TREASURY WINE ESTATES

2012
FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

Incorporating the requirements of Appendix 4D

TREASURY
WINE ESTATES

CONTENTS

Treasury Wine Estates will host an investor webcast and conference call commencing at 11.15 am (AEDT) on 17 February 2012. The webcast and presentation material will be available at www.tweglobal.com. A replay of the presentation will also be available on the website.

IMPORTANT NOTICE IN RELATION TO COMPARATIVE FINANCIAL INFORMATION: Effective from 9 May 2011, Treasury Wine Estates Limited and its controlled entities (TWE) demerged from Foster's Group Limited (Foster's), and the Company was listed as a separate stand alone entity on the Australian Securities Exchange on 10 May 2011. The demerger of TWE required Foster's to undertake an internal corporate restructure immediately prior to the demerger becoming effective with a number of assets and liabilities also transferred between TWE and Foster's. In the results released for the year ended 30 June 2011, TWE provided pro forma financial information designed to give a view of the underlying financial performance of TWE as a stand alone entity. In the preparation of the pro forma financial information, adjustments were made to TWE's statutory result as if TWE had been operating as a stand alone entity for the entire period. As TWE has been operating as a stand alone entity for the entire six month period ended 31 December 2011, there has been no need for TWE to provide pro forma financial information in respect of the current period. However, unless otherwise indicated, the comparative financial information contained in the Media Release and the Financial and Operations Review for the previous six month period ended 31 December 2010 has been presented on a pro forma basis. The pro forma comparative financial information has been prepared to assist stakeholders' understanding of TWE's business as it is now structured and as an independent company listed on the Australian Securities Exchange. A reconciliation between the statutory and pro forma financial information for the six months ended 31 December 2010 is included on page 15.

17 February 2012

ASX ANNOUNCEMENT

TWE 2012 HALF YEAR RESULTS

FOURTH CONSECUTIVE HALF OF CONSTANT CURRENCY EBITS GROWTH

- EBITS[1] growth of 16.5%[2] on a constant currency basis, despite the impact of a subdued consumer environment in many of our markets, and a 0.2% increase on a reported basis (unfavourable currency impact of $12.8 million)
- Three out of four Regional Business Units (ANZ, EMEA and Asia), and four out of five Brand Business Units (Penfolds, Wolf Blass, Lindeman's and Rosemount) delivered constant currency EBITS growth
- New organisational structure and business model implemented
- Improved focus on cost discipline, with efficiency program on track to deliver $30 million benefit in FY13
- Cash conversion remained high at 97.2%
- Balance Sheet remains strong with net debt of $49.8 million, and un-drawn facilities of $413.2 million
- Interim dividend of 6.0 cents per share, 50% franked

A$m (unless otherwise stated)		Pro Forma Reported currency		Pro Forma Constant currency	
For the six months ended 31 December	**2011**	**2010**	**Change**	**2010**	**Change**
Volume (m 9L cases)	16.9	18.0	(6.2)%	18.0	(6.2)%
Net sales revenue	858.1	927.0	(7.4)%	881.1	(2.6)%
EBITS	91.7	91.5	0.2 %	78.7	16.5 %
NPAT (before material items & SGARA)	58.6				
EPS (before material items & SGARA) (cents)	9.1		***Pro forma information not available***		
Dividend per share (cents)	6.0				

Results

David Dearie, Chief Executive Officer of Treasury Wine Estates, said today:

"I am pleased with the progress against our key fiscal 2012 priorities. The group reported EBITS of $91.7 million, up 0.2% on last year despite headwinds of subdued consumer confidence, reduced retailer inventory in Canada an increasingly competitive retail environment and a strong Australian dollar.

[1] Earnings before interest, tax, SGARA and material items
[2] Unless otherwise stated, all percentage and dollar movements are calculated against pro forma prior period figures on a constant currency basis and exclude material items

"On a constant currency basis, EBITS increased 16.5%, our fourth consecutive half of EBITS growth."

TWE reported growth in three out of four Regional Business Units and four out of five Brand Business Units.

Dearie said: "Our focus remains on achieving our financial ambition and on building our business for sustainable future growth.

"This half saw overall volume decline by some 1.1 million cases or 6.2% which was mostly attributed to the UK. As I have previously stated, we are focused on growing volume in the sectors where we see sustainable longer term profits and we are therefore prepared to walk away from unprofitable volume.

