TREASURY
WINE ESTATES

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Treasury Wine Estates will host an investor webcast and conference call commencing at 10:00am (AEDT) on 27 February 2015 (dial-in details below). The webcast and presentation material will be available at www.tweglobal.com. A replay of the presentation will also be available on the website from approximately 1pm.

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27 February 2015

ASX ANNOUNCEMENT

2015 INTERIM RESULTS

Solid Sales and EBITS growth on reducing overhead cost base delivered

Strategy to re-set the business takes hold in fiscal 2015

Financial headlines[1]

- Net sales revenue (NSR) up 8.7% on a reported currency basis and by 6.2% on a constant currency basis[2], reflecting improved portfolio mix
- On track to deliver 50% uplift in consumer marketing investment and $35 million overhead reduction program in fiscal 2015
- EBITS[3,4] $85.2 million, up 86.0% on a reported currency basis and 77.5% on a constant currency basis, reflecting successful transition of Penfolds release date and strategy to invest in consumer marketing while removing overheads
- Statutory net profit after tax $42.6 million
- EPS of 7.8 cents per share up strongly on prior period (before material items, SGARA & $80.5 million tax benefit in fiscal 2014); Tax benefit represented 12.4 cents per share in fiscal 2014. Reported EPS 6.6 cents per share
- Interim dividend 6 cents per share, unfranked, in line with the prior period
- Distributor inventory realignment program in USA on track for completion in fiscal 2015
- Steps taken to remove unprofitable and unsustainable volume and improve quality of base business

A$m		**Reported currency**		**Constant currency**	
For the six months ended 31 December	**2014**	**2013**	**Change**	**2013**	**Change**
Volume (m 9L cases)	15.1	15.3	(1.3)%	15.3	(1.3)%
Net sales revenue	882.7	811.9	8.7 %	831.0	6.2 %
EBITS	85.2	45.8	86.0 %	48.0	77.5 %
Net profit after tax (before material items, SGARA & tax benefit)	50.6	25.7	96.9 %	27.8	82.0 %
Net profit / (loss) after tax	42.6	106.2	(59.9)%	107.7	(60.4)%
Reported EPS (cents)	6.6	16.4	(59.8)%		
EPS (before material items, SGARA and tax benefit) (cents)	7.8	4.0	95.0 %		
Dividend per share (cents)	6.0	6.0			

NM - Not meaningful

[1] All figures and calculations are subject to rounding
[2] Unless otherwise stated all percentage or dollar movements from prior periods are pre any material items and on a constant currency basis
[3] Earnings before interest, tax, SGARA and material items
[4] Financial information in this report is based on 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, make decisions on the allocation of resources and assess operational performance

On the interim result announcement, Michael Clarke commented:

"I am pleased to report Net Sales Revenue growth of 6.2 percent and EBITS of $85.2 million for the 6 months ended 31 December 2014; representing 77.5 percent growth on the prior period and in line with our expectations.

"While the first half of fiscal 2015 included the benefit of the successful transition of the Penfolds release date, we have also progressed with our overarching strategic initiatives to reset the business by significantly increasing investment in our brands – particularly focused on Penfolds depletions during the first quarter of fiscal 2015 – removing excess costs, addressing the structural challenges within our portfolio, fixing the quality of our base business, and taking initial steps to optimise our capital base.

"While we are at the start of our transition from being an order-taking, agricultural company to a brand-led marketing organisation, the progress we have made to date and the results achieved by the team demonstrate that TWE is starting to address fixing the core of the business and is being set up for sustainable, future success".

General business performance

Net Sales Revenue for the 6 months ended 31 December 2014 was $882.7 million, up 6.2 percent on a constant currency basis, with ANZ, Americas and Asia reporting solid growth.

EBITS of $85.2 million was 77.5 percent higher on a constant currency basis, reflecting successful execution of key, strategic priorities during the period, despite the distraction caused by the two Private Equity proposals during the first quarter.

During the period, the transition of the Penfolds release date from March and May to a single date in October was an outstanding success, both from a marketing and execution perspective.

Lending itself to the truly global potential of the Penfolds brand, the 2015 release was launched in New York with Penfolds winemakers and ambassadors attending an unprecedented number of promotional events around the world to showcase the brand.

Speaking on the 2015 Penfolds release, Michael Clarke said: "Supporting the 2015 Penfolds release was the "*Numbers Can Be Extraordinary*" marketing campaign together with the Penfolds wine cabinet promotion in Australia.

"Not only have these initiatives been some of the most successful campaigns in the brand's history, with the wine cabinet promotion now being launched in several countries around the world, they demonstrate a renewed confidence and commitment within our business to execute campaigns of this magnitude, supported by a significant step-up in consumer marketing investment".

