Appendix 4D

Treasury Wine Estates Limited

For the half year ended 31 December 2019

ABN 24 004 373 862

1. Results for announcement to the market

Key information	Half year ended 31 December 2019 $M	Half year ended 31 December 2018[1] $M	% Change increase / (decrease)	Amount increase / (decrease) $M
Revenue from ordinary activities	1,551.2	1,537.8	0.9%	13.4
Profit from ordinary activities after tax attributable to members of Treasury Wine Estates Limited	211.4	213.4	(0.9)%	(2.0)
Net profit for the period attributable to members of Treasury Wine Estates Limited	211.4	213.4	(0.9)%	(2.0)
Earnings before interest, tax, SGARA and material items	366.7	346.9	5.7%	19.8

Earnings per share	Half year ended 31 December 2019 Cents per share	Half year ended 31 December 2018 Cents per share[1]
Basic earnings per share	29.4	29.7
Basic earnings per share, adjusted to exclude SGARA and material items	31.9	30.4

2. Dividends

On 28 January 2020, the Board determined to pay an interim dividend of 20.0 cents per share in respect of the half year ended 31 December 2019. Accordingly this dividend is not provided for in the balance sheet as at 31 December 2019. The record date for determining an entitlement to receipt of the interim dividend is 5 March 2020 at 5pm (AEDT) and the dividend is expected to be paid on 3 April 2020.

The Company's Dividend Reinvestment Plan will be in operation for the interim dividend. The last date for receipt of election notices for participation in the Dividend Reinvestment Plan is 6 March 2020 at 5pm (AEDT).

Dividends	Cents per share	Franking %
Interim dividend – half year ended 31 December 2019 (determined subsequent to balance date)	20.0	100
Final dividend – year ended 30 June 2019	20.0	100
Interim dividend – half year ended 31 December 2018	18.0	100

[1] Reported results restated for changes to accounting for Leases in accordance with AASB 16 Leases. Refer to Note 2(c) for transition impacts.

Appendix 4D

Treasury Wine Estates Limited

For the half year ended 31 December 2019

ABN 24 004 373 862

3. Details of entities over which control has been gained or lost during the period

Entity: Société Civile d'Exploitation Agricole Cambon La Pelouse
Date of control: 27 July 2019
Country of Incorporation: France

4. Financial statements

Please refer to pages 4 through 29 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 2019;
- Consolidated statement of financial position as at 31 December 2019;
- Consolidated statement of changes in equity for the half year ended 31 December 2019;
- Consolidated statement of cash flows for the half year ended 31 December 2019;
- Notes to the consolidated financial statements;
- Directors' Declaration; and
- Independent auditor's review report for the half year ended 31 December 2019.

5. Net tangible asset backing

Net tangible asset backing per ordinary share	As at 31 December 2019 $	As at 31 December 2018[1] $
Net tangible asset backing per ordinary share	3.50	3.33

6. Associates and joint ventures

Investments in Associates and Joint Ventures	As at 31 December 2019 $M	As at 31 December 2018 $M
Investments accounted for using the equity method	2.5	2.5
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 2019 is consistent with the prior period.		

[1] Reported results restated for changes to accounting for Leases in accordance with AASB 16 Leases. Refer to Note 2(c) for transition impacts.

Appendix 4D

Treasury Wine Estates Limited

For the half year ended 31 December 2019

ABN 24 004 373 862

7. 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 on 12 February 2020.

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 2019

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 2019.

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
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 12 February 2020.

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. During the period, the Group adopted *AASB 16 Leases,* applying the full retrospective transition option. All comparative amounts quoted throughout the operating and financial review have been restated to reflect the application of this standard.

Net profit after tax attributable to members of Treasury Wine Estates Limited for the half year ended 31 December 2019 was $211.4 million (2018: $213.4 million), and reported earnings per share was 29.4 cents per share (2018: 29.7 reported earnings per share).

Net sales revenue increased to $1,536.1 million (2018: $1,507.7 million), an increase of 1.9% on a reported currency basis and a decrease of 0.7% on a constant currency basis compared to the prior comparative period ("PCP").

Earnings before interest, tax, SGARA and material items ("EBITS") of $366.7 million (2018: $346.9 million) is up by 5.7% on a reported currency basis. On a constant currency basis, EBITS increased by 2.9%. The Group delivered EBITS margin accretion, up 0.9 ppts on a reported currency basis to 23.9% in the half year ended 31 December 2019.

Cost of doing business (Gross Profit less EBITS) increased to $316.5 million, an increase of 3.4% on a reported currency basis, principally driven by investment in Overheads relating to sales and other organisational capabilities across Asia, higher promotional activity in America offset by favourable overheads following the implementation of key Simplify for Growth initiatives.

The SGARA loss for the period (AASB 141 Agriculture) was $2.6 million (PCP: $6.2 million loss).