"Our focus on profitable sustainable volume growth resulted in net sales revenue per case increasing by $1.83 or 3.7% through selective price increases and mix changes. In addition, we delivered improvements in the area of cost management with the cost of doing business now at 23.3% of net sales revenue, down 80 basis points. These initiatives improved our EBITS margin 180 basis points to 10.7%.

"Our business remains highly cash generative, with cash conversion at 97.2% and net debt reduced to $49.8 million, providing significant operational and financial flexibility."

Net profit after tax before material items and SGARA was $58.6 million for the first half of fiscal 2012 and $40 million after tax, SGARA and material items. Earnings per share before material items and SGARA was 9.1 cents and 6.2 cents after material items and SGARA.

New organisation structure and business model

Dearie said: "A key achievement during the first half was the transition to our new matrix organisation structure and our new business model. Over the past six months I've made a series of senior management appointments and my new executive team is a mix of high calibre external and internal professionals.

"The new organisation structure and business model will be fully operational during the second half of this fiscal year and reflects the equal importance I place on brands, regions and supply."

Regional performance

Dearie commented on TWE regional performance: "ANZ EBITS increased 7.3%, a great result in an increasingly competitive retail environment.

"Americas EBITS declined 17.1% during the first half with performance impacted by an increasingly competitive Commercial wine sector and a number of one-off factors including reduced retailer inventory levels in Canada."

Dearie added: "One-off factors included our decision to delay the shipments of Penfolds Bins to the Americas from the first to the second half of the fiscal year. This move now aligns the Americas with the rest of the world and ensures that the new vintage of Penfolds Bins will be available to our consumers globally on the first Thursday of March each year.

"Furthermore the Americas EBITS was impacted through our repositioning of Rosemount. As I have previously stated, Rosemount is a key Foundation Brand for TWE and returning this brand to growth is a key priority. To aid the relaunch of this brand, we have provided $1.6 million against the write off of older vintages in the US market. ANZ EBITS was impacted by $0.6 million, relating to the write off of dry goods.

"EMEA EBITS was up $11.2 million and reflects the benefits of improved cost management and our renewed focus on profitable sustainable volume. EBITS in Asia increased 66.7% compared to the prior period to continue the strong growth from this exciting region," he said.

Dearie said the growth in ANZ, Asia and EMEA was a testament to a number of factors including the strength of our wine brands, cost management and commitment to profitable volume.

Brand Business Units

Dearie spoke on Brand Business Unit performance: "Of our five Brand Business Units Penfolds, Wolf Blass, Lindeman's and Rosemount delivered EBITS growth in the first half of fiscal 2012. In September we rolled out the excellent new packaging and creative for Wolf Blass, Rosemount new package is now reaching the retail shelf and Lindeman's is rolling out the highly successful Early Harvest and Sweet Seasons lines internationally. The release of Penfolds Special Bin 620 and the subsequent consumer demand were also a first half highlight.

"Beringer brand volume trends have stabilised, with volume increasing 0.4% compared to a reduction of 1.7% in the prior corresponding period. Another notable success in the Beringer Brand Business unit was the volume growth of 29.8% from Chateau St. Jean.

"All our Foundation Brands compete across most categories in the wine sector, Luxury, Masstige and Commercial. These tiers all contribute to the success of TWE, with the Commercial sector producing between 70-80% of our volume and 30-40% of our EBITS. Masstige and Luxury combined deliver between 60-70% of our EBITS and 20-30% of our volume. This mix greatly assists us with optimising our global supply network."

Apply and Practise Cost Management

Dearie said that one of the key initiatives this year is to apply and practise cost management: "I'm pleased to report that we are on track to deliver $30 million of cost savings in fiscal 2013.

"In the first half of fiscal 2012 we realised a small EBITS benefit and recognised, as forecast, a material item of $20 million associated with implementing the efficiency program. We've also made progress on our broader cost review and I will provide a further update at our full year results announcement in August 2012."

Outlook

Dearie commented on the outlook for the remainder of the year: "In August 2011 I set out the fiscal 2012 strategic priorities for TWE - namely to build exceptional brands, drive top line growth and to apply and practise cost management.

"I'm pleased with the actions we've taken and during the balance of fiscal 2012, we expect to make further progress on each of these priorities.