Consistent with TWE's strategic priority to address underinvestment in brands, consumer marketing investment increased by more than 50 percent relative to the prior period and was focused on Luxury and Masstige brands across all regions.

Also during the period, TWE adopted a new, globalised marketing model, which is expected to bring focus and discipline to the way consumer marketing dollars are allocated and invested. Under this centralised marketing model, J Walter Thompson has been engaged and, in partnership with TWE, will be responsible for embedding a global brand portfolio strategy and stewardship; ensuring consistency from global strategy to local execution.

TWE's commitment to reduce overheads by $35 million in fiscal 2015 is on track and the savings are supporting both the 50 percent step-up in consumer marketing and the steps taken to address the quality of the base business.

Despite having a very rich inventory composition available for sale in fiscal 2015, TWE continues to face both category and portfolio challenges in some regions, which is in turn, reinforcing the need for TWE to expedite its separate focus on Luxury & Masstige and Commercial segments, globally.

Michael Clarke commented on these challenges: "The growth of Private and Exclusive Labels in concentrated retail markets, notably Australia and the UK, places pressure on branded wines, with Private and Exclusive Label growth in Australia currently outpacing branded wine in both percentage and absolute dollar terms.

"The operating environment in Australia, where approximately 75 percent of off-premise wine purchased is through a limited number of retailers, reinforces the need for TWE to reshape, at a global level, its go-to-market strategy and portfolio and to consider how best we allocate precious resources in the future".

TWE continues to invest in key growth markets, notably North Asia and the USA where wine market fundamentals are increasingly attractive.

Recent declines in the Australian Dollar relative to the US Dollar are providing a positive backdrop for the Australian wine industry. Given the timing of the depreciation (i.e. November 2014), the benefit for TWE in the first half of fiscal 2015 was limited, however the Company expects to realise a more meaningful benefit in the second half of fiscal 2015.

TWE's balance sheet continues to be robust and flexible. With net debt / EBITDAS and interest cover at 1.0x and 9.8x, respectively[5,6] TWE has retained its relatively conservative credit metrics and importantly, continues to be well positioned to pursue growth opportunities in both existing and new markets and channels.

The strong performance of TWE's flagship brands at leading wine shows continued during the period, evidenced by the succession of awards, trophies and impressive reviews. Particular highlights included: Coldstream Hills (Deer Farm Vineyard Pinot Noir - 2013) winning the James Halliday Trophy for Best Pinot Noir at the Royal Melbourne Wine Awards; Rosemount Estate (MV Collection Cabernet Sauvignon - 2012) winning the Regional Trophy at the 2014 Decanter World Wine Awards in London; and Devil's Lair (9th Chamber Chardonnay – 2011) winning Wine of the Year in the West Australian Wine Guide 2015. Penfolds' reputation as a global wine icon was further reinforced by the 2010 Grange receiving 100 points from Master of Wine, Andrew Caillard.

This wonderful recognition of the quality and prestige of TWE's brands has also continued into the second half of fiscal 2015, with Wolf Blass recently dominating the competition at the 2015 China Wine and Spirit 'Best Value' Awards, winning 1 Trophy, 17 Double Gold Medals and 6 Gold Medals

Regional performance

Australia and New Zealand (ANZ)

ANZ reported EBITS growth, up 84.5 percent to $43.9 million, principally driven by favourable portfolio mix, outstanding execution of the 2015 Penfolds October release and wine cabinet

[5] Metrics calculated using 12 month EBITDAS adjusted for bank guarantees and excluding material items

[6] Interest cover calculated as the ratio of earnings to net interest expense, where earnings is the consolidated pre-tax profit (pre any material items and SGARA) plus the sum of the amount of net interest expense

promotion, lower overheads, partially offset by an uplift in consumer marketing investment and continued heightened levels of competition in the concentrated, retail landscape.

Headline volume was below the prior year. However, adjusting for the production of non-TWE brands in fiscal 2014 not repeated in the current period, increased focus on sustainable volume and the continued destocking in select, major retailers, volume was in line with the prior year.

Asia

Asia reported EBITS growth to $19.9 million for the first half of fiscal 2015 and was largely underpinned by favourable portfolio mix and 9.7 percent volume growth. Both customers and consumers have responded positively to brand-led marketing campaigns – notably around Penfolds and Wolf Blass – in key North Asia markets including China, Hong Kong and Taiwan. Depletions in China are in double digit growth and continued to significantly exceed shipment volume.

TWE adopted a more focused route-to-market in North Asia during the period; adopting a channel-based distribution model designed to provide TWE’s brands with broader and more targeted access to on-premise and retail customers. TWE will continue to invest in further strengthening the route-to-market with increased sales and marketing capability.

