

Appendix 4D

Treasury Wine Estates Limited

For the half year ended 31 December 2018

ABN 24 004 373 862

1. Results for announcement to the market

Key information	Half year ended 31 December 2018 \$M	Half year ended 31 December 2017 \$M	% Change increase / (decrease)	Amount increase / (decrease) \$M
Revenue from ordinary activities	1,537.8	1,336.6	15.1%	201.2
Profit from ordinary activities after tax attributable to members of Treasury Wine Estates Limited	219.2	187.2	17.1%	32.0
Net profit for the period attributable to members of Treasury Wine Estates Limited	219.2	187.2	17.1%	32.0
Earnings before interest, tax, SGARA and material items	338.3	283.3	19.4%	55.0

Earnings per share	Half year ended 31 December 2018 Cents per share	Half year ended 31 December 2017 Cents per share
Basic earnings per share	30.5	25.6
Basic earnings per share, adjusted to exclude SGARA and material items	31.2	27.8

2. Dividends

The Directors declared an interim dividend of 18.0 cents per share in respect of the half year ended 31 December 2018 on 14 February 2019. Accordingly this dividend is not provided for in the balance sheet as at 31 December 2018. The record date for determining an entitlement to receipt of the interim dividend is 8 March 2019 at 5pm (AEDT) and the dividend is expected to be paid on 5 April 2019.

The Company's Dividend Reinvestment Plan has been reinstated and will be in operation for the interim dividend. The last date for receipt of election notices for participation in the Dividend Reinvestment Plan is 11 March 2019 at 5pm (AEDT).

Dividends	Cents per share	Franking %
Interim dividend – half year ended 31 December 2018 (determined subsequent to balance date)	18.0	100
Final dividend – year ended 30 June 2018	17.0	100
Interim dividend – half year ended 31 December 2017	15.0	75

Appendix 4D

Treasury Wine Estates Limited

For the half year ended 31 December 2018

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3. Financial statements

Please refer to pages 3 through 23 of this report wherein the following are provided:

- Directors' Report;
- Auditor's independence declaration;
- Consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2018;
- Consolidated statement of financial position as at 31 December 2018;
- Consolidated statement of changes in equity for the half year ended 31 December 2018;
- Consolidated statement of cash flows for the half year ended 31 December 2018;
- Notes to the consolidated financial statements;
- Directors' Declaration; and
- Independent auditor's review report for the half year ended 31 December 2018.

4. Net tangible asset backing

	Half year ended 31 December 2018 \$M	Half year ended 31 December 2017 \$M
Net tangible asset backing per ordinary share		
Net tangible asset backing per ordinary share	3.42	3.28

5. Associates and joint ventures

	Half year ended 31 December 2018 \$M	Year ended 30 June 2018 \$M
Investments in Associates and Joint Ventures		
Investments accounted for using the equity method	2.5	2.3
Investments in associates and joint venture partnerships are accounted for in the consolidated financial statements using the equity method of accounting. The Group holds a 50 percent investment in Fiddlesticks LLC, a company incorporated in the United States of America. The percentage ownership at 31 December 2018 is consistent with the prior period.		

6. Further information

Additional Appendix 4D disclosure requirements can be found in the notes to the half-year financial report, the half year Directors' Report and the ASX announcement lodged with this document.

Further information can be obtained from:

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DIRECTORS' REPORT

Treasury Wine Estates Limited

Directors' report

For the half year ended 31 December 2018

The Directors present their report on the consolidated entity ("the Group") comprising Treasury Wine Estates Limited ("the Company") and the entities it controlled at the end of, or during, the half year ended 31 December 2018.

DIRECTORS

The members of the Board of Directors of Treasury Wine Estates Limited who held office during the half year and as at the date of this report are as follows:

Paul Rayner (Chairman)
Michael Clarke (Chief Executive Officer)
Ed Chan
Louisa Cheang (appointed 1 December 2018)
Michael Cheek (retired 18 October 2018)
Warwick Every-Burns
Garry Hounsell
Colleen Jay
Lauri Shanahan

PRINCIPAL ACTIVITIES

The principal activities of the Group during the period involved the production, marketing and sale of wine.

OPERATING AND FINANCIAL REVIEW

Financial information in the Operating and Financial Review is based on the reviewed financial statements. Non-IFRS measures have not been subject to audit or review. The non-IFRS measures are used internally by management to assess the performance of the business and make decisions on the allocation of our resources.

A full review of operations of the Group during the half year is contained in the Australian Securities Exchange announcement dated 14 February 2019.

Throughout this review, constant currency assumes current and prior period earnings of foreign operations are translated and cross border transactions are transacted at current year exchange rates.

