TREASURY
WINE ESTATES

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Treasury Wine Estates will host an investor webcast and conference call commencing at 10:30am (AEDT) on 20 February 2014. 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.

20 February 2014

ASX ANNOUNCEMENT

TWE 2014 INTERIM RESULTS

Challenges are being addressed; growth opportunities remain solid

A$m		Reported currency		Constant currency	
For the six months ended 31 December	2013	2012	Change	2012	Change
Volume (m 9L cases)	15.3	16.5	(7.5)%	16.5	(7.5)%
Net sales revenue	811.9	816.9	(0.6)%	878.5	(7.6)%
EBITS	45.8	73.4	(37.6)%	92.4	(50.4)%
Net profit after tax attributable to shareholders	106.2	52.3	103.1%	72.2	47.1%
Reported EPS (cents)	16.4	8.1	103.1%		
Dividend per share (cents)	6.0	6.0			

Financial headlines[1]

- Statutory net profit after tax $106.2 million, including an $80.5 million tax benefit[2]
- EBITS[3,4] $45.8 million, significantly below prior year reflects increased investment in marketing and distribution, challenging conditions in Asia and a number of factors in Australia
- US distributor inventory realignment progressing
- Net sales revenue (NSR) per case up 7.5% on a reported currency basis and in line with prior period on a constant currency basis[5]
- Total non-current inventory $498 million, up 33% on previous corresponding period; Luxury and Masstige wine 89% of non-current inventory
- EPS (before material items & SGARA) 16.4 cents per share reflecting tax benefit
- Interim dividend 6 cents per share, unfranked compared to a 6 cents per share dividend, partially franked in the prior period

On the interim result announcement, Warwick Every-Burns commented:

"Overall, TWE's first half was disappointing. While we had expected the first half to be below the prior year principally driven by planned lower shipments in the US and increased investment in marketing and distribution, the extent of the earnings shortfall was exacerbated by much tougher trading conditions in Asia and more recently, a number of factors in Australia.

[1] All figures and calculations are subject to rounding
[2] Net profit after tax (before material items, SGARA and tax benefit) in the first half of fiscal 2014 was $25.7 million; EPS on the same basis was $0.04 per share
[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
[5] Unless otherwise stated all percentage or dollar movements from prior periods are pre any material items and on a constant currency basis

"In Australia, a change in the depth of promotional pricing combined with increased competitor activity in both the Commercial and Masstige sparkling and Masstige white wine categories, significantly impacted volume in December. Furthermore, a renewed focus on liquor inventory levels by some key customers in Australia adversely impacted volume growth in the December quarter and this is expected to continue in the second half of the fiscal year.

"The fundamentals of our business and the nature of our relationships with major retailers, remains strong and I am confident that this inherent strength, coupled with positive changes to our leadership team in ANZ will drive significant improvements in operational performance over the second half of fiscal 2014".

General business performance

As communicated at TWE's fiscal 2013 result announcement, the first half of fiscal 2014 was expected to be difficult as TWE took the tough but necessary steps to reduce excess Commercial inventory at US distributors by significantly reducing shipments and as the Company increased brand building investment globally, particularly in Asia.

Lower production overhead recoveries have resulted from the significant decline in volume during the first half of fiscal 2014, notably in the Americas. This underpinned a $2.08 increase in Cost of Goods Sold (COGS) per case.

CEO Warwick Every-Burns said: "A priority for TWE remains building brands in our priority markets and we increased brand support during the period. Key highlights included the introduction of the new, global Lindeman's "Sunshine" campaign and the introduction of Beringer Luminus Chardonnay and Pepperjack in the Americas. We also increased brand support behind Wolf Blass in the UK and provided enhanced support for our Luxury and Masstige brands in ANZ, notably on Pepperjack and Wynns.

TWE's unyielding commitment to crafting wines of the highest quality is evidenced by the Company's continued outperformance of competitors at the world's leading wine shows and the growth of our increasingly sought after Luxury and Masstige portfolio".

TWE continued to invest for future growth during the half, investing $12.7 million in domestic land acquisitions and upgrading the capacity of the Matua Marlborough Winery in New Zealand to ensure the Company is well positioned to satisfy the rapidly growing global demand for its New Zealand brands. Matua is in strong growth in the Americas and in particular, EMEA.