"Let me take this opportunity to update you on some actions we are taking to assist in achieving these fiscal 2012 priorities. Commencing with the release of our Penfolds Bins and Luxury Vintages in March and May of 2012, we will introduce dual and aged release programs. Under these programs a portion of each vintage will be retained by TWE for release at a future date. This is designed to ensure these exceptional and highly sought after wines are available to our loyal customers during peak demand periods."

Aligned global pricing and improved allocation of these wines will help offset the financial impact of these programs during fiscal 2012, with TWE realising future benefits from the dual and aged release programs.

New product development and line extensions are a critical growth factor for all consumer products and wine is no different. Dearie said that during the second half, we are launching several new products in various markets: "Our plans for the Americas region include building on the success of Beringer Red Moscato with further new Beringer line extensions such as Pink Moscato, Smooth Red Blend and Malbec."

Dearie added: "Global demand for our luxury wines remains extremely high and continues to exceed our supply. Therefore to optimise our returns we will continue to re-allocate these wines in the short term; however, to meet the strong demand in the longer term we will increase our investment in vineyard redevelopment and sourcing.

"The Asia region, led by China, continues to be a standout growth area for TWE, with volume up 36% in China and EBITS up 66.7% for the region in the first half of fiscal 2012. As previously identified we will continue to increase our investment in Asia.

"We will allocate more funding for brand building initiatives, more of our allocated wine brands will be released to Asia and we are currently increasing the size of our China based team who will act as our brand ambassadors and educators and will greatly improve our brand building activities.

"While many of our markets are impacted by a subdued consumer environment and the strong Australian dollar impacts our brands' competitiveness, we expect to show continued progress against our strategic priorities in the second half of this fiscal year."

Contacts / Further information:

Media

Elizabeth Middleton
Tel: +61 3 8626 2314
Mob: +61 458 500 580

Investors

Peter Kopanidis
Tel: + 61 3 8626 2832
Mob: +61 412 171 673

FINANCIAL AND OPERATIONS REVIEW

A$m		Pro Forma Reported currency		Pro Forma Constant currency	
For the six months ended 31 December	**2011**	**2010**	**Change**	**2010**	**Change**
Volume (m 9L cases)	16.9	18.0	(6.2)%	18.0	(6.2)%
Net sales revenue	858.1	927.0	(7.4)%	881.1	(2.6)%
Net sales revenue/case ($)	*50.78*	*51.50*	*(1.4)%*	*48.95*	*3.7 %*
Other revenue	17.9	20.0	(10.5)%	19.2	(6.8)%
Total revenue	876.0	947.0	(7.5)%	900.3	(2.7)%
Cost of sales	(584.3)	(632.7)	7.6 %	(609.6)	4.2 %
Gross profit	291.7	314.3	(7.2)%	290.7	0.3 %
Gross profit margin	*34.0%*	*33.9%*	*0.1 pts*	*33.0%*	*1.0 pts*
Cost of doing business	(200.0)	(222.8)	10.2 %	(212.0)	5.7 %
Cost of doing business margin	*23.3%*	*24.0%*	*(0.7)pts*	*24.1%*	*(0.8)pts*
EBITS	**91.7**	**91.5**	**0.2 %**	**78.7**	**16.5 %**
EBITS margin	***10.7%***	***9.9%***	***0.8 pts***	***8.9%***	***1.8 pts***
SGARA	(10.6)	(5.2)	(103.8)%	(5.1)	(107.8)%
EBIT	**81.1**	**86.3**	**(6.0)%**	**73.6**	**10.2 %**
Net finance costs	(3.3)				
Profit before tax	**77.8**				
Tax expense	(26.2)				
Net profit after tax (before material items)	**51.6**		***Pro forma information not available***		
Material items (before tax)	(14.7)				
Tax on material items	3.1				
Material items (after tax)	(11.6)				
Net profit after tax	**40.0**				
Reported EPS (cents)	6.2				
SGARA (after tax)	(7.0)				
Net profit after tax (before material items & SGARA)	58.6				
EPS (before material items & SGARA) (cents)	9.1				
Average no. of shares (millions)	647.2				

Exchange rates: Average exchange rates used for profit and loss purposes in 2012 half year results are: $A1 = $US 1.0320 (2011: $A1 = $US 0.9434), $A1 = GBP 0.6480 (2011: $A1 = GBP 0.6025). Period end exchange rates used for balance sheet items in 2012 half year results are: $A1 = $US 1.0137 (30 June 2011: $A1 = $US 1.0690), $A1 = GBP 0.6576 (30 June 2011: $A1 = GBP 0.6650).
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"

The 2010 pro forma financial information includes amounts in Other Revenue primarily relating to the distribution of Foster's beer, cider and spirits portfolio in New Zealand, that were not included in the TWE pro forma financial information presented in the demerger scheme booklet. The inclusion of these amounts in Other Revenue has not resulted in a change in EBITS to that presented in the demerger scheme booklet.