Net profit after tax attributable to members of Treasury Wine Estates Limited for the half year ended 31 December 2018 was \$219.2 million (2017: \$187.2 million), and reported earnings per share was 30.5 cents per share.

Net sales revenue increased to \$1,507.7 million (2017: \$1,295.4 million), an increase of 16.4% on a reported currency basis and 12.7% on a constant currency basis compared to the prior comparative period ("PCP").

Earnings before interest, tax, SGARA and material items ("EBITS") of \$338.3 million (2017: \$283.3 million) is up by 19.4% on a reported currency basis. On a constant currency basis, EBITS increased by 17.8%. All regions delivered EBITS growth in 1H19.

The Group delivered EBITS margin accretion, up 0.5 ppts on a reported currency basis to 22.4% in the half year ended 31 December 2018 and up 0.6 ppts on a reported currency basis relative to the 21.8% EBITS margin achieved for the year ended 30 June 2018.

Cost of doing business (gross profit less EBITS) increased to \$306.0 million, an increase of 16.6% on a reported currency basis, principally driven by investment in Overheads relating to sales and other organisational capabilities across the Americas and Asia, as well as one off costs associated with Simplify for Growth initiatives and the US route-to-market changes, taken above the line and not in material items.

The SGARA loss for the period (Australian Accounting Standard AASB 141) was \$6.2 million (PCP: \$24.0 million loss).

DIRECTORS' REPORT

Treasury Wine Estates Limited

Directors' report For the half year ended 31 December 2018 (continued)

EVENTS SUBSEQUENT TO REPORTING DATE

The following events have occurred subsequent to 31 December 2018:

1. On 21 January 2019, the Company announced that Chief Operating Officer, Robert Foye, left the Company effective immediately due to a breach of TWE's internal policies unrelated to the Company's trading performance. Tim Ford, Deputy Chief Operating Officer was promoted to the role of Chief Operating Officer; and
2. The Board declared an interim dividend of 18.0 cents per share (100% franked) on 14 February 2019.

Other than the above, there are no further matters or circumstances which have arisen since 31 December 2018 which have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

SHARES

The movement in share capital from 30 June 2018 is set out below:

	Number of shares (million)
Balance at 30 June 2018	718.7
Shares bought back and cancelled during the period	-
Balance at 31 December 2018	718.7

DIVIDENDS

A final dividend in respect of the year ended 30 June 2018 of \$122.0 million (representing a dividend of 17.0 cents per ordinary share) was paid in October 2018. This dividend was 100% franked.

The Directors declared an interim dividend of 18.0 cents per share, fully franked in respect of the half year ended 31 December 2018 on 14 February 2019. Accordingly this dividend is not provided for in the balance sheet as at 31 December 2018. The record date for determining an entitlement to receipt of the interim dividend is 5pm, 8 March 2019 and the dividend is expected to be paid on 5 April 2019.

The Company's Dividend Reinvestment Plan has been reinstated and will be in operation for the interim dividend. The last date for receipt of election notices for participation in the Dividend Reinvestment Plan is 11 March 2019 at 5pm (AEDT).

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

ROUNDING

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. In accordance with that Instrument, reported amounts have been rounded to the nearest tenth of one million dollars unless otherwise stated.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.



Paul Rayner
Chairman



Michael Clarke
Chief Executive Officer

14 February 2019
Melbourne, Australia



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Treasury Wine Estates Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Treasury Wine Estates Limited for the half-year ended 31 December 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to read 'Gordon Sangster'.

Gordon Sangster
Partner
Melbourne
14 February 2019

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	NOTE	HALF YEAR	
		2018 \$M	2017 \$M
Revenue	4	1,537.8	1,336.6
Cost of sales		(893.5)	(790.8)
Gross profit		644.3	545.8
Selling expenses		(172.7)	(143.1)
Marketing expenses		(63.9)	(56.8)
Administration expenses		(63.7)	(51.1)
Other expenses		(11.9)	(37.0)
Profit before tax and finance costs		332.1	257.8
Finance income		14.7	10.8
Finance costs		(38.8)	(25.9)
Net finance costs		(24.1)	(15.1)
Profit before tax		308.0	242.7
Income tax expense		(88.8)	(55.5)
Net profit		219.2	187.2
Net profit attributable to non-controlling interests		-	-
Net profit attributable to members of Treasury Wine Estates Limited		219.2	187.2
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges		(5.1)	1.0
Tax on cash flow hedges		0.7	(0.2)
Exchange gain / (loss) on translation of foreign operations		60.5	(22.8)
Other comprehensive income for the year, net of tax		56.1	(22.0)
Total comprehensive income for the year attributable to members of Treasury Wine Estates Limited			
		275.3	165.2
Non-controlling interests		-	-
Total comprehensive income for the year		275.3	165.2
Earnings per share for profit attributable to the ordinary equity holders of the Company			
		CENTS PER SHARE	CENTS PER SHARE
Basic	8	30.5	25.6
Diluted	8	30.4	25.4