Following a good 2013 harvest in California, the intake of premium fruit from TWE's owned and leased vineyards increased non-current inventory by 33 percent compared to the previous corresponding period. Luxury and Masstige non-current inventory comprised 89 percent of TWE's total non-current inventory.

TWE's balance sheet remains strong and underpins the Company's underlying commercial strength while enabling operational flexibility. TWE reported net debt of $303.5 million, with net debt to EBITDAS ratio of 1.2x[6].

On TWE's debt funding structure, the CEO, Warwick Every-Burns commented: "I am delighted that during the first half, TWE successfully negotiated its inaugural issuance of US Private Placement notes for the equivalent of US$250 million. This deal increases the average duration of TWE's debt by two years as well as further diversifies the Company's funding sources.

[6] Calculated using 12 month trailing EBITDAS adjusted for bank guarantees and excluding material items

Regional Performance

Australia and New Zealand (ANZ)

ANZ reported a disappointing first half EBITS of $24.4 million, down 30.1 percent on a constant currency basis. Underpinning this result were a number of factors including lower volume, increased cost of doing business in a challenging retail environment, planned investment in brand building, costs associated with the organisational restructure and lower earnings in New Zealand.

Asia

Asia EBITS was down $8.4 million to $4.9 million driven by a significant decline in consumer demand for premium wine in China as the impact of Government austerity measures intensified, partially offset by strong growth in Hong Kong. Despite the challenging first half, TWE remains confident of solid long-term growth across Asia and has continued to invest in sales and marketing capability while increasing Advertising & Promotion investment by 8 percent, ahead of the 2014 Penfolds release.

Americas

In the Americas, EBITS at $24.6 million was down 46.2 percent, driven by the planned reduction in US shipments in order to reduce excess Commercial inventory at US distributors, and higher COGS, partially offset by favourable mix. Strong consumer response to promotional campaigns was experienced by TWE's four largest brands – Beringer Classics, Lindeman's, Chateau St Jean and Beringer Founders Estate, which are now in volume growth[7].

The US distributor inventory realignment is progressing. Depletions[8] exceeded shipments by 450k cases during the half. The destruction of old and obsolete wine was delayed due to the US Government shutdown which prevented applications to the US Alcohol and Tobacco Tax and Trade Bureau being processed.

Europe, Middle East & Africa (EMEA)

In EMEA, volume growth was underpinned by improved brand health, expanded distribution and growth in the large retail and fine wine channels in the UK, partially offset by soft trading conditions in the Nordics. Lower EBITS, down $3.9 million to $10.7 million (up $4.8 million on a reported currency basis), reflects increased brand building investment, particularly on Wolf Blass and Lindeman's and adverse COGS per case.

Warwick Every-Burns commented on the outlook for fiscal 2014:

"Despite a challenging first half result, the fundamentals which make our business and our industry attractive have not changed.

"Global supply and demand continue to move towards balance and as evidenced by the improving size and mix of our long term inventory, TWE is well positioned to satisfy the growing consumer demand for premium wine in both existing and new markets and channels.

[7] US Nielsen ScanTrack , 26 weeks to 1 January 2014, Total Food, Drug, Liquor Channels versus the previous corresponding period
[8] Depletions refers to volume movement from a distributor partner to an on-premise or off-premise retailer

"In light of the challenging first half, last month TWE revised its full year EBITS guidance to $190 million – $210 million[9] from $230 million – $250 million[10].

"At a Company level, the second half of fiscal 2014 will be underpinned by the 2014 Penfolds Bins Collection and Luxury and Icon release, including wines from 2009 through to the 2013 vintage. We are confident that the reduced availability and therefore scarcity of Penfolds Luxury and Icon wines will be more than offset by an increase in availability of Penfolds Bins. We will also be celebrating 170 years of Penfolds with an exciting program across key markets.