Treasury Wine Estates Limited

Directors' report
For the half year ended 31 December 2019 (continued)

Events Subsequent to Reporting Date

The following events have occurred subsequent to 31 December 2019:

1. The Board declared an interim dividend of 20.0 cents per share (100% franked) on 28 January 2020.

Other than the above, there are no further matters or circumstances which have arisen since 31 December 2019 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 2019 is set out below:

	Number of shares (million)
Balance at 30 June 2019	719.1
644,149 Shares issued for vested Long Term Incentive Plans	0.6
200,844 Shares issued under the Dividend Reinvestment Plan	0.2
Balance at 31 December 2019	**719.9**

Dividends

A final dividend in respect of the year ended 30 June 2019 of $143.8 million (representing a dividend of 20.0 cents per ordinary share) was paid in October 2019, of which $3.6m was settled via the Dividend Reinvestment Plan. This dividend was 100% franked.

On 28 January 2020, the Board determined to pay an interim dividend of 20.0 cents per share in respect of the half year ended 31 December 2019. Accordingly this dividend is not provided for in the balance sheet as at 31 December 2019. The record date for determining an entitlement to receipt of the interim dividend is 5 March 2020 at 5pm (AEDT) and the dividend is expected to be paid on 3 April 2020.

The Company's Dividend Reinvestment Plan will be in operation for the interim dividend. The last date for receipt of election notices for participation in the Dividend Reinvestment Plan is 6 March 2020 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 6.

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

12 February 2020
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 2019 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.

KPMG

Gordon Sangster

Partner

Melbourne

12 February 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	NOTE	HALF YEAR 2019 $M	HALF YEAR 2018[1] $M
Revenue	4	**1,551.2**	1,537.8
Cost of sales		**(868.0)**	(884.9)
Gross profit		**683.2**	**652.9**
Selling expenses		**(172.8)**	(173.1)
Marketing expenses		**(68.5)**	(63.9)
Administration expenses		**(69.9)**	(63.3)
Other expenses		**(30.7)**	(11.9)
Profit before tax and finance costs		**341.3**	**340.7**
Finance income		**12.7**	14.7
Finance costs		**(57.5)**	(55.4)
Net finance costs		**(44.8)**	**(40.7)**
Profit before tax		**296.5**	**300.0**
Income tax expense		**(85.1)**	(86.6)
Net profit		**211.4**	**213.4**
Net profit attributable to non-controlling interests		**-**	-
Net profit attributable to members of Treasury Wine Estates Limited		**211.4**	**213.4**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges		**(1.1)**	(5.1)
Tax on cash flow hedges		**0.1**	0.7
Exchange gain / (loss) on translation of foreign operations		**5.3**	57.8
Other comprehensive income for the year, net of tax		**4.3**	**53.4**
Total comprehensive income for the year attributable to members of Treasury Wine Estates Limited		**215.7**	266.8
Non-controlling interests		**-**	-
Total comprehensive income for the year		**215.7**	**266.8**
Earnings per share for profit attributable to the ordinary equity holders of the Company		CENTS PER SHARE	CENTS PER SHARE[1]
Basic	8	**29.4**	29.7
Diluted	8	**29.3**	29.6

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

1 Reported results restated for changes to accounting for Leases in accordance with AASB 16 Leases. Refer to Note 2(c) for transition impacts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	NOTE	31 DEC 2019 $M	30 JUN 2019[1] $M	31 DEC 2018[1] $M
Current assets				
Cash and cash equivalents		**335.6**	401.8	183.0
Receivables		**702.8**	661.3	828.2
Inventories		**996.6**	1,001.7	1,069.1
Assets held for sale		**72.3**	78.3	39.1
Other current assets		**1.3**	3.2	4.5
Total current assets		**2,108.6**	**2,146.3**	**2,123.9**
Non-current assets				
Inventories		**1,015.3**	1,045.6	893.3
Property, plant and equipment		**1,420.6**	1,398.7	1,440.5
Right of use assets		**510.1**	507.1	505.6
Agricultural assets		**39.1**	29.4	40.7
Intangible assets		**1,177.7**	1,163.8	1,156.7
Deferred tax assets		**171.9**	181.0	171.9
Other non-current assets		**18.9**	18.5	14.1
Total non-current assets		**4,353.6**	**4,344.1**	**4,222.8**
Total assets		**6,462.2**	**6,490.4**	**6,346.7**
Current liabilities				
Trade and other payables		**665.6**	718.6	745.9
Current tax liabilities		**53.2**	95.4	37.6
Provisions		**52.7**	43.6	44.0
Borrowings	9	**164.8**	67.3	53.7
Other current liabilities		**1.7**	1.7	4.3
Total current liabilities		**938.0**	**926.6**	**885.5**
Non-current liabilities				
Borrowings	9	**1,626.3**	1,727.3	1,697.0
Deferred tax liabilities		**188.0**	194.1	199.3
Other non-current liabilities		**10.4**	11.3	16.7
Total non-current liabilities		**1,824.7**	**1,932.7**	**1,913.0**
Total liabilities		**2,762.7**	**2,859.3**	**2,798.5**
Net assets		**3,699.5**	**3,631.1**	**3,548.2**
Equity				
Contributed equity	10	**3,261.0**	3,243.8	3,236.8
Reserves		**12.8**	29.2	19.0
Retained earnings		**421.6**	354.0	288.3
Total parent entity interest		**3,695.4**	**3,627.0**	**3,544.1**
Non-controlling interests		**4.1**	4.1	4.1
Total equity		**3,699.5**	**3,631.1**	**3,548.2**