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	NOTE	DEC 2018 \$M	JUN 2018 \$M	DEC 2017 \$M
Current assets				
Cash and cash equivalents		183.0	89.4	202.5
Receivables		828.3	593.0	661.4
Inventories		1,092.4	1,012.3	1,051.5
Assets held for sale		39.1	45.2	15.5
Other current assets		4.5	1.9	4.5
Total current assets		2,147.3	1,741.8	1,935.4
Non-current assets				
Inventories		912.8	952.1	662.2
Property, plant and equipment		1,440.5	1,416.5	1,319.1
Agricultural assets		40.7	41.3	37.0
Intangible assets		1,156.7	1,128.9	1,090.6
Deferred tax assets		145.4	154.5	138.7
Other non-current assets		14.0	10.6	10.0
Total non-current assets		3,710.1	3,703.9	3,257.6
Total assets		5,857.4	5,445.7	5,193.0
Current liabilities				
Trade and other payables		752.4	702.9	712.7
Current tax liabilities		37.6	54.5	37.1
Provisions		44.0	45.4	47.0
Other current liabilities		8.8	6.6	5.4
Total current liabilities		842.8	809.4	802.2
Non-current liabilities				
Trade and other payables		57.5	56.4	52.0
Borrowings	9	1,123.5	875.3	695.3
Deferred tax liabilities		199.3	190.8	160.7
Other non-current liabilities		16.7	17.5	5.5
Total non-current liabilities		1,397.0	1,140.0	913.5
Total liabilities		2,239.8	1,949.4	1,715.7
Net assets		3,617.6	3,496.3	3,477.3
Equity				
Contributed equity	10	3,236.8	3,235.4	3,372.4
Reserves		23.3	0.4	(90.1)
Retained earnings		353.4	256.2	190.8
Total parent entity interest		3,613.5	3,492.0	3,473.1
Non-controlling interests		4.1	4.3	4.2
Total equity		3,617.6	3,496.3	3,477.3

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	CONTRIBUTED EQUITY \$M	RETAINED EARNINGS \$M	FOREIGN CURRENCY TRANSLATION RESERVE \$M	OTHER RESERVES \$M	TOTAL \$M	NON- CONTROLLING INTERESTS \$M	TOTAL EQUITY \$M
Balance at 30 June 2017	3,528.6	99.6	(51.8)	27.9	3,604.3	4.2	3,608.5
Profit for the half year	-	187.2	-	-	187.2	-	187.2
Total other comprehensive income/(loss)	-	-	(22.8)	0.8	(22.0)	-	(22.0)
Total comprehensive income/(loss) for the year	-	187.2	(22.8)	0.8	165.2	-	165.2
Transactions with owners in their capacity as owners directly in equity							
Share-based payment expense	-	-	-	8.1	8.1	-	8.1
Shares bought back and cancelled	(162.7)	-	-	-	(162.7)	-	(162.7)
Vested deferred shares and share rights	6.5	-	-	(52.3)	(45.8)	-	(45.8)
Dividends to owners of the Company	-	(96.0)	-	-	(96.0)	-	(96.0)
Balance at 31 December 2017	3,372.4	190.8	(74.6)	(15.5)	3,473.1	4.2	3,477.3
Balance at 30 June 2018	3,235.4	256.2	7.6	(7.2)	3,492.0	4.3	3,496.3
Profit for the year	-	219.2	-	-	219.2	-	219.2
Total other comprehensive income	-	-	60.5	(4.4)	56.1	-	56.1
Total comprehensive income for the year	-	219.2	60.5	(4.4)	275.3	-	275.3
Transactions with owners in their capacity as owners directly in equity							
Share based payment expense	-	-	-	10.5	10.5	-	10.5
Vested deferred shares and share rights	1.4	-	-	(43.7)	(42.3)	-	(42.3)
Dividends to owners of the Company	-	(122.0)	-	-	(122.0)	(0.2)	(122.2)
Balance at 31 December 2018	3,236.8	353.4	68.1	(44.8)	3,613.5	4.1	3,617.6