Americas

In the Americas, EBITS grew to $35.8 million, representing an increase of 39.8 percent on the prior period on a constant currency basis, driven by favourable portfolio mix and ongoing brand execution to premiumise the portfolio, with Luxury and Masstige depletions in the USA up 8 percent and 17 percent, respectively. This was partially offset by increased consumer marketing and the effects of the Napa earthquake in October 2014.

The excess distributor inventory realignment program is on track and is expected to be completed in fiscal 2015. Canada is showing positive momentum with EBITS up 32.9 percent on a constant currency basis, underpinned by growth in Luxury and Masstige shipments and depletions.

Europe, Middle East & Africa (EMEA)

In EMEA, EBITS were down significantly to $6.3 million principally driven by lower volume – as TWE deliberately exited unsustainable volume in retailers – and an increasingly competitive trading environment in both the United Kingdom and Nordic markets, together with a substantial uplift in consumer marketing. This was partially offset by favourable portfolio mix. The uplift in consumer marketing investment during the period is expected to benefit the second half of fiscal 2015.

Michael Clarke commented on the outlook for fiscal 2015:

“Fiscal 2015 has begun well for TWE. Our first half result was in line with our plans and own expectations and we have demonstrated to both ourselves and our shareholders that we are fixing the quality of our base earnings and re-setting the business in order to deliver improved, consistent and sustainable earnings growth over the long term.

“It is important however, that all stakeholders recognise that re-setting our business is a journey and embedding much needed cultural change, sustainable trading practices, removing excess costs, reinvigorating our brands, investing in new markets and channels and challenging traditional mindsets across TWE’s supply chain takes time.

"TWE is now in a strong position to capitalise on the outstanding wines available for sale from the 2010, 2012, 2013 and 2014 vintages. However I, together with my management team, remain committed to taking a long-term view and will continue to pursue profitable growth opportunities and make the necessary investments in brands and key growth markets in order to build our sales and marketing reach.

"In partnership with J Walter Thompson, our renewed and more focused approach to global marketing and brand investment is expected to strengthen our brand portfolio – beyond Penfolds – across all regions in the second half of fiscal 2015 and beyond.

"While our Luxury and Masstige portfolios are showing strong momentum, our results highlight continued challenges in the Commercial category across all regions. The challenges are intensifying with the increasing proliferation of Private and Exclusive Labels. We are currently working aggressively to accelerate the separate focus on the Luxury & Masstige versus the Commercial portfolios, globally.

"Consistent with our strategy to globalise TWE's sales and marketing footprint, TWE is actively expanding its route-to-market in key growth regions, notably in North Asia. Our more focused route-to-market in China, which we are currently embedding, is a critical step on this journey and is expected to have a significant, and imminent impact on the already strong demand for our scarce Penfolds wines in that region.

"I am particularly looking forward to being able to share more detail on two, exciting innovations we are working on within the Penfolds brand. We are combining a super premium, highly collectable proposition straight from TWE's cellars, at the same time delivering on our promise to create an accessible Luxury wine for new entrants into the Penfolds family.

"I am confident that the steps taken to start fixing the quality of our base business and momentum achieved in the first half of fiscal 2015 will continue in the second half and that TWE will be increasingly well positioned to capitalise on growth opportunities in both new and existing markets and channels."

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OPERATING AND FINANCIAL REVIEW