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

1 Reported results restated for changes to accounting for Leases in accordance with AASB 16 Leases. Refer to Note 2(c) for transition impacts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	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 2018[1]	**3,235.4**	**196.9**	**6.0**	**(7.2)**	**3,431.1**	**4.3**	**3,435.4**
Profit for the half year	-	213.4	-	-	213.4	-	213.4
Total other comprehensive income/(loss)	-	-	57.8	(4.4)	53.4	-	53.4
Total comprehensive income/(loss) for the year	**-**	**213.4**	**57.8**	**(4.4)**	**266.8**	**-**	**266.8**
Transactions with owners in their capacity as owners directly in equity							
Share-based payment expense	-	-	-	10.5	10.5	-	10.5
Shares bought back and cancelled	-	-	-	-	-	-	-
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[1]	**3,236.8**	**288.3**	**63.8**	**(44.8)**	**3,544.1**	**4.1**	**3,548.2**
Balance at 30 June 2019[1]	**3,243.8**	**354.0**	**72.2**	**(43.0)**	**3,627.0**	**4.1**	**3,631.1**
Profit for the year	-	211.4	-	-	211.4	-	211.4
Total other comprehensive income	-	-	5.3	(1.0)	4.3	-	4.3
Total comprehensive income for the year	**-**	**211.4**	**5.3**	**(1.0)**	**215.7**	**-**	**215.7**
Transactions with owners in their capacity as owners directly in equity							
Share based payment expense	-	-	-	11.3	11.3	-	11.3
Vested deferred shares and share rights	13.6	-	-	(32.0)	(18.4)	-	(18.4)
Dividends to owners of the Company	3.6	(143.8)	-	-	(140.2)	-	(140.2)
Balance at 31 December 2019	**3,261.0**	**421.6**	**77.5**	**(64.7)**	**3,695.4**	**4.1**	**3,699.5**

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

[1] Reported results restated for changes to accounting for Leases in accordance with AASB 16 Leases. Refer to Note 2(c) for transition impacts.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	HALF YEAR	
	2019 $M INFLOWS/ (OUTFLOWS)	2018[1] $M INFLOWS/ (OUTFLOWS)
Cash flows from operating activities		
Receipts from customers	**1,943.4**	1,687.6
Payments to suppliers, governments and employees	**(1,571.4)**	(1,442.5)
Borrowing costs paid	**(2.0)**	(5.1)
Income taxes paid	**(123.7)**	(88.7)
Interest paid	**(41.8)**	(36.8)
Net cash flows from operating activities	**204.5**	**114.5**
Cash flows from investing activities		
Payments for property, plant, and equipment	**(74.3)**	(85.0)
Payments for intangible assets	**(16.7)**	(8.6)
Proceeds from sale of property, plant and equipment	**28.7**	26.6
Business acquisitions, net of cash acquired	**(22.2)**	-
Net cash flows used in investing activities	**(84.5)**	**(67.0)**
Cash flows from financing activities		
Dividend payments	**(140.2)**	(122.2)
Proceeds from borrowings	**-**	694.0
Repayment of borrowings	**(42.2)**	(510.8)
Purchase of shares – employee equity plans	**(4.9)**	(16.6)
Net cash flows used in financing activities	**(187.3)**	**44.4**
Total cash flows from activities	**(67.3)**	**91.9**
Cash and cash equivalents at the beginning of the year	**401.8**	**89.4**
Effects of exchange rate changes on foreign currency cash flows and cash balances	**1.1**	1.7
Cash and cash equivalents at end of the year	**335.6**	**183.0**

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

[1] Reported results restated for changes to accounting for Leases in accordance with AASB 16 Leases. Refer to Note 2(c) for transition impacts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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 2019 was authorised for issue in accordance with a resolution of Directors on 12 February 2020. Treasury Wine Estates Limited is a for profit company incorporated and domiciled 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 2019 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 12 February 2020.

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 2019 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 and assets classified as held for sale, 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 2(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 2019, the Group has adopted the following new and amended accounting standards:

Reference	Title
Interpretation 23	*Uncertainty over Income Tax Treatments*
AASB 16	Leases
AASB 2017-4	*Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*
AASB 9	*Prepayment Features with Negative Compensation (Amendments to IFRS 9)*
AASB 128	*Long term Interests in Associates and Joint Ventures (Amendments to IFRS 9)*
AASB 119	*Plan Amendment, Curtailment or Settlement (Amendments to AASB 119)*
	Annual Improvements to IFRS Standards 2015-2017 Cycle – various Standards
	Amendments to References to Conceptual Framework in IFRS Standards
AASB 10 and AASB 128	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS and IAS 28)*

The impact of these standards did not have a material impact to the Group other than AASB 16 Leases.

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 requires 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 Group has chosen not to recognise short-term leases, which are those less than 12 months, and leases of low-value assets on the balance sheet.

The Group recognises 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 changed as AASB 16 Leases replaced 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 applied the full retrospective transition option.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New standards adopted (continued)

IFRIC agenda decision – lease term and useful life of leasehold improvements

In November 2019, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision, Lease Term and Useful Life of Leasehold Improvements, on how lease term of a cancellable or renewable lease should be determined for both the lessor and lessee when applying AASB 16 Leases. IFRIC clarifies that the broader economics and not only the contractual termination payments should be considered in determining lease terms. The adoption of this clarification may increase Right-of-use Assets and lease liabilities in the Statement of Financial Position as well as an increase in depreciation and interest expense in the Statement of Profit and Loss and Other Comprehensive Income.