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	HALF YEAR	
	2018	2017
	\$M	\$M
	INFLOWS/ (OUTFLOWS)	INFLOWS/ (OUTFLOWS)
Cash flows from operating activities		
Receipts from customers	1,687.6	1,663.7
Payments to suppliers, governments and employees	(1,480.5)	(1,396.3)
Borrowing costs paid	(5.1)	(1.6)
Income taxes paid	(88.7)	(70.2)
Interest paid	(20.2)	(11.6)
Net cash flows from operating activities	93.1	184.0
Cash flows from investing activities		
Payments for property, plant, and equipment	(85.0)	(74.7)
Payments for intangible assets	(8.6)	(9.2)
Proceeds from sale of property, plant and equipment	26.6	36.0
Net cash flows used in investing activities	(67.0)	(47.9)
Cash flows from financing activities		
Shares bought back and cancelled	-	(162.7)
Dividend payments	(122.2)	(96.0)
Proceeds from borrowings	694.0	174.1
Repayment of borrowings	(489.4)	(60.0)
Net proceeds from settlement of derivatives	-	(0.2)
Purchase of shares – employee equity plans	(16.6)	(24.4)
Net cash flows used in financing activities	65.8	(169.2)
Total cash flows from activities	91.9	(33.1)
Cash and cash equivalents at the beginning of the year	89.4	240.8
Effects of exchange rate changes on foreign currency cash flows and cash balances	1.7	(5.2)
Cash and cash equivalents at end of the year	183.0	202.5

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 1 – CORPORATE INFORMATION

The financial report of Treasury Wine Estates Limited (“the Company”) and of its controlled entities (collectively “the Group”) for the half year ended 31 December 2018 was authorised for issue in accordance with a resolution of Directors on 14 February 2019. Treasury Wine Estates Limited is a for profit company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange (ASX).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial report for the half year ended 31 December 2018 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and was approved by the Board of Directors on 14 February 2019.

This financial report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as the annual financial report. Accordingly, this report should be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by the Company in accordance with the continuous disclosure obligations arising under ASX listing rules.

(b) Basis of preparation

This report:

- Has been prepared on a historical cost basis, except for derivative financial instruments, agricultural produce and assets and assets and liabilities acquired in a business combination which have been measured at fair value; and
- Is presented in Australian dollars with all values rounded to the nearest tenth of one million dollars unless otherwise stated, in accordance with *ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191*.

Other than as described in Note 1(c) the accounting policies are consistent with those applied in the previous financial year.

Line items labelled ‘other’ on the faces of the consolidated financial statements comprise miscellaneous income, expenses, assets, liabilities or cash flows which individually or in aggregate are not considered material to warrant separate disclosures.

(c) New standards adopted

Since 30 June 2018, the Group has adopted the following new and amended accounting standards.

Reference	Title
AASB 15	<i>Revenue from Contracts with Customers</i>
AASB 9	<i>Financial Instruments (December 2014)</i>
AASB 2014-5	<i>Amendments to Australian Accounting Standards arising from AASB 15</i>
AASB 2014-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i>
AASB 2015-8	<i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>
AASB 2016-3	<i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>
AASB 2016-5	<i>Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</i>
Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>

AASB 15 Revenue from Contracts with Customers

The Group has adopted this standard from 1 July 2018. The introduction of this standard did not have any material impact on the Group’s financial statements, accordingly there are no retrospective adjustments.

Additional disclosure of the Group’s revenue accounting policies as required by the standard are included in Note 4.

The adoption of the other standards did not have a significant impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Issued but not yet effective accounting standards

The following relevant accounting standards have recently been issued or amended but are not yet effective and have not been adopted for this half year reporting period.

Reference	Title	Application
Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
AASB 2017-4	Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments	1 January 2019
AASB 16	Leases	1 January 2019
AASB 17	Insurance Contracts	1 January 2021

Other than the impact of AASB 16 *Leases* outlined below, these standards are not expected to have a material impact on the Group's financial position or its performance.

AASB 16 Leases

AASB 16 *Leases* was released in February 2016 by the Australian Accounting Standards Board. This standard removes the lease classification test for lessees and will require the Group to bring all material leases with lease terms greater than one year onto the balance sheet. There is also new guidance on when an arrangement would meet the definition of a lease.

The new standard is mandatory for annual reporting periods beginning after 1 January 2019. The Group will be required to recognise new assets and liabilities for its operating leases including vineyards, buildings, equipment and motor vehicles, and the nature of the expenses related to those leases will change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for the right-of-use assets and interest expense on the lease liabilities.

The Group will apply the full retrospective transition option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 3 - SEGMENT INFORMATION

The Group's segments

The Group reports segment information on the same basis as its internal management reporting structure and consistent with the information used to organise and manage the Group.

The reportable segments are based on the aggregation of operating segments determined by the similarity of the nature of products, the production process, the types of customers and the methods used to distribute the products.