"In ANZ, the volume decline in the first half is unlikely to be recovered in the second half and the increased focus on reducing inventory levels across their liquor category by a number of customers is likely to further impact volume in the second half. However, the execution of another highly anticipated Penfolds release, continued investment in our Luxury and Masstige portfolio, led by Pepperjack, Fifth Leg and Wynns Coonawarra Estate and steps taken to address the challenges that impacted the first half support a cautious outlook for the region.

"The outlook for the second half in the US is positive with increased availability of Luxury wine, led by Stags' Leap and Beringer Knights Valley, together with a continued acceleration of growth in our Masstige portfolio. Innovative brand building initiatives and brand line extensions are also planned for the second half.

"A focus on improved execution over the second half of fiscal 2014 remains essential if TWE is to establish a solid foundation for future profitable growth; and management will continue to take the tough but necessary decisions to drive the necessary step-up in performance over the period.

"Looking beyond fiscal 2014, a strong supply of wines crafted from recent vintages, coupled with TWE's strategically increased level of established non-current inventory, will provide significant opportunities for additional EBITS growth".

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[9] Based on current spot foreign currency rates of AUD/USD 0.8800 and AUD/GBP 0.5300 for the second half of fiscal 2014
[10] Based on spot rates as at 19 August 2013 of AUD/USD 0.9233 and AUD/GBP 0.5906

OPERATING AND FINANCIAL REVIEW

TWE profit and loss

A$m	Reported currency			Constant currency	
For the six months ended 31 December	**2013**	**2012**	**Change**	**2012**	**Change**
Volume (m 9L cases)	15.3	16.5	(7.5)%	16.5	(7.5)%
Net sales revenue	811.9	816.9	(0.6)%	878.5	(7.6)%
Net sales revenue/case ($)	*53.20*	*49.51*	*7.5 %*	*53.24*	*(0.1)%*
Other revenue	52.3	33.8	54.7 %	36.4	43.7 %
Total revenue	864.2	850.7	1.6 %	914.9	(5.5)%
Cost of Goods Sold	(624.5)	(606.3)	(3.0)%	(640.9)	2.6 %
Cost of Goods Sold/case ($)	*40.92*	*36.75*	*(11.3)%*	*38.84*	*(5.4)%*
Gross profit	239.7	244.4	(1.9)%	274.0	(12.5)%
Gross profit margin	*29.5%*	*29.9%*	*(0.4)ppts*	*31.2%*	*(1.7)ppts*
Cost of doing business[1]	(193.9)	(171.0)	(13.4)%	(181.6)	(6.8)%
Cost of doing business margin (% of NSR)	*23.9%*	*20.9%*	*(3.0)ppts*	*20.7%*	*(3.2)ppts*
EBITS	**45.8**	**73.4**	**(37.6)%**	**92.4**	**(50.4)%**
EBITS margin (% of NSR)	***5.6%***	***9.0%***	***(3.4)ppts***	***10.5%***	***(4.9)ppts***
SGARA	-	1.5	NM[2]	2.0	NM
EBIT	**45.8**	**74.9**	**(38.9)%**	**94.4**	**(51.5)%**
Net finance costs	(9.7)	(5.8)	(67.2)%	(5.9)	(64.4)%
Profit before tax (before material items)	**36.1**	**69.1**	**(47.8)%**	**88.5**	**(59.2)%**
Tax expense (before material items)	70.6	(23.0)	NM	(23.0)	NM
Net profit after tax (before material items)	**106.7**	**46.1**	**131.5 %**	**65.5**	**62.9 %**
Material items (before tax)	-	6.1		6.6	
Tax on material items	-	0.2		0.2	
Material items (after tax)	-	6.3		6.8	
Minority interests	(0.5)	(0.1)	NM	(0.1)	NM
Net profit after tax attributable to shareholders	**106.2**	**52.3**	**103.1 %**	**72.2**	**47.1 %**
Reported EPS (cents)	16.4	8.1	103.1 %		
SGARA (after tax)	-	1.0		1.5	
Net profit after tax (before material items, SGARA & tax benefit)	25.7	45.0	(42.9)%	63.9	(59.8)%
EPS (before material items, SGARA & tax benefit) (cents)	4.0	7.0	(42.9)%		
Average no. of shares (millions)	647.2	647.2	-	647.2	-