As at 31 December 2019, the Group has not adopted this IFRIC Agenda Decision. The impact of the change is not reasonably estimable as the Group has yet to commence its assessment of the impact of the IFRIC Agenda Decision. The Group expects to adopt this Agenda Decision in its annual financial statements for the year ending on 30 June 2020.

Policy applicable from 1 July 2019 – applied on a fully retrospective basis

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16 Leases.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets as 'right-of-use assets' and lease liabilities in 'borrowings' in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment and oak barrels. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New standards adopted (continued)

Impact of adopting AASB 16 Leases

The below summarises the impact of adopting AASB 16 Leases on the Group's consolidated financial statements for those periods presented within the 31 December 2019 interim financial statements. Only restated lines have been included in the tables below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (EXTRACT)

Operating profit has been restated to remove operating lease payments previously recognised and to recognise depreciation expense on the right-of-use assets that are now recognised on the balance sheet. Interest expense on lease liabilities has been recognised within finance costs. Adjustments to taxation are due to the change in profit before taxation. Currency translation gains/losses have also been restated to reflect the foreign exchange impact of AASB 16 on foreign subsidiaries.

	31 DEC 2018 $M REPORTED	INCREASE/ DECREASE $M	31 DEC 2018 $M RESTATED
Cost of sales	(893.5)	8.6	(884.9)
Finance costs	(38.8)	(16.6)	(55.4)
Profit before tax	308.0	(8.0)	300.0
Income tax expense	(88.8)	2.2	(86.6)
Net profit attributed to members of Treasury Wine Estates Limited	**219.2**	**(5.8)**	**213.4**
Exchange difference on translation of foreign operations	60.5	(2.7)	57.8
Total comprehensive income for the year attributable to members of Treasury Wine Estates Limited	**275.3**	**(8.5)**	**266.8**
Earnings per share for profit attributed to the ordinary equity holders of the Company			
- Basic	30.5	(0.8)	29.7
- Diluted	30.4	(0.8)	29.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EXTRACT)

The Group recognised right-of-use assets on the balance sheet representing the right to use of the underlying assets from the lease contracts. Current and non-current lease liabilities were also recognised for the present value of the lease payments due under the lease contracts. Deferred tax adjustments are due to temporary timing differences arising from the recognition of right-of-use assets and lease liabilities. Shareholder's equity has been restated to reflect the cumulative impact of AASB 16 Leases on retained earnings and currency translation adjustment as a result of restatement of foreign subsidiaries.

	30 JUN 2019 $M REPORTED	INCREASE/ DECREASE $M	30 JUN 2019 $M RESTATED
Assets			
Current and non current inventory	2,092.9	(45.6)	2,047.3
Right of use assets	-	507.1	507.1
Deferred tax assets	152.3	28.7	181.0
Liabilities			
Trade and other payables	780.7	(62.1)	718.6
Provisions	45.8	(2.2)	43.6
Other liabilities	30.4	(17.4)	13.0
Current and non current borrowings	1,147.7	646.9	1,794.6
Equity			
Other reserves	33.8	(4.6)	29.2
Retained earnings	424.4	(70.4)	354.0

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New standards adopted (continued)

	31 DEC 2018 $M REPORTED	INCREASE/ DECREASE $M	31 DEC 2018 $M RESTATED
Assets			
Current and non current inventory	2,005.2	(42.8)	1,962.4
Right of use assets	-	505.6	505.6
Deferred tax assets	145.4	26.5	171.9
Liabilities			
Trade and other payables	809.9	(64.0)	745.9
Other liabilities	25.5	(4.5)	21.0
Current and non current borrowings	1,123.5	627.2	1,750.7
Equity			
Other reserves	23.3	(4.3)	19.0
Retained earnings	353.4	(65.1)	288.3

CONSOLIDATED STATEMENT OF CASH FLOWS (EXTRACT)

There is no impact on overall cash flows on the Group from the adoption of AASB 16. Cash outflows for lease payments have been reclassified from operating activities – “payments to suppliers, governments and employees” to operating activities – “interest paid” and cash flows used in financing activities – “repayment of borrowings”.

	31 DEC 2018 $M REPORTED	INCREASE/ DECREASE $M	31 DEC 2018 $M RESTATED
Payment to suppliers, governments and employees	(1,480.5)	38.0	(1,442.5)
Interest paid	(20.2)	(16.6)	(36.8)
Repayment of borrowings	(489.4)	(21.4)	(510.8)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New standards adopted (continued)

SEGMENT INFORMATION (EXTRACT)

The principal profit metric for internal management reporting is Management earnings before interest, tax, SGARA and material items (EBITS). The adoption of AASB 16 Leases also requires the recognition of depreciation expense on the right-of use assets.

The table below outlines the impact of AASB 16 Leases on reported EBITS, Segment Asset, Segment Liabilities and depreciation expense. The table also includes the changes as a result of the reclassification of Middle, East and Africa ("MEA") from Asia to Europe. Refer to note 3 for further information.