Presentation of segment results

The principal profit metric for internal management reporting is Management earnings before interest, tax, SGARA and material items (EBITS). Corporate charges are allocated to each segment on a proportionate basis linked to segment revenue, head count or where the work is undertaken depending on the nature of the charge.

The Group has the following reportable segments:

(i) *Australia & New Zealand (ANZ)*

This segment is responsible for the manufacture, sale and marketing of wine within Australia & New Zealand. Until August 2017 the segment also distributed beer and cider under licence.

(ii) *Europe*

This segment is responsible for the manufacture, sale and marketing of wine within Europe.

(iii) *Americas*

This segment is responsible for the manufacture, sale and marketing of wine within the North American and Latin Americas regions.

(iv) *Asia*

This segment is responsible for the sale and marketing of wine within Asia (including the Middle East & Africa).

Segment assets and liabilities

Segment assets and liabilities represent those working capital and non-current assets and liabilities that are located in the respective segments. Cash and borrowings are not considered to be segment assets/liabilities as they are managed by our centralised treasury function. Consistent with the use of EBITS for measuring profit, tax assets and liabilities, which do not contribute towards EBITS, are not allocated to operating segments.

Intersegment transactions

The price of an intersegment transaction is set at an arm's length basis. Whilst these transactions are eliminated on consolidation, they are shown within the segment revenue and EBITS to reflect the segment of origin performance, including production.

Corporate charges

Unallocated corporate charges are reported in the Corporate/unallocated segment. Net finance costs are not allocated to segments as the Group's financing function is centralised through its treasury function.

Segment loans payable and loans receivable

Segment loans are initially recognised at the amount transferred. Intersegment loans receivable and payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates.

Other

If items of revenue and expense are not allocated to operating segments, then any associated assets and liabilities are also not allocated to segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 3 - SEGMENT INFORMATION (CONTINUED)

2018	ANZ	AMERICAS	ASIA	EUROPE	INTERSEGMENT ELIMINATION	TOTAL SEGMENT	UNALLOCATED/ CORPORATE	CONSOLIDATED
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Total revenue comprises:								
Net sales revenue	333.7	604.6	393.8	175.6	-	1,507.7	-	1,507.7
Other revenue	18.6	10.6	-	0.6	-	29.8	0.3	30.1
Intersegment revenue	174.2	22.2	0.1	23.0	(219.5)	-	-	-
Total segment revenue (excl other income/interest)	526.5	637.4	393.9	199.2	(219.5)	1,537.5	0.3	1,537.8
Management EBITs	77.4	112.1	153.1	26.3	-	368.9	(30.6)	338.3
SGARA gain/(loss)	(0.6)	(5.6)	-	-	-	(6.2)	-	(6.2)
Material items	-	-	-	-	-	-	-	-
Management EBIT	76.8	106.5	153.1	26.3	-	362.7	(30.6)	332.1
Net finance costs								(24.1)
Consolidated profit before tax								308.0
Depreciation of property, plant and equipment	(19.2)	(21.4)	(0.3)	(1.0)	-	(41.9)	(2.2)	(44.1)
Amortisation of intangible assets	(0.2)	(0.5)	-	-	-	(0.7)	(5.2)	(5.9)
Capital expenditure	(37.1)	(46.3)	(1.2)	(1.2)	-	(85.8)	(7.8)	(93.6)
Segment assets (excl intersegment assets) – 31 Dec 18	2,227.8	2,622.7	250.9	355.0	-	5,456.4	401.0	5,857.4
Segment assets (excl intersegment assets) – 30 June 18	2,212.6	2,362.9	192.6	329.6	-	5,097.7	348.0	5,445.7
Segment liabilities (excl intersegment liabilities) – 31 Dec 18	280.5	450.5	70.1	86.6	-	887.7	1,352.1	2,239.8
Segment liabilities (excl intersegment liabilities) – 30 June 18	269.3	401.1	57.9	87.5	-	815.8	1,133.6	1,949.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 3 - SEGMENT INFORMATION (CONTINUED)