Reconciliation to Statement of Comprehensive Income

A$m For the six months ended 31 December	Reference	2011
EBIT	Financial and Operations Review	**81.1**
Material items before tax		(14.7)
Profit before tax and finance costs	Statement of Comprehensive Income	**66.4**

For the six months ended 31 December 2011 total volume for TWE declined 6.2% versus the prior corresponding period. This was primarily as a result of exiting certain unprofitable volume in the UK where volume declined by 1.1 million cases compared to the prior period, although a small volume decline was also recorded in the Americas.

Net sales revenue declined by 7.4% to $858.1 million. On a constant currency basis, net sales revenue declined by 2.6%. Declines were reported by the Americas and EMEA Regional Business Units, with ANZ flat compared to the prior corresponding period and Asia in growth. Net sales revenue per case was up $1.83 per case or 3.7% compared to the prior period driven by improved pricing and mix in Asia and EMEA.

Cost of sales declined 4.2% with the impact of lower volume partially offset by higher cost of sales per case. Adjusting for mix, cost of sales per case were marginally above the prior period.

Gross profit margin increased 10 basis points to 34.0% on a reported basis and 100 basis points on a constant currency basis.

Cost of doing business declined 80 basis points to 23.3%. Our efficiency program continues to focus on driving improvements in our cost base.

EBITS of $91.7 million was up 0.2% on a reported basis. Exchange rate movements were again a significant factor, reducing EBITS by approximately $12.8 million, with the most significant impacts in the Americas and EMEA regions due to the relatively higher Australian dollar compared with the previous corresponding period. On a constant currency basis, EBITS increased by 16.5%.

EBITS margin increased 80 basis points on a reported basis, and 180 basis points on a constant currency basis, to 10.7%.

SGARA in the period was a $10.6 million loss due to reduced yields from a challenging 2011 Californian Vintage with the cost of production from owned vineyards exceeding the market price of grapes produced. The market price of grapes in both countries is currently showing an increasing trend as the supply/demand balance tightens due to Vintage 2011 impacts in Australia and increased demand in California.

EBIT margin increased 14 basis points on a reported basis, and 110 basis points on a constant currency basis to 9.5%.

A material item expense of $14.7 million before tax was reported. This comprised three components, firstly, a $20.0 million cost associated with the efficiency program and management restructuring, primarily related to expected redundancy payments, $5.0 million of this amount was paid in cash in the first half. Secondly, a $9.0 million write down of the value of a range of IT and supply chain assets. Finally, we removed four vineyards which were previously held for sale, which resulted in the release of related provisions of $14.3 million. Three further vineyards remain held for sale.

Net profit after tax for the first half of fiscal 2012 was $40.0 million, and EPS was 6.2 cents per share. Net profit after tax (before material items and SGARA) was $58.6 million, and EPS on the same basis was 9.1 cents per share.

The Directors have declared an Interim dividend of 6.0 cents per share, franked to 50%.

Australia and New Zealand (ANZ)

		Pro Forma Reported currency		Pro Forma Constant currency	
For the six months ended 31 December	**2011**	**2010**	**Change**	**2010**	**Change**
Volume (m 9L cases)	4.5	4.4	1.7 %	4.4	1.7 %
NSR (A$m)	297.4	297.6	(0.1)%	297.5	-
NSR per case (A$)	66.42	67.56	(1.7)%	67.54	(1.7)%
EBITS (A$m)	48.5	44.7	8.5 %	45.2	7.3 %
EBITS margin (%)	16.3 %	15.0 %	1.3 pts	15.2 %	1.1 pts

The ANZ business produced another strong result, with EBITS increasing by 7.3% to $48.5 million, the fourth consecutive half of constant currency EBITS growth.