	ANZ $M	AMERICAS $M	ASIA $M	EMEA $M	TOTAL SEGMENT $M	UNALLOCATED/ CORPORATE $M	CONSOLIDATED $M
Management EBITS – 31 Dec 2018 reported	**77.4**	**112.1**	**153.1**	**26.3**	**368.9**	**(30.6)**	**338.3**
Increase / Decrease for Leases	0.8	6.8	0.5	0.2	8.3	0.3	8.6
Increase / Decrease from MEA	-	-	(5.8)	5.8	-	-	-
Management EBITS – 31 Dec 2018 restated	**78.2**	**118.9**	**147.8**	**32.3**	**377.2**	**(30.3)**	**346.9**
Depreciation – 31 Dec 2018 reported	**(19.2)**	**(21.4)**	**(0.3)**	**(1.0)**	**(41.9)**	**(2.2)**	**(44.1)**
Increase / Decrease Leases	(6.5)	(18.9)	(1.4)	(0.4)	(27.2)	(1.4)	(28.6)
Depreciation – 31 Dec 2018 restated	**(25.7)**	**(40.3)**	**(1.7)**	**(1.4)**	**(69.1)**	**(3.6)**	**(72.7)**
Segment Assets – 31 Dec 2018 reported	**2,227.8**	**2,622.7**	**250.9**	**355.0**	**5,456.4**	**401.0**	**5,857.4**
Increase / Decrease for Leases	77.3	348.6	6.9	2.1	434.9	54.4	489.3
Increase / Decrease from MEA	-	-	(10.5)	10.5	-	-	-
Segment Assets – 31 Dec 2018 restated	**2,305.1**	**2,971.3**	**247.3**	**367.6**	**5,891.3**	**455.4**	**6,346.7**
Segment Liabilities – 31 Dec 2018 reported	**280.5**	**450.5**	**70.1**	**86.6**	**887.7**	**1,352.1**	**2,239.8**
Increase / Decrease for Leases	88.3	432.0	7.4	2.6	530.3	28.4	558.7
Segment Liabilities – 31 Dec 2018 restated	**368.8**	**882.5**	**77.5**	**89.2**	**1,418.0**	**1,380.5**	**2,798.5**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New standards adopted (continued)

SEGMENT INFORMATION (EXTRACT) (CONTINUED)

	ANZ $M	AMERICAS $M	ASIA $M	EMEA $M	TOTAL SEGMENT $M	UNALLOCATED/ CORPORATE $M	CONSOLIDATED $M
Segment Assets – 30 Jun 2019 reported	**2,286.2**	**2,487.6**	**228.3**	**357.5**	**5,359.6**	**640.6**	**6,000.2**
Increase / Decrease for Leases	74.6	353.7	5.6	1.7	435.6	54.6	490.2
Increase / Decrease from MEA	-	-	(10.9)	10.9	-	-	-
Segment Assets – 30 Jun 2019 restated	**2,360.8**	**2,841.3**	**223.0**	**370.1**	**5,795.2**	**695.2**	**6,490.4**
Segment Liabilities – 30 Jun 2019 reported	**273.1**	**421.7**	**51.8**	**92.8**	**839.4**	**1,454.7**	**2,294.1**
Increase / Decrease for Leases	86.3	443.6	6.1	2.2	538.2	27.0	565.2
Segment Liabilities – 30 Jun 2019 restated	**359.4**	**865.3**	**57.9**	**95.0**	**1,377.6**	**1,481.7**	**2,859.3**
Segment Assets – 30 Jun 2018 reported	**2,212.6**	**2,362.9**	**192.6**	**329.6**	**5,097.7**	**348.0**	**5,445.7**
Increase / Decrease for Leases	51.7	322.1	8.1	2.4	384.3	25.4	409.7
Increase / Decrease from MEA	-	-	(7.1)	7.1	-	-	-
Segment Assets – 30 Jun 2018 restated	**2,264.3**	**2,685.0**	**193.6**	**339.1**	**5,482.0**	**373.4**	**5,855.4**
Segment Liabilities – 30 Jun 2018 reported	**269.3**	**401.1**	**57.9**	**87.5**	**815.8**	**1,133.6**	**1,949.4**
Increase / Decrease for Leases	62.1	395.5	8.6	2.9	469.1	3.1	472.2
Segment Liabilities – 30 Jun 2018 restated	**331.4**	**796.6**	**66.5**	**90.4**	**1,284.9**	**1,136.7**	**2,421.6**

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

NON-CURRENT ASSETS

	30 JUN 2019 REPORTED $M	INCREASE/ DECREASE $M	30 JUN 2019 RESTATED $M	31 DEC 2018 REPORTED $M	INCREASE/ DECREASE $M	31 DEC 2018 RESTATED $M
Australia	1,629.0	97.7	1,726.7	1,438.6	101.8	1,540.4
United States of America	1,776.8	372.0	2,148.8	1,853.1	368.1	2,221.2
United Kingdom	151.4	0.8	152.2	138.1	0.9	139.0
Other geographical locations	109.4	13.3	122.7	126.1	15.4	141.5
Total geographical non-current assets	**3,666.6**	**483.8**	**4,150.4**	**3,555.9**	**486.2**	**4,042.1**
Other non-current assets[3]	165.0	28.7	193.7	154.2	26.5	180.7
Consolidated non-current assets	**3,831.6**	**512.5**	**4,344.1**	**3,710.1**	**512.7**	**4,222.8**

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. This is not expected to have a material impact to the Group.