TWE profit and loss

A$m	Reported currency			Constant currency	
For the six months ended 31 December	**2014**	**2013**	**Change**	**2013**	**Change**
Volume (m 9L cases)	15.1	15.3	(1.3)%	15.3	(1.3)%
Net sales revenue[1]	882.7	811.9	8.7 %	831.0	6.2 %
Net sales revenue/case ($)	*58.60*	*53.20*	*10.2 %*	*54.45*	*7.6 %*
Other revenue	51.6	52.3	(1.3)%	53.5	(3.6)%
Total revenue	934.3	864.2	8.1 %	884.5	5.6 %
Cost of goods sold[1]	(637.0)	(624.5)	(2.0)%	(639.6)	0.4 %
Cost of goods sold/case ($)	*42.29*	*40.92*	*(3.3)%*	*41.91*	*(0.9)%*
Gross profit	297.3	239.7	24.0 %	244.9	21.4 %
Gross profit margin	*33.7%*	*29.5%*	*4.2ppts*	*29.5%*	*4.2ppts*
Cost of doing business[1,2]	(212.1)	(193.9)	(9.4)%	(196.9)	(7.7)%
Cost of doing business margin	*24.0%*	*23.9%*	*(0.1)ppts*	*23.7%*	*(0.3)ppts*
EBITS	**85.2**	**45.8**	**86.0 %**	**48.0**	**77.5 %**
EBITS margin (% of NSR)	***9.7%***	***5.6%***	***4.1ppts***	***5.8%***	***3.9ppts***
SGARA	(10.5)	-	-	(0.2)	NM[3]
EBIT	**74.7**	**45.8**	**63.1 %**	**47.8**	**56.3 %**
Net finance costs	(11.4)	(9.7)	(17.5)%	(9.8)	(16.3)%
Profit before tax	**63.3**	**36.1**	**75.3 %**	**38.0**	**66.6 %**
Tax benefit[4] / (expense)	(19.8)	70.6	NM	70.2	NM
Net profit after tax (before material items)	**43.5**	**106.7**	**(59.2)%**	**108.2**	**(59.8)%**
Material items (before tax)	(1.3)	-		-	
Tax on material items	0.4	-		-	
Material items (after tax)	(0.9)	-	-	-	-
Minority interests	-	(0.5)	100.0 %	(0.5)	100.0 %
Net profit after tax	**42.6**	**106.2**	**(59.9)%**	**107.7**	**(60.4)%**
Reported EPS (cents)	6.6	16.4	(59.8)%	16.6	(60.2)%
SGARA (after tax)	(7.1)	-		(0.6)	
Net profit after tax (before material items, SGARA & tax benefit)	50.6	25.7	96.9 %	27.8	82.0 %
EPS (before material items, SGARA & tax benefit) (cents)	7.8	4.0	95.0 %	4.3	81.4 %
Average no. of shares (millions)	649.8	647.2		647.2	

1. *Net Sales Revenue, Costs of Goods Sold and Cost of Doing Business stated pre-material items outlined in Note 3 of Appendix 4D*
2. *Cost of doing business calculated as Gross Profit less EBITS*
3. *Not Meaningful*
4. *$80.5m tax benefit recognised in fiscal 2014*

Exchange rates: Transactional cash flows are calculated using spot exchange rates on the day of the relevant transaction. Average exchange rates used for translational purposes in 1H15 results are: $A1 = $US0.8909 (1H14: $A1 = $US 0.9220), $A1 = GBP 0.5474 (1H14 $A1 = GBP 0.5821). Period end exchange rates used for balance sheet items in 1H15 results are: $A1 = $US0.8184 (1H14: $A1 = $US 0.8904), $A1 = GBP0.5260 (1H14: $A1 = GBP 0.5396).
Constant currency: Throughout this report constant currency assumes current and prior earnings of foreign operations are translated and cross border transactions are transacted at current year exchange rates.
SGARA: Australian Accounting standard AASB141 “Agriculture”

Reconciliation to Statement of Comprehensive Income

A$m	Reference	
For the six months ended 31 December		**2014**
EBIT		**74.7**
Material items before tax		(1.3)
Profit before tax and finance costs	Statement of Comprehensive Income - page 4	**73.4**

Group performance[7]

Volume

Total volume was 15.1 million cases, down 0.2 million cases driven by lower volume in EMEA and ANZ, partially offset by volume growth in the Americas and Asia. Key drivers were deliberately exiting unsustainable and unprofitable volume initiatives in our base business and de-stocking in selected retailers, distributors and countries in all four regions.

Net sales revenue

Net sales revenue increased 8.7 percent on a reported currency basis to $882.7 million or 6.2 percent on a constant currency basis. Growth in net sales revenue was driven by favourable portfolio mix relative to the prior period, with ANZ, the Americas and Asia reporting solid net sales revenue growth. Lower volume in EMEA offset improved portfolio mix.

Net sales revenue per case on a constant currency basis increased $4.15 per case to $58.60, up 7.6 percent, largely reflecting favourable portfolio mix across all regions, partly offset by adverse country and market/state mix in the Americas.

Cost of goods sold

Cost of goods sold (COGS) increased $0.38 per case on constant currency basis, largely driven by improved portfolio mix, partially offset by increased production overhead recoveries in the US, driven by increased shipments.

Cost of doing business margin

Cost of doing business margin was broadly in line with the prior period at 24.0 percent, reflecting increased investment in consumer marketing partially offset by a significant reduction in central overhead expenses, together with NSR growth. As a result of the overhead reduction initiative currently being implemented, central overheads as at 31 December 2014, were significantly below the prior period.

EBITS

EBITS of $85.2 million was up 86.0 percent on a reported currency basis and up 77.5 percent of constant currency basis underpinned by the successful transition of the Penfolds release date and execution of strategy to re-set the business by investing in consumer marketing and reducing overheads in fiscal 2015.