The region achieved modest volume growth of just under 2% with net sales revenue per case 1.7% lower than the prior year as a result of a shift in product and channel mix. Profitability increased through disciplined use of brand building investment and strong cost control.

Americas

		Pro Forma Reported currency		Pro Forma Constant currency	
For the six months ended 31 December	**2011**	**2010**	**Change**	**2010**	**Change**
Volume (m 9L cases)	8.2	8.3	(1.5)%	8.3	(1.5)%
NSR (A$m)	388.0	431.3	(10.0)%	397.4	(2.4)%
NSR per case (A$)	47.27	51.75	(8.7)%	47.68	(0.9)%
EBITS (A$m)	39.8	54.2	(26.6)%	48.0	(17.1)%
EBITS margin (%)	10.3 %	12.6 %	(2.3)pts	12.1 %	(1.8)pts

Volume in the Americas is stabilising, down 1.5% compared to the prior period as declines in a number of our Commercial brands was partly offset by improved performance from Beringer (up 0.4%), Lindeman's (up 14.3%), Gabbiano (up 22.6%) and Chateau St Jean (up 29.8%).

The Americas continue to drive strong growth in our Luxury and Masstige brands, with volume up 8.2% and 9.7% respectively.

EBITS declined 17.1% to $39.8 million on a constant currency basis. This primarily reflects increased price competition in the Commercial US wine market, and a number of one-off factors including a reduction in retailer inventory levels in Canada and a re-alignment of the Americas Penfolds Bins release dates to coincide with the second half global release dates. Finally, to aid in the upcoming relaunch of the Rosemount brand, $1.6 million was provided against existing older vintage inventories in the US market.

In the US, shipments to distributors were broadly in-line with distributor depletions and distributor inventories are at similar levels to the prior year.

Europe, Middle East and Africa (EMEA)

		Pro Forma Reported currency		Pro Forma Constant currency	
For the six months ended 31 December	**2011**	**2010**	**Change**	**2010**	**Change**
Volume (m 9L cases)	3.7	4.9	(23.9)%	4.9	(23.9)%
NSR (A$m)	131.4	166.8	(21.2)%	154.9	(15.2)%
NSR per case (A$)	35.52	34.30	3.6 %	31.86	11.5 %
EBITS (A$m)	3.0	(0.5)	NM[1]	(8.2)	NM[1]
EBITS margin (%)	2.3 %	(0.3)%	2.6 pts	(5.3)%	7.6 pts

[1] *NM: not meaningful*

EMEA delivered a solid first half, with EBITS increasing by $11.2 million to $3.0 million on a constant currency basis.

In the Nordics and Continental Europe, volume was marginally below the prior year, but profitability remained strong.

The UK remains a challenging market with the British Pound continuing to depreciate against the Australian dollar, an extremely competitive retail environment, subdued economic conditions and increasing consumer uncertainty. The volume decline in the first half of fiscal 2012 primarily reflects the decision to withdraw from unprofitable deep discount business and redirect investment to support growth in more profitable segments and channels.

Significant progress was made in right-sizing the cost base in EMEA, and these initiatives will continue in the second half of fiscal 2012.

Asia

		Pro Forma Reported currency		Pro Forma Constant currency	
For the six months ended 31 December	**2011**	**2010**	**Change**	**2010**	**Change**
Volume (m 9L cases)	0.5	0.4	21.7 %	0.4	21.7 %
NSR (A$m)	41.3	31.3	31.9 %	31.3	31.9 %
NSR per case (A$)	76.35	70.42	8.4 %	70.42	8.4 %
EBITS (A$m)	12.0	6.6	81.8 %	7.2	66.7 %
EBITS margin (%)	29.1 %	21.1 %	8.0 pts	23.0 %	6.1 pts

Asia delivered another strong result, with EBITS increasing 66.7% to $12 million on a constant currency basis. Asia is a long term growth opportunity and TWE has an ongoing focus on developing its in-market capability with a particular concentration in China. Volume in Asia increased 21.7% with China increasing by more than 36%.

Across the region, the Luxury portfolio performed strongly with volume up 41.2% and net sales revenue per case up 9.7% on a constant currency basis.

Corporate

Corporate costs, excluding the impact of material items for the first half of fiscal 2012 were $11.6 million.