Reference	Title	Application
AASB 17	Insurance Contracts	1 January 2021

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.

During F20 the business structure was re-organised to better reflect the way the Group was being managed. Effective from 1 July 2019, the management activities of Middle, East and Africa are reported together with Europe, collectively referred to EMEA. To facilitate comparability over reporting periods, comparatives have been re-stated to reflect the change in management and monitoring responsibilities.

Segment results have also been restated for changes to accounting for Leases in accordance with AASB 16. Refer to Note 2(c) for further information.

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.

(ii) Europe, Middle, East and Africa (EMEA)
This segment is responsible for the manufacture, sale and marketing of wine within Europe and Middle, East & Africa.

(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 (excluding 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, other than lease liabilities, 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 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.

NOTE 3 - SEGMENT INFORMATION (CONTINUED)

2019	ANZ $M	AMERICAS $M	ASIA $M	EMEA $M	INTERSEGMENT ELIMINATION $M	TOTAL SEGMENT $M	UNALLOCATED/ CORPORATE $M	CONSOLIDATED $M
Total revenue comprises:								
Net sales revenue	325.8	612.4	407.5	190.4	-	1,536.1	-	1,536.1
Other revenue	3.1	10.5	0.2	1.3	-	15.1	-	15.1
Intersegment revenue	182.7	20.8	0.2	16.1	(219.8)	-	-	-
Total segment revenue (excl other income/interest)	**511.6**	**643.7**	**407.9**	**207.8**	**(219.8)**	**1,551.2**	**-**	**1,551.2**
Management EBITS	**85.9**	**98.3**	**175.5**	**32.0**	-	**391.7**	**(25.0)**	**366.7**
SGARA gain/(loss)	(3.4)	0.4	-	0.4	-	(2.6)	-	(2.6)
Material items	(22.8)	-	-	-	-	(22.8)	-	(22.8)
Management EBIT	**59.7**	**98.7**	**175.5**	**32.4**	**-**	**366.3**	**(25.0)**	**341.3**
Net finance costs								(44.8)
Consolidated profit before tax								**296.5**
Depreciation of property, plant and equipment and right of use assets	**(26.6)**	**(38.4)**	**(2.1)**	**(1.2)**	**-**	**(68.3)**	**(2.0)**	**(70.3)**
Amortisation of intangible assets	**(0.3)**	**(1.7)**	**-**	**(0.8)**	**-**	**(2.8)**	**(4.9)**	**(7.7)**
Capital expenditure	**(46.2)**	**(31.9)**	**(1.1)**	**(1.0)**	**-**	**(80.2)**	**(10.8)**	**(91.0)**
Segment assets (excl intersegment assets) – 31 Dec 19	**2,298.1**	**2,872.5**	**267.5**	**424.1**	**-**	**5,862.2**	**600.0**	**6,462.2**
Segment assets (excl intersegment assets) – 30 June 19[1]	**2,360.8**	**2,841.3**	**223.0**	**370.1**	**-**	**5,795.2**	**695.2**	**6,490.4**
Segment liabilities (excl intersegment liabilities) – 31 Dec 19	**360.5**	**861.8**	**67.4**	**81.8**	**-**	**1,371.5**	**1,391.2**	**2,762.7**
Segment liabilities (excl intersegment liabilities) – 30 June 19[1]	**359.4**	**865.3**	**57.9**	**95.0**	**-**	**1,377.6**	**1,481.7**	**2,859.3**

[1] Reported results restated for changes to accounting for Leases in accordance with AASB 16 Leases and reclassification of MEA to Europe. Refer to Note 2(c) for transition impacts.

NOTE 3 - SEGMENT INFORMATION (CONTINUED)

2018[1]	ANZ	AMERICAS	ASIA	EMEA	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	380.4	189.0	-	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	15.2	(211.7)	-	-	-
Total segment revenue (excl other income/interest)	**526.5**	**637.4**	**380.5**	**204.8**	**(211.7)**	**1,537.5**	**0.3**	**1,537.8**
Management EBITS	**78.2**	**118.9**	**147.8**	**32.3**	**-**	**377.2**	**(30.3)**	**346.9**
SGARA gain/(loss)	(0.6)	(5.6)	-	-	-	(6.2)	-	(6.2)
Material items	-	-	-	-	-	-	-	-
Management EBIT	**77.6**	**113.3**	**147.8**	**32.3**	**-**	**371.0**	**(30.3)**	**340.7**
Net finance costs								(40.7)
Consolidated profit before tax								**300.0**
Depreciation of property, plant and equipment and right of use assets	(25.7)	(40.3)	(1.7)	(1.4)	-	(69.1)	(3.6)	(72.7)
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	2,305.1	2,971.3	247.3	367.6	-	5,891.3	455.4	6,346.7
Segment assets (excl intersegment assets) – 30 June 18	2,264.3	2,685.0	193.6	339.1	-	5,482.0	373.4	5,855.4
Segment liabilities (excl intersegment liabilities) – 31 Dec 18	368.8	882.5	77.5	89.2	-	1,418.0	1,380.5	2,798.5
Segment liabilities (excl intersegment liabilities) – 30 June 18	331.4	796.6	66.5	90.4	-	1,284.9	1,136.7	2,421.6

[1] Reported results restated for changes to accounting for Leases in accordance with AASB 16 Leases and reclassification of MEA to Europe. Refer to Note 2(c) for transition impacts.