[7] All movements are in respect to the previous corresponding period

SGARA

The SGARA loss of $10.5 million relates to both Australia and the US, with both markets experiencing a softening in grape market prices and Australia experiencing variable growing conditions in the vintage to date.

Material items

A material item expense of $1.3 million (pre-tax) was recognised in the period, principally relating to costs incurred in relation to the private equity bids, the closure of the Ryecroft winery and the earthquake in California.

Net profit after tax

Net profit after tax for the six months ended 31 December 2014 was $42.6 million, and reported EPS was 6.6 cents per share. Relative to the prior period, net profit after tax and reported EPS were lower, reflecting the $80.5 million tax benefit recognised in the prior period.

Adjusting the period for the tax benefit, net profit after tax (before material items & SGARA) in the first half of 2015 was approximately double the prior period.

Dividend

The Directors have declared an interim dividend of 6 cents per share, unfranked, in line with the prior period. The dividend is payable on 17 April 2015 to registered shareholders as at 11 March 2015.

As a result of the demerger from Foster's Group, TWE was required to reset the cost base of all assets of the Australian tax consolidated group based on relative market values as at the date of demerger. As a result, and as previously outlined to the market, this resulted in tax refunds during fiscal 2014 which drove TWE's franking account into deficit as at 30 June 2014. Refunds were recognised in the form of tax offsets, therefore TWE received a tax refund in fiscal 2014 of $49.3 million. As a result, TWE has not franked the interim 2015 dividend and does not expect to frank any dividends for the remainder of fiscal 2015.

Regional performance

Australia and New Zealand (ANZ)

A$m		Reported currency		Constant currency	
For the six months ended 31 December	2014	2013	Change	2013	Change
Volume (m 9L cases)	4.0	4.2	(5.3)%	4.2	(5.3)%
NSR	304.0	277.6	9.5 %	278.5	9.2 %
NSR per case (A$)	75.67	65.46	15.6 %	65.67	15.2 %
EBITS	43.9	24.4	79.9 %	23.8	84.5 %
EBITS margin	14.4 %	8.8 %	5.6ppts	8.5 %	5.9ppts

Headline volume was below the prior year. However, adjusting for the production of non-TWE brands in fiscal 2014 not repeated in the current period, increased focus on sustainable and profitable volume together with the continued destocking in selected, major retailers, volume was in line with the prior year.

Outstanding brand-led campaigns, including the Penfolds wine cabinet initiative, supported a significant uplift in key brand depletions in the first half of fiscal 2015 with Penfolds, Pepperjack and Wynns delivering strong, double-digit depletions growth on the prior period.

NSR per case growth driven by favourable portfolio mix, notably within the Luxury segment, partially offset by increasing cost of competing in the Commercial category and the concentrated retail landscape.

Consistent with TWE's strategy, stable Cost of Doing Business margin reflected uplift in consumer marketing investment, partially offset by the overhead reduction initiative, together with solid NSR growth.

Challenges associated with the concentrated retail landscape and the proliferation of Private and Exclusive Labels – particularly in the Commercial segment – is reinforcing need to accelerate the separate focus on Luxury & Masstige versus the Commercial segment to drive value across the portfolio.

EBITS up 84.5 percent to $43.9 million, principally driven by favourable portfolio mix and a reduction in overheads, partially offset by a step-up in consumer marketing.

Continued investment in consumer marketing, ongoing focus on cost management, together with an accelerated rate of focus on separation across the segments is expected to underpin sustainable sales growth and continued in-market execution in the second half of fiscal 2015, and beyond.

Asia

A$m		Reported currency		Constant currency	
For the six months ended 31 December	2014	2013	Change	2013	Change
Volume (m 9L cases)	0.5	0.5	9.7 %	0.5	9.7 %
NSR	67.4	36.8	83.2 %	37.0	82.2 %
NSR per case (A$)	124.19	74.40	66.9 %	74.81	66.0 %
EBITS	19.9	4.9	NM	4.7	NM
EBITS margin	29.5 %	13.3 %	16.2ppts	12.7 %	16.8ppts

Volume growth reflected strong customer and consumer response to brand-led marketing campaigns, notably around Penfolds and Wolf Blass, in key North Asia countries including China, Hong Kong and Taiwan, partially offset by a softening in Thailand. Depletions in China were in double digit growth and continue to significantly exceed shipment volume.

TWE continued to outperform the Hong Kong wine market by volume and value, principally driven by Penfolds and Wolf Blass. TWE's outperformance in Hong Kong reflected strong brand health and the launch of the largest and most successful marketing campaign (focused on Penfolds) executed in Hong Kong in the Company's history.

Solid NSR per case growth, up 66.0 percent to $124.19 driven by favourable mix as a result the successful transition of Penfolds release date and continued growth of Wolf Blass in the region.