2017	ANZ	AMERICAS	ASIA	EUROPE	INTERSEGMENT ELIMINATION	TOTAL SEGMENT	UNALLOCATED/ CORPORATE	CONSOLIDATED
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Total revenue comprises:								
Net sales revenue	333.9	503.8	297.5	160.2	-	1,295.4	-	1,295.4
Other revenue	34.7	4.0	-	0.5	-	39.2	2.0	41.2
Intersegment revenue	137.6	23.2	-	22.4	(183.2)	-	-	-
Total segment revenue (excl other income/interest)	506.2	531.0	297.5	183.1	(183.2)	1,334.6	2.0	1,336.6
Management EBITs	68.2	100.4	117.0	24.0	-	309.6	(26.3)	283.3
SGARA gain/(loss)	(1.3)	(22.7)	-	-	-	(24.0)	-	(24.0)
Material items	-	(1.5)	-	-	-	(1.5)	-	(1.5)
Management EBIT	66.9	76.2	117.0	24.0	-	284.1	(26.3)	257.8
Net finance costs								(15.1)
Consolidated profit before tax								242.7
Depreciation of property, plant and equipment	(19.0)	(20.8)	(0.2)	(1.0)	-	(41.0)	(1.2)	(42.2)
Amortisation of intangible assets	(0.5)	(0.3)	-	-	-	(0.8)	(4.5)	(5.3)
Capital expenditure	(17.6)	(59.6)	(0.3)	(0.6)	-	(78.1)	(5.8)	(83.9)
Segment assets (excl intersegment assets) – 31 Dec 17	2,063.3	2,199.8	155.5	357.4	-	4,776.0	417.0	5,193.0
Segment assets (excl intersegment assets) – 30 June 17	2,173.1	2,133.0	77.9	345.5	-	4,729.5	549.8	5,279.3
Segment liabilities (excl intersegment liabilities) – 31 Dec 17	263.4	442.2	58.6	88.2	-	852.4	863.3	1,715.7
Segment liabilities (excl intersegment liabilities) – 30 June 17	271.1	418.0	28.4	81.0	-	798.5	872.3	1,670.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 3 - SEGMENT INFORMATION (CONTINUED)

Geographical segments

The presentation of geographical revenue is based on the location of the selling entity.

	NET SALES REVENUE	
	Half year 2018	Half year 2017
	\$M	\$M
Australia	698.7	577.2
United States of America	611.3	515.4
United Kingdom	152.8	140.9
Other geographical locations ¹	44.9	61.9
Total	1,507.7	1,295.4

1 – Other than Australia, United States of America and the United Kingdom, sales in other countries are individually less than 10% of the Group's net sales revenue.

The presentation of non-current assets is based on the geographical location of the assets.

	NON-CURRENT ASSETS	
	Half year 2018	Half year 2017
	\$M	\$M
Australia	1,438.6	1,310.7
United States of America	1,853.1	1,542.3
United Kingdom	138.1	144.2
Other geographical locations	126.1	116.4
Total geographical non-current assets	3,555.9	3,113.6
Other non-current assets ²	154.2	144.0
Consolidated non-current assets	3,710.1	3,257.6

2 – Other non-current assets include financial derivative assets and deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 4 - REVENUE

	Half year 2018 \$M	Half year 2017 \$M
Revenue		
Net sales revenue ¹	1,507.7	1,295.4
Other revenue	30.1	41.2
Total revenue	1,537.8	1,336.6

1 - Net sales revenue is net of trade discounts and volume rebates.

Net sales revenue – types of products

The Group generates revenue through the sale of branded wines, principally as a finished, bottled product. The Group's wine portfolio includes some of the world's leading Luxury, Masstige and Commercial wine brands such as Penfolds, Beringer, Lindeman's, Wolf Blass, 19 Crimes, Chateau St Jean, Beaulieu Vineyard and Sterling Vineyards.

The Group distributes wine to a range of customers across the world, with routes to market tailored by country. Depending on the geography, wine is sold to distributors (who tend to be exclusive and stock a whole portfolio), wholesalers (who choose which brands they would like to order from the portfolio), direct to national retail chains, independent retailers and on premise outlets. The Group also has some sales direct to the consumer.

Other revenue – types of services

The Group provides contract bottling services to third parties. Until August 2017, the Group also distributed beer and cider under licence in New Zealand.

Accounting policies

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. Revenue is recorded net of sales discounts and rebates, duties and taxes.

The following specific criteria are also applied:

Wine

Revenue is recognised in a manner that depicts transfer of control of goods to customers at the amount that reflects consideration the business expects to be entitled to in exchange for those goods. Sales to national retail chains, domestic distributors, independent retailers and on premise outlets are usually recognised when goods are delivered. Sales to international customers are recognised based on the international commercial terms the goods are shipped under, but typically when goods are despatched. This is also the case for some national retail chains that manage their own distribution networks.

Bottling services

Revenue is recognised when the relevant service has been completed.

Trade discounts and volume rebates

Products are often sold with volume discounts and other rebates. Sales are recorded based on the consideration specified in the sales contracts or terms, net of the estimated discount or rebate at the time of sale. These discounts or rebates are considered variable consideration and are accounted for in determining the transaction price of a contract. The method used by the Group to estimate discounts and rebates is the most likely amount. Accumulated experience is used to estimate and provide for the discounts based on anticipated annual purchases.