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 2019 $M	Half year 2018 $M
Australia	**719.6**	698.7
United States of America	**617.4**	611.3
United Kingdom	**149.8**	152.8
Other geographical locations[2]	**49.3**	44.9
Total	**1,536.1**	1,507.7

2 – 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		
	31 DEC 2019 $M	30 JUN 2019[1] $M	31 DEC 2018[1] $M
Australia	1,676.2	1,726.7	1,540.4
United States of America	2,194.9	2,148.8	2,221.2
United Kingdom	163.2	152.2	139.0
Other geographical locations	133.6	122.7	141.5
Total geographical non-current assets	**4,167.9**	**4,150.4**	**4,042.1**
Other non-current assets[3]	**185.7**	**193.7**	**180.7**
Consolidated non-current assets	**4,353.6**	**4,344.1**	**4,222.8**

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

[1] Reported results restated for changes to accounting for Leases in accordance with AASB 16 Leases. Refer to Note 2(c) for transition impacts.

NOTE 4 - REVENUE

	Half year 2019 $M	Half year 2018 $M
Revenue		
Net sales revenue[1]	**1,536.1**	1,507.7
Other revenue	**15.1**	30.1
Total revenue	**1,551.2**	1,537.8

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.

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's contracts with customers generally include one performance obligation. Revenue from the sale of products or services is recognised at the point in time when control over a product or service is transferred to the customer, generally on delivery. 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. Payment terms vary by customer. 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.

NOTE 5 - DIVIDENDS

	2019 $M	2018 $M
Dividends declared and paid on ordinary shares:		
Final dividend for 2019 of 20.0 cents per share, 100% franked (2018: 17.0 cents per share, 100% franked)	**143.8**	122.0
Dividends declared after balance date		
Since the end of the half year, the Directors declared an interim dividend of 20.0 cents per share (2018: 18.0 cents) 100% franked (2018: 100%). This dividend has not been recognised as a liability at 31 December 2019	**144.0**	129.4

The Company's Dividend Reinvestment Plan will be in operation for the interim dividend. The last date for receipt of election notices for participation in the Dividend Reinvestment Plan is 6 March 2020 at 5pm (AEDT).

NOTE 6 - OTHER EARNINGS DISCLOSURES

	Half year 2019 $M	Half year 2018 $M
Restructuring and redundancy (costs)[1]	**(25.6)**	(13.1)
Net gain relating to property, plant and equipment and intangible and other assets		
(Write-down) / Reversal of write-down of assets[1]	**(6.3)**	(1.1)
Net profit on disposal of assets	**0.6**	4.5

1. Includes items classified as material items. Refer to note 7 for further information.

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 2019 $M	Half year 2018 $M
Individually material items included in profit before income tax:		
Restructuring and redundancy (costs)	**(19.1)**	-
(Write-down)/reversal of write-down of assets	**(3.7)**	-
Total material items (before tax)	**(22.8)**	-
Tax effect of material items	6.8	-
Total material items (after tax)	**(16.0)**	-

Material items reflect costs pertaining to the long-term investment in Luxury winemaking infrastructure in South Australia.

NOTE 8 - EARNINGS PER SHARE

	Half year 2019 CENTS PER SHARE	Half year[1] 2018 CENTS PER SHARE
Basic EPS		
Basic EPS (cents) based on net profit attributable to members of Treasury Wine Estates Limited	**29.4**	29.7
Diluted EP		
Diluted EPS (cents) based on net profit attributable to members of Treasury Wine Estates Limited	**29.3**	29.6

	NUMBER	NUMBER
Weighted average number of shares		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS (in thousands)	**719,494**	718,272
Effect of potentially dilutive securities		
Deferred shares (in thousands)	**2,354**	3,240
Weighted average number of ordinary shares on issue used in the calculation of diluted EPS (in thousands)	**721,848**	721,512

Earnings reconciliation

Basic and diluted EPS	$M	$M
Net profit	**211.4**	213.4
Net profit attributable to non-controlling interests	**-**	-
Net profit attributable to members of Treasury Wine Estates Limited used in calculating basic and diluted EPS	**211.4**	213.4

NOTE 9 - BORROWINGS

Total borrowings consist of:	31 DEC 2019 $M	30 JUN[1] 2019 $M
Current	**164.8**	67.3
Non-current	**1,626.3**	1,727.3
Total borrowings	**1,791.1**	1,794.6

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 2019 is $572.0 million (30 June 2019: $571.0 million).

During F19 the Group established a US$350.0 million syndicated debt facility with a US$120.0 million tranche maturing November 2023 and a US$230.0 million tranche maturing in November 2026. At 31 December this syndicated debt facility is fully drawn to US$350.0 million. The carrying value of the syndicated debt facility at 31 December 2019 is $500.5 million (30 June 2019: $499.6 million).

1 Reported results restated for changes to accounting for Leases in accordance with AASB 16 Leases. Refer to Note 2(c) for transition impacts.

NOTE 9 – BORROWINGS (CONTINUED)

The Group has in place a number of revolving bank debt facilities with maturities staggered through to December 2024. As at 31 December 2019 drawings under the bank debt facilities were nil (30 June 2019: 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.