TWE continued to invest in the region during the period, broadening its sales and marketing capability, at the same time, stepping up investment in consumer marketing. As a result, Cost of Doing Business margin increased circa 3.5 percentage points.

TWE announced a more focused route-to-market in China during the period; adopting a channel-based distribution model designed to provide TWE's brands with broader and more targeted access to on-premise and retail customers in North Asia. This more focused route-to-market is now being embedded and TWE will continue to invest in further strengthening the route-to-market with increased sales and marketing capability.

EBITS up strongly to $19.9 million during the period. Strong momentum in the first half of fiscal 2015 expected to continue, underpinned by ongoing investment in the region and exciting brand-led promotions, including the rollout of the successful wine cabinet initiative in Hong Kong, China, Singapore and Malaysia.

Europe, Middle East and Africa (EMEA)

A$m		Reported currency		Constant currency	
For the six months ended 31 December	2014	2013	Change	2013	Change
Volume (m 9L cases)	3.2	3.5	(7.7)%	3.5	(7.7)%
NSR	132.0	135.7	(2.7)%	140.8	(6.3)%
NSR per case (A$)	41.35	39.23	5.4 %	40.71	1.6 %
EBITS	6.3	10.7	(41.1)%	12.7	(50.4)%
EBITS margin	4.8 %	7.9 %	(3.1)ppts	9.0 %	(4.2)ppts

Despite distribution gains and strong brand representation in the majority of key customers, led by Penfolds, Wolf Blass and Lindeman's, intense Commercial competition together with unsustainable promotional volume in fiscal 2014 deliberately not repeated in the current period, resulted in a 12.1 percent reduction in volume in the UK; the largest market in the EMEA region.

Nordic markets continue to be challenging for TWE's Australian portfolio, with the category down 10 percent together with a step-up in competition. TWE remains focused on investing in core brands and portfolio diversification; recent listings of TWE's New Zealand brands and innovation showing positive momentum, particularly in the second quarter of fiscal 2015.

NSR per case growth, up 1.6 percent, reflected improved portfolio mix, underpinned by the change of Penfolds release date, partially offset by adverse country and channel mix.

Increased investment in consumer marketing, principally focused on robust in-market programming to support the Penfolds release, partially offset by a reduction in overheads.

Significant reduction in EBITS driven by lower volume, increasingly competitive retail landscape in the UK and a substantial uplift in consumer marketing, partially offset by favourable portfolio mix.

Investment in consumer marketing to date expected to benefit the second half of fiscal 2015, led by the launch of a multi-channel Penfolds wine cabinet promotion in the UK, Switzerland and Germany, at the same time supporting Lindeman's strong brand health in the region with a series of above-the-line promotional campaigns.

Americas

A$m		Reported currency		Constant currency	
For the six months ended 31 December	2014	2013	Change	2013	Change
Shipments (m 9L cases)	7.3	7.1	3.4 %	7.1	3.4 %
Depletions (m 9L cases)[1]	7.7	7.6	1.3 %	7.6	1.3 %
NSR	379.3	361.8	4.8 %	374.7	1.2 %
NSR per case (A$)	51.88	51.19	1.3 %	53.02	(2.2)%
EBITS	35.8	24.6	45.5 %	25.6	39.8 %
EBITS margin	9.4 %	6.8 %	2.6ppts	6.8 %	2.6ppts

1. Total Americas depletions includes US depletions and Canada consumption

Shipments up 3.4 percent, reflected growth in both USA and Canada shipments.

Headline depletions for the Americas increased 1.3 percent during the period. However, consistent with broader market trends in the Commercial price segment and despite support from the Special Depletions Allowance, TWE's Commercial depletions declined and adversely impacted TWE's headline depletions performance.

Luxury depletions up 8 percent during the period – led by Beringer Knights Valley, Stags' Leap and Penfolds – underpinned by outstanding in-market programming particularly in the holiday months and strong consumer responses to new products and innovation, together with improved supply of Luxury wine.

TWE's solid growth in the Masstige category continued during the period, with depletions up 17 percent, reflecting strong representation in this category led by; Chateau St Jean, Matua, 19 Crimes, Sledgehammer and Souverain.

Depletions in the USA exceeded shipments by 282k cases during the period. The distributor inventory realignment program is expected to be completed in fiscal 2015.

Unfavourable NSR per case driven by a shift in brand mix within the price segments and adverse market / state mix.

Cost of Doing Business margin largely in line with prior period, reflecting reduced overheads, largely offset by an uplift in consumer marketing investment to support Luxury and Masstige depletions, together with NSR growth.

Canada showing positive momentum with EBITS up 32.9 percent on a constant currency basis, underpinned by growth in Luxury and Masstige shipments and depletions.