Balance Sheet

A$m **As at**	**31 Dec 2011**	**30 Jun 2011**	**Change**
Cash and cash equivalents	36.2	64.8	(28.6)
Receivables	513.8	452.6	61.2
Current inventories	715.3	768.5	(53.2)
Non-current inventories	239.8	196.7	43.1
Property, plant and equipment	910.6	912.7	(2.1)
Agricultural assets	197.6	180.5	17.1
Intangible assets	947.9	927.1	20.8
Tax assets	190.7	178.8	11.9
Other assets	15.5	22.0	(6.5)
Total assets	**3,767.4**	**3,703.7**	**63.7**
Payables	408.6	369.2	39.4
Borrowings	86.0	136.5	(50.5)
Tax liabilities	284.0	269.2	14.8
Provisions	65.0	51.4	13.6
Other liabilities	1.2	0.6	0.6
Total liabilities	**844.8**	**826.9**	**17.9**
Net assets	**2,922.6**	**2,876.8**	**45.8**

Net assets increased by $45.8 million since 30 June 2011.

Net working capital (consisting of inventories, plus receivables, less payables) increased by $11.7 million over the six month period. Receivables and Payables increased by a net $21.8 million, principally due to the Christmas trading period. The $53.2 million decline in current inventories was also primarily due to the seasonal impact of the Christmas trading period. Non-current inventories increased by $43.1 million principally due to intake of the 2011 Californian Vintage.

The increase in Agricultural Assets primarily reflects the transfer of vineyards previously held for sale. Intangible Assets increased by $20.8 million primarily due to movements in foreign exchange rates.

Net debt at 31 December 2011 was $49.8 million and consisted of $36.2 million in cash and borrowings of $86 million. Net debt decreased by $21.9 million from $71.7 million at 30 June 2011 reflecting strong cash flow generation. Under the A$500 million committed multi-currency revolving term debt facility (with $A200 million maturing in April 2014 and $A300 million maturing in April 2016), the undrawn committed amount stands at A$413.2 million.

Cash Flow

A$m **For the six months ended 31 December**	**2011**	**Pro Forma** **2010**	**Change**
EBITDAS	**126.5**	**129.7**	**(2.5)%**
Change in working capital	0.9	(3.5)	
Other items	(4.5)	(0.1)	
Net operating cash flows before financing costs, tax and material items	**122.9**	**126.1**	**(2.5)%**
Cash conversion[1]	**97.2%**	**97.2%**	**-**
Capital expenditure	(17.9)	(19.6)	
Asset sale proceeds	0.4	0.8	
Cash flows after net capital expenditure, before financing costs, tax and material items	**105.4**	**107.3**	**(1.8)%**
Net interest paid	(2.8)		
Tax paid	(31.6)		
Cash flows before dividends and material items	**71.0**		
Dividends paid/distributions to minority interests	(39.1)	***Pro forma information not available***	
Cash flows after dividends before material items	**31.9**		
Material item cash flows	(5.0)		
Share repurchases (Employee Share Plan)	(2.7)		
Net investment expenditure	0.5		
Debt revaluation and foreign exchange movements	(2.8)		
Decrease in net debt	**21.9**		
<u>**Reconciliation to Statement of Cash Flows**</u>			
Net operating cash flows before financing costs, tax and material items	**122.9**		
Net interest paid	(2.8)		
Tax paid	(31.6)	***Pro forma information not available***	
Net operating cash flows before material items	**88.5**		
Material item cash flows			
- Redundancy payments	(2.9)		
- Project office	(2.1)		
Net cash flows from operating activities	**83.5**		
Cash conversion including material items	93.2%		

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

TWE continues to generate strong cash flows. Operating cash flow before interest, tax and material items was $122.9 million. Cash conversion was 97.2% and in line with the prior period.

Capital expenditure was $17.9 million for the first half of fiscal 2012 with major items relating to purchases of oak and incremental upgrades to winery and packaging facilities. Overall capital expenditure was marginally below the same period last year, and below depreciation and amortisation of $34.8 million for the first half of fiscal 2012.

Tax payments of $31.6 million include a payment of $11.9 million for franking deficits tax associated with the settlement of the Foster's Ashwick litigation.

Net cash flows after dividends before material items were $31.9 million for the first half of fiscal 2012, with net debt decreasing by $21.9 million to $49.8 million at 31 December 2011 reflecting the Group's strong cash flow generation.