Financial guarantees

The Group has issued financial guarantees to other persons of $23.7 million (30 June 2019: $23.0 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.

Lease liabilities

The Group enters into Lease arrangements that meet the capitalisation requirements under AASB 16 Leases. Current and non-current lease liabilities are recognised for the present value of the lease payments due under the lease contracts and are represented as borrowings.

At 31 December 2019, the Group recognised current lease liabilities of $55.9 million (30 June 2019: $55.2 million) and non-current lease liabilities of $652.7 million (30 June 2019: $649.4 million). The Group's lease arrangements have durations up to 25 years.

NOTE 10 - CONTRIBUTED EQUITY

	31 DEC 2019 $M	30 JUN 2019 $M
Issued and paid-up capital		
719,945,478 (June 19: 719,100,485) ordinary shares, fully paid	**3,261.8**	3,247.3
Own shares held	**(0.8)**	(3.5)
	3,261.0	3,243.8

	31 DEC 2019 $M	30 JUN 2019 $M
Contributed equity at the beginning of the period	**3,243.8**	3,235.4
Shares movements:		
200,844 Shares issued under the Dividend Reinvestment Plan (June 19: 436,939)	**3.6**	6.8
644,149 Shares issued for vested Long Term Incentive Plans (June 19: Nil)	**10.9**	-
Net movement in own shares held	**2.7**	1.6
Contributed equity at the end of the period	**3,261.0**	3,243.8

The shares have no par value.

Purchase of shares for Long Term Incentive Plan (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. Nil treasury shares were purchased during the period.

During the period, the Group purchased 0.3 million shares ($4.9 million) under the third party arrangement (30 June 2019: 0.9 million shares ($16.6 million)). A total of 0.2 million shares (30 June 2019: 0.9 million) purchased under the third party arrangement are available at 31 December 2019. A total of 0.1 million (30 June 2019: 0.3 million) treasury shares are available at 31 December 2019.

Issue of shares

During the period, the Group issued 0.2 million shares (30 June 2019: 0.4 million) to shareholders in accordance with the Dividend Reinvestment Plan. In addition, the Group issued 0.6 million shares (30 June 2019: Nil million) to LTIP option holders to satisfy vesting's associated with the F17 LTIP Plan.

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 $636.0 million (30 June 2019: $637.1 million) and the fair value of the syndicated debt facility is $546.6 million (30 June 2019: $544.5 million). 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 – IMPAIRMENT OF NON-FINANCIAL ASSETS

At 31 December 2019 the recoverable amounts of cash generating units (CGUs) exceed their carrying values and as a result no impairment has been recognised.

The Group's CGUs are consistent with F19 and are:

- Americas;
- Europe; and
- Australia and New Zealand (ANZ).

Key estimate and judgement:

Key estimates and judgements include:

Cash flow forecasts
Cash flow forecasts are based on the Group's most recent five-year financial plans approved by the Board, adjusted as necessary to reflect updated forecast performance. Key assumptions in the cash flow forecasts include sales volume growth, cost of sales and cost of doing business.

The Group's assumptions regarding sales volume growth and costs of doing business are based on expectations of the market demand and past experience. The assumption on cost of sales is based on expectation about future vintage costs.

Long-term growth rates
Cash flow forecasts beyond a five-year period are extrapolated using a growth rate range of 2.0% to 3.0% (F19: 2.0% to 3.0%). Growth rates are specific to individual CGUs and reflect expected future market and economic conditions.

Discount rate
The Group applies a post-tax discount rate to post-tax cash flows as the valuation calculated using this method closely approximates applying pre-tax discount rates to pre-tax cash flows. The post-tax discount rates incorporate a risk-adjustment relative to the risks associated with the net post-tax cash flows being achieved. The following pre-tax discount rates were applied:

Americas	10.0%
Europe	9.6%
ANZ	11.8%

Exchange rates
Cash flow forecasts in foreign currency are forecast in that currency and discounted using the applicable regional discount rates (predominantly USD and GBP).

Sensitivity analysis
Increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amount to fall below carrying values.

For the Americas CGU, a reduction in cash flow forecasts of more than 10% for all years in the forecast period and also in the terminal year would reduce the CGU's headroom to nil. This sensitivity excludes the potential impact of the strategic review to accelerate returns from premiumisation and managing the Commercial business differently, announced to the market on 28 January 2020. There are no reasonably possible changes in the discount rate that would result in an impairment

For the Group's remaining CGUs, based on current economic conditions and CGU performances, there are no reasonably possible changes to key assumptions used in the determination of CGU recoverable amounts that would result in a impairment to the Group.

NOTE 13 - EVENTS SUBSEQUENT TO REPORTING DATE

The following events have occurred subsequent to 31 December 2019:

1. The Board declared an interim dividend of 20.0 cents per share (100% franked) on 28 January 2020.

Other than the above, there are no further matters or circumstances which have arisen since 31 December 2019 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.

DIRECTORS' DECLARATION

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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 2019 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

Michael Clarke
Chief Executive Officer

12 February 2020
Melbourne, Australia

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 2019 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 2019
- 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 13 comprising a summary of significant accounting policies and other explanatory information
- 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*
- 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 2019 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
12 February 2020