EBITS growth, up 39.8 percent to $35.8 million, reflected ongoing execution of brand strategy to premiumise the portfolio, partially offset by increased consumer marketing and the effects of the Californian earthquake in October 2014.

Corporate

Corporate costs for the first half of fiscal 2015 were $20.7 million.

Balance sheet

A$m As at	31 Dec 2014	30 Jun 2014	Change	31 Dec 2013	Change
Cash and cash equivalents	35.1	52.0	(16.9)	30.0	5.1
Receivables	473.4	414.9	58.5	456.1	17.3
Current inventories	727.2	707.1	20.1	706.1	21.1
Non-current inventories	549.6	525.2	24.4	498.0	51.6
Property, plant and equipment	983.3	958.3	25.0	1,047.8	(64.5)
Agricultural assets	255.7	229.9	25.8	251.5	4.2
Intangible assets	778.4	747.1	31.3	1,033.0	(254.6)
Tax assets	211.0	217.1	(6.1)	319.0	(108.0)
Other assets	22.8	8.9	13.9	8.0	14.8
Total assets	**4,036.5**	**3,860.5**	**176.0**	**4,349.5**	**(313.0)**
Cash and cash equivalents	4.5	-	4.5	-	4.5
Payables	466.8	451.2	15.6	434.7	32.1
Borrowings	317.9	265.6	52.3	337.7	(19.8)
Tax liabilities	182.9	198.6	(15.7)	328.6	(145.7)
Provisions	66.1	89.8	(23.7)	92.4	(26.3)
Other liabilities	12.0	6.5	5.5	15.5	(3.5)
Total liabilities	**1,050.2**	**1,011.7**	**38.5**	**1,208.9**	**(158.7)**
Net assets	**2,986.3**	**2,848.8**	**137.5**	**3,140.6**	**(154.3)**

Net assets

Net assets as at 31 December 2014 was $154.3 million less than the previous corresponding period.

The decrease in net assets was principally driven by the impairment charge recognised in fiscal 2014 relating to TWE's Commercial brands and related, property, plant and equipment and IT assets, partially offset by the impact of foreign exchange rate movements.

Overall, total inventory increased $72.7 million relative to the previous corresponding period; $41.6 million related to the depreciation of the Australian Dollar relative to the US Dollar.

Non-current inventory increased $51.6 million relative to the previous corresponding period, principally driven by a $17.6 million impact from foreign exchange movements, favourable portfolio mix (including steps taken to reduce the level of Commercial bulk wine during the period), accelerated conversion of bulk wine to finished goods to support the successful transition of the 2015 Penfolds release and TWE's deliberate decision to hold wine back for sale in future years.

Current inventory increased $21.1 million, of which $24.0 million related to the impact from foreign exchange rate movements in the period together with improved mix, offset by increased sales of Luxury wine, with Luxury wine volume up 20 percent in the period.

Working capital

Working capital increased during the period principally driven by higher receivables and adverse foreign exchange movements due to the large currency fluctuations. This was partially offset by higher payables driven by TWE's continued focus on improving payment terms with key suppliers.

Net debt

Reported net debt as at 31 December 2014 was $283.1 million and consisted of $30.6 million in cash, $4.2 million of loans and borrowings of $317.9 million. Net debt increased $73.7 million from 30 June 2014 on a reported currency basis.

Had the uncommitted receivable purchasing agreements not been available, the reported net debt and debtors would have been $128.3 million higher as at 31 December 2014 ($88.3 million higher as at 31 December 2013).

Funding structure

At 31 December 2014, TWE had $593.3 million of committed undrawn facilities under various committed revolving facilities maturing in April 2016 ($300 million), August 2016 (US$170 million) and August 2018 (US$80 million).

TWE targets financial metrics consistent with an investment grade credit profile with net debt / EBITDAS and interest cover of 1.0x and 9.8x, respectively[8,9].

[8] Metrics calculated using 12 month EBITDAS adjusted for bank guarantees and excluding material items

[9] Interest cover calculated as the ratio of earnings to net interest expense, where earnings is the consolidated pre-tax profit (pre any material items and SGARA) plus the sum of the amount of net interest expense

