcing for the commercial and lower masstige portfolios.

New Zealand

Vintage 2021 growing conditions for the Marlborough region have been warmer and drier than the long-term average. A period of cool and wet weather during flowering has affected berry set in some areas and yields will be average to below average as a result. Small areas of early frost damage have also contributed to this. Vineyard canopies are healthy and vibrant and fruit clusters are clean and disease free. Central Otago has experienced slightly higher than average temperatures and rainfall over the growing season to date. Vineyards are disease free and yields are expected to be consistent with the long-term average.

France

The 2020 vintage in France was generally a high-quality vintage despite challenging weather conditions, and is Penfolds most significant French vintage to date. Overall tonnage was slightly higher than vintage 2019. For TWE, it was a high quality second vintage from Bordeaux despite heavy rain in Spring followed by drought conditions in August. From a quality perspective the 2020 vintage is looking strong especially across Merlot in Bordeaux, Syrah in the South and Pinot Noir in Burgundy.

27 The California Department of Food and Agriculture Preliminary Grape Crush report 2020