Financing components

The Group does not have any contracts where the period between the transfer of the promised product or services to the customer and by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 5 - DIVIDENDS

	2018	2017
	\$M	\$M
Dividends declared and paid on ordinary shares:		
Final dividend for 2018 of 17.0 cents per share, 100% franked (2017: 13.0 cents per share, 50% franked)	122.0	96.0
<hr/>		
Dividends declared after balance date		
Since the end of the half year, the Directors declared an interim dividend of 18.0 cents per share (2017: 15.0 cents) 100% franked (2017: 75%). This dividend has not been recognised as a liability at 31 December 2018	129.4	109.0

The Company's Dividend Reinvestment Plan has been reinstated and will be in operation for the interim dividend. The last date for receipt of election notices for participation in the Dividend Reinvestment Plan is 11 March 2019 at 5pm (AEDT).

NOTE 6 - OTHER EARNINGS DISCLOSURES

	Half year	Half year
	2018	2017
	\$M	\$M
Restructuring and redundancy costs	13.1	-
Net gain relating to property, plant and equipment and intangible assets (Write-down) / Reversal of write-down of assets	(1.1)	1.7
Net profit on disposal of assets	4.5	2.3

NOTE 7 - MATERIAL ITEMS

The following individually material items are included within the consolidated statement of profit or loss and other comprehensive income.

	Half year	Half year
	2018	2017
	\$M	\$M
Individually material items included in profit before income tax:		
Restructuring and redundancy costs ¹	-	(1.5)
Total material items (before tax)	-	(1.5)
Tax effect of material items	-	0.6
Total material items (after tax)	-	(0.9)

1 - Comprises costs in relation to integrating businesses acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 8 - EARNINGS PER SHARE

	Half year 2018 CENTS PER SHARE	Half year 2017 CENTS PER SHARE
<hr/>		
Basic EPS		
Basic EPS (cents) based on net profit attributable to members of Treasury Wine Estates Limited	30.5	25.6
Diluted EP		
Diluted EPS (cents) based on net profit attributable to members of Treasury Wine Estates Limited	30.4	25.4
<hr/>		
	NUMBER	NUMBER
<hr/>		
<i>Weighted average number of shares</i>		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS (in thousands)	718,272	731,181
<i>Effect of potentially dilutive securities</i>		
Deferred shares (in thousands)	3,240	4,570
Weighted average number of ordinary shares on issue used in the calculation of diluted EPS (in thousands)	721,512	735,751
<hr/>		
Earnings reconciliation		
<i>Basic and diluted EPS</i>	\$M	\$M
Net profit	219.2	187.2
Net profit attributable to non-controlling interests	-	-
Net profit attributable to members of Treasury Wine Estates Limited used in calculating basic and diluted EPS	219.2	187.2

Impact of US tax reform

On 22 December 2017, the US Government passed the Tax Cuts and Jobs Act ("the Act"). The Act reduced the US Federal corporate tax rate from 35% to 21% effective from 1 January 2018. For the half-year ended 31 December 2017, the Group recognised a one-off benefit of \$20.9 million arising due to the restatement of its net deferred tax liability in respect of its US operations. Excluding the one off tax benefit, basic earnings per share would have been 22.7 cents per share, and diluted earnings per share would have been 22.6 cents per share. Basic earnings per share (adjusted to exclude SGARA and material items) would have been 24.9 cents per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 9 - BORROWINGS

	31 DECEMBER 2018 \$M	30 JUNE 2018 \$M
Total borrowings consist of:		
Current	4.5	4.3
Non-current	1,123.5	875.3
Total borrowings	1,128.0	879.6

Details of major arrangements

US Private Placement Notes and Debt Facilities

US Private Placement (USPP) notes totalling US\$400.0 million (unsecured) are outstanding, with maturities ranging from December 2020 to June 2029. The carrying value of USPP notes at 31 December 2018 is \$567.9 million (30 June 2018: \$544.3 million).

The Group has in place a number of revolving bank debt facilities with maturities staggered through to June 2024. As at 31 December 2018 drawings under the bank debt facilities were nil (30 June 2018: \$274.1 million).

During the period, the Group established a new US\$350.0 million syndicated term loan with tranches maturing in November 2023 (US\$120.0 million) and November 2025 (US\$230.0 million). As at 31 December 2018 the carrying value of drawings under the syndicated debt facility totalled \$496.9 million (30 June 2018: \$nil).

USPP notes bear interest at fixed and floating interest rates. In accordance with the Group's risk management strategy, the Group has entered into a combination of fixed to floating and floating to fixed interest rate swaps to obtain the desired fixed/floating interest ratio, with interest rate caps also used to manage interest rate risk.