Cash Flow – reconciliation of net debt

A$m		Reported currency	
For the six months ended 31 December	**2014**	**2013**	**Change**
EBITS	**85.2**	**45.8**	**86.0 %**
Depreciation & Amortisation	42.3	42.6	
EBITDAS	**127.5**	**88.4**	**44.2 %**
Change in working capital	(29.5)	(63.2)	
Other items	0.6	(0.1)	
Net operating cash flows before financing costs, tax and material items	**98.6**	**25.1**	**NM**
Cash conversion[1]	**77.3%**	**28.4%**	**48.9ppts**
Capital expenditure	(34.3)	(33.1)	
Net investment expenditure	-	(12.7)	
Total investment expenditure	(34.3)	(45.8)	
Asset sale proceeds	3.3	0.4	
Cash flows after net capital expenditure, before financing costs, tax and material items	**67.6**	**(20.3)**	
Net interest paid	(11.7)	(9.3)	
Tax refunded / (paid)	(32.4)	(7.1)	
Cash flows before dividends and material items	**23.5**	**(36.7)**	
Dividends paid/distributions to minority interests	(45.6)	(45.5)	
Cash flows after dividends before material items	**(22.1)**	**(82.2)**	
Material item cash flows			
- operating	(37.2)	(0.7)	
- investing	-	-	
Total material item cash flows	(37.2)	(0.7)	
Share re-purchase (employee share plan)	-	(0.8)	
Finance leases	-	(2.7)	
Total cash flows from activities	**(59.3)**	**(86.4)**	
Opening net debt	**(209.4)**	**(210.9)**	
Total cash flows from activities (above)	(59.3)	(86.4)	
Proceeds from foreign exchange swaps[2]	25.3	3.6	
Debt revaluation and foreign exchange movements	(39.7)	(9.8)	
Increase in net debt	**(73.7)**	**(92.6)**	
Closing net debt	**(283.1)**	**(303.5)**	

[1] Cash conversion (NOCF before financing costs, tax and material items divided by EBITDAS)

[2] Prior period includes reclassifications to align with current year reporting

Movement in net debt

Net debt increased $73.7 million for the six months ending 31 December 2014 to $283.1 million, of which $39.7 million related to lower period-end exchange rates used to revalue foreign currency borrowings at balance sheet date.

Other material drivers of the movement in net debt relative to the prior period included:

- Higher EBITDAS, largely underpinned by the succesful transition of the 2015 Penfolds release date
- Favourable movement in working capital
- Reduction in capital and investment expenditure
- Increased material item outflows
- Payment of franking deficits tax in July to bring TWE's franking account balance to nil

Movement in EBITDAS

EBITDAS increased $39.1 million on a reported currency basis during the period, principally underpinned by the successful transition of the 2015 Penfolds release date to October 2015.

Movement in working capital

The reduction in the change in working capital to $29.5 million principally reflected increased payables relative to the prior period driven by TWE's continued focus on optimising payment terms with key suppliers, partially offset by higher receivables due to the timing of receipt of cash inflows in the Americas.

Adjusting for the increase in utilisation of the receivable purchasing agreements (from $108.0 million as at 30 June 2014 to $128.3 million as at 31 December 2014), net debt increased by $94 million for the period.

Movement in capital and investment expenditure

Total capital and investment expenditure in the first half of fiscal 2015 was $34.3 million. Capital expenditure in the period principally reflected premiumisation activities, including investment in vineyard redevelopments, oak purchases and upgrades to Luxury wine making equipment and TWE's Cellar Door and office at Magill during the period.

TWE does not expect capital expenditure in fiscal 2015 to exceed $100 million.

Tax refunded / paid

Increase in tax paid in the period principally relates to payment of franking deficits tax in July to bring TWE's franking account balance to nil. This was a prepayment of tax and can be used to offset against future tax liabilities.

Movement in material items

Material items operating cash flow reflects expenditure on TWE's cost reduction program, further utilisation of the Special Depletions Allowance and costs associated with the private equity defence.

Exchange rate impact

The lower period-end exchange rates used to revalue foreign currency borrowings as at 31 December 2014 increased net debt by $39.7m.

The "Proceeds from settlement of foreign exchange swaps" represents cash flows from the close-out of foreign currency exchange swap contracts.

Cash conversion

Cash conversion was 77.3 percent for the period, up significantly on the prior period.

Vintage update

The 2014 California vintage was one of the earliest on record driven by a dry and warm winter. Consistent weather conditions throughout the growing season and minimal influence of frost, heat and rain resulted in strong quantities and quality for most varieties and regions. Pinot Noir was the standout varietal in 2014, with exceptional quality while Cabernet was also excellent across all the price tiers.

The 2015 Australian vintage to date has been characterised by hot and dry conditions with below average rainfall. In addition, flowering and fruit set has been variable, however TWE expects quality and yield to be in line with expectations across the majority of regions and varietals.

After a variable start to the growing season, growing conditions since mid-Spring in New Zealand have been excellent, characterised by sunshine and warm conditions since flowering began across the regions. While yield is expected to be below the record 2014 vintage, TWE's intake is expected be in line with forecast demand and quality across all varietals and regions is expected to be strong.