Vintage Update

The 2011 Californian vintage was influenced by a cool growing season and disrupted flowering due to late rain and frost in some regions. Nevertheless TWE's in-take was in line with demand expections.

The 2012 Australian vintage is still in its early stages. Good winter rainfall was followed by moderate spring rainfall and temperature. It is too early to determine the volume of wine production which remains dependant on weather conditions through the remainder of the vintage.

Dividend

The Directors have declared a final dividend of 6.0 cents per share, franked to 50%. The dividend is payable on 2 April 2012 to registered shareholders as at 29 February 2012.

Share Sale Facility

TWE plans to implement a share sale facility for shareholders with a "minimal holding" of shares (securities with a value less than $500). A letter describing this facility will be mailed to eligible shareholders in March 2012.

Reconciliation between statutory result and pro forma financial information for the six months ended 31 December 2010

Immediately prior to the demerger, Foster's Group undertook an internal corporate restructure that resulted in several entities ceasing to be, and several entities becoming subsidiaries of TWE. In addition, a number of assets and liabilities were transferred between TWE and Foster's.

$Am

For the six months ended 31 December 2010	Statutory	Entities not previously in TWE Group	Wine business in Beer entities	Corporate Costs	Logistics Costs	Revaluation of foreign currency loans	Pro forma
NSR	725.2	100.0	101.8	-	-	-	927.0
Other revenue	19.9	(0.1)	0.2	-	-	-	20.0
Total revenue	**745.1**	**99.9**	**102.0**	**-**	**-**	**-**	**947.0**
Cost of sales	(570.8)	(61.4)	(6.3)	-	5.8	-	(632.7)
Gross profit	**174.3**	**38.5**	**95.7**	**-**	**5.8**	**-**	**314.3**
Other income	1.5	-	-	-	-	-	1.5
Selling expenses	(54.5)	(12.1)	(36.6)	-	-	-	(103.2)
Marketing expenses	(36.4)	(11.4)	(23.4)	-	-	-	(71.2)
Administration expenses	(11.3)	(7.9)	(14.8)	(14.5)	-	-	(48.5)
Other expense	(75.4)	13.3	(0.4)	-	-	60.2	(2.3)
Associates profit	-	-	0.9	-	-	-	0.9
EBITS	**(1.8)**	**20.4**	**21.4**	**(14.5)**	**5.8**	**60.2**	**91.5**
SGARA	(5.2)	-	-	-	-	-	(5.2)
EBIT	**(7.0)**	**20.4**	**21.4**	**(14.5)**	**5.8**	**60.2**	**86.3**

Entities not in TWE Group/Wine Business in Beer Entities

The $20.4 million adjustment relating to entities not in the TWE Group, and the $21.4 million adjustment relating to wine business in beer entities is the estimated result for those entities, assets and liabilities that became part of the TWE immediately prior to the demerger for the period from 1 July 2010 to 31 December 2010.

Corporate costs

TWE's statutory comparative information does not include corporate costs associated with TWE becoming a stand alone entity. The $14.5 million pro forma corporate cost adjustment represents estimated additional corporate costs had TWE operated as an independent listed company in the period from 1 July 2010 to 31 December 2010.

Logistics costs

Foster's provides logistics services to TWE under a Logistics Service Agreement (LSA). The LSA commenced immediately prior to the demerger and includes a pricing methodology that differs to the methodology used by Foster's to allocate logistics costs to TWE prior to the demerger.

TWE's statutory comparative financial information does not reflect the changes in the pricing methodology for logistics services. The pro forma adjustment of $5.8 million reflects the estimated change in logistics costs had the pricing methodology under the LSA been effective in the period from 1 July 2010 to 31 December 2010.

Revaluation of foreign currency denominated loans to Foster's Group entities

Prior to the demerger, TWE had various internal financing arrangements with other Foster's entities. These included various foreign currency denominated intercompany loans and borrowings between TWE and other Foster's entities. TWE's statutory result includes a $60.2 million loss relating to the revaluation of these foreign currency denominated loans and borrowings to reflect exchange rate movements in the period from 1 July 2010 to 31 December 2010. These internal financing arrangements no longer form part of TWE as an independent company, and the loss relating to the revaluation of these loans recognised in the statutory result has been excluded from the pro forma financial information.