The Group is party to a number of finance lease arrangements which have a carrying value of \$77.5 million at 31 December 2018 (30 June 2018: \$76.7 million). The Group's finance lease arrangements have durations up to 13 years.

Financial guarantees

The Group has issued financial guarantees to other persons of \$23.3 million (30 June 2018: \$23.7 million) that could be called upon at any time in the event of a breach of the Group's financial obligations. No payments are expected to eventuate under these financial guarantees as the Group expects to meet its respective obligations to the beneficiaries of these guarantees.

NOTE 10 - CONTRIBUTED EQUITY

	31 DECEMBER 2018 \$M	30 JUNE 2018 \$M
Issued and paid-up capital		
718,663,546 (June 18: 718,663,546) ordinary shares, fully paid	3,240.5	3,240.5
Own shares held	(3.7)	(5.1)
	3,236.8	3,235.4
Contributed equity at the beginning of the period	3,235.4	3,528.6
Shares movements:		
Shares bought back and cancelled (F18: 19,471,487)	-	(300.0)
Net movement in own shares held	1.4	6.8
Contributed equity at the end of the period	3,236.8	3,235.4

The shares have no par value.

Purchase of shares for LTIP plans

The Group engages a third party to purchase shares in the Company to be used to satisfy share based payment obligations upon vesting under the Group's Employee Equity Plans. Historically, such commitments were satisfied by way of treasury share purchases (i.e. the Group acquiring shares on market directly). Treasury shares that had previously been purchased remain available to satisfy any future vesting under the Group's Employee Equity Plans.

During the period, the Group purchased 0.9 million shares (\$16.6 million) under the third party arrangement (30 June 2018: 2.7 million shares (\$42.9 million)). A total of 0.9 million shares (30 June 2018: 2.7 million) purchased under the third party arrangement are available at 31 December 2018. A total of 0.3 million (30 June 2018: 0.5 million) treasury shares are available at 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 11 - FAIR VALUES

The fair values of cash and cash equivalents, financial assets and most financial liabilities approximate their carrying value. The fair value of the US Private Placement Notes is \$611.2 million (30 June 2018: \$581.8 million) and the fair value of the US\$350 million term loan is \$541.5 million (30 June 2018: \$nil). There have been no reclassifications of financial assets from fair value to cost, or from cost or amortised cost to fair value during the year.

The fair values of derivative financial instruments are based upon market prices, or models using inputs observed from the market, where markets exist or have been determined by discounting the expected future cash flows by the current interest rate for financial assets and financial liabilities with similar risk profiles (a Level 2 valuation).

The valuation of derivative financial assets and liabilities reflects the estimated amounts which the Group would be required to pay or receive to terminate the contracts (net of transaction costs) or replace the contracts at their current market rates at reporting date. This is based on internal valuations using standard valuation techniques.

As the purpose of these derivative financial instruments is to hedge the Group's underlying assets and liabilities denominated in foreign currencies and to hedge against risk of interest rate fluctuations, it is unlikely in the absence of abnormal circumstances that these contracts would be terminated prior to maturity.

For all other recognised financial assets and financial liabilities, based on the facts and circumstances existing at reporting date and the nature of the Group's financial assets and financial liabilities including hedge positions, the Group has no reason to believe that the financial assets could not be exchanged, or the financial liabilities could not be settled, in an arm's length transaction at an amount approximating its carrying amount.

NOTE 12 - EVENTS SUBSEQUENT TO REPORTING DATE

The following events have occurred subsequent to 31 December 2018:

1. On 21 January 2019, the Company announced that Chief Operating Officer, Robert Foye, left the Company effective immediately due to a breach of TWE's internal policies unrelated to the Company's trading performance. Tim Ford, Deputy Chief Operating Officer was promoted to the role of Chief Operating Officer; and
2. The Board declared an interim dividend of 18.0 cents per share (100% franked) on 14 February 2019.

Other than the above, there are no further matters or circumstances which have arisen since 31 December 2018 which have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

DIRECTOR'S DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors declare that the consolidated financial statements and notes for the Group:

- a) are prepared in accordance with the Corporations Act 2001, Accounting Standard AASB 134: *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) give a true and fair view of the Group's financial position as at 31 December 2018 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.



Paul Rayner
Chairman

14 February 2019
Melbourne, Australia



Michael Clarke
Chief Executive Officer



Independent Auditor's Review Report

To the shareholders of Treasury Wine Estates Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Treasury Wine Estates Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Treasury Wine Estates Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2018 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2018;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date;
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises Treasury Wine Estates Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Treasury Wine Estates Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



KPMG



Gordon Sangster
Partner
Melbourne
14 February 2019