1. Cost of doing business calculated as Gross Profit less EBITS
2. Not meaningful

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 1H14 results are: $A1 = $US 0.9220 (1H13: $A1 = $US 1.0490), $A1 = GBP 0.5821 (1H13: $A1 = GBP 0.6501). Period end exchange rates used for balance sheet items in 1H14 results are: $A1 = $US 0.8904 (1H13: $A1 = $US 1.0383), $A1 = GBP 0.5396 (1H13: $A1 = GBP 0.6420).
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”

Group performance[11]

Volume

For the six months ended 31 December 2013, total volume was 15.26 million cases, down 1.24 million cases or 7.5 percent on the prior corresponding period, principally driven by lower volume in the Americas, ANZ and Asia, partially offset by increased volume in EMEA.

Net sales revenue

Net sales revenue declined 0.6 percent on a reported currency basis to $811.9 million or 7.6 percent on a constant currency basis.

Net sales revenue per case on a constant currency basis in line with the prior year at $53.20.

Cost of goods sold

Cost of goods sold (COGS) reduced 2.6 percent to $624.5 million. COGS per case increased $2.08, largely driven by higher COGS per case in the Americas driven by improved mix and lower production overhead recoveries due to the reduced shipments.

Cost of doing business

Cost of doing business increased to $193.9 million up 6.8 percent on a constant currency basis, driven by increased investment in Advertising and Promotions and higher overheads, principally driven by a significant capability gap in the Americas in the prior period and expansion of TWE's marketing and sales capability in Asia.

Cost of doing business margin increased 3.2 percentage points to 23.9 percent.

EBITS

EBITS of $45.8 million was down 37.6 percent on a reported currency basis, including favourable movements in the US Dollar and Great British Pound. On a constant currency basis, EBITS reduced 50.4 percent.

SGARA

The movement in SGARA was nil in the first half of fiscal 2014, with a modest gain in the Americas from the 2013 Californian vintage, offset by a modest loss in Australia and New Zealand.

Net profit after tax

Net profit after tax for the six months ending 31 December 2013 was $106.2 million, and reported EPS was 16.4 cents per share reflecting the $80.5 million tax benefit of TWE resetting the tax cost base of all its assets based on relative market values.

Dividend

The Directors have declared an interim dividend of 6 cents per share, unfranked compared to a 6 cents per share dividend, partially franked in the prior period. The dividend is payable on 10 April 2014 to registered shareholders as at 6 March 2014.

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

Regional progress report

Australia and New Zealand (ANZ)

A$m		Reported currency		Constant currency	
For the six months ended 31 December	2013	2012	Change	2012	Change
Volume (m 9L cases)	4.2	4.4	(4.5)%	4.4	(4.5)%
NSR	277.6	288.6	(3.8)%	291.8	(4.9)%
NSR per case (A$)	65.46	64.98	0.7 %	65.70	(0.4)%
EBITS	24.4	36.0	(32.2)%	34.9	(30.1)%
EBITS margin	8.8 %	12.5 %	(3.7)ppts	12.0 %	(3.2)ppts

The performance in Australia during the first half of fiscal 2014 was disappointing and was impacted by a number of trading factors.

A change in the depth of promotional pricing combined with increased competitor activity in both the Commercial and Masstige sparkling and Masstige white wine categories, significantly impacted volume in December. Furthermore, a renewed focus on liquor inventory levels by some key customers in Australia adversely impacted volume growth in the December quarter and this is expected to continue in the second half of the fiscal year.

The reduction in volume during the first half is likely to have an adverse impact on production overhead recoveries in the second half of the year and consequently, an increase in COGS per case is expected.

Slightly positive NSR per case driven by price increases across select brands initiated in March, August and October 2013. The benefits of the price movements were partially offset by the increasing cost of doing business in a challenging retail environment and adverse portfolio mix. In particular, the region was impacted by the lower level of carry-over Penfolds stock available to sell in the first half relative to the prior period. This was due to increased allocation of Penfolds to Asia and unprecedented demand for the 2013 release in fiscal 2013.

As planned, increased brand support underpinned TWE's strong market performance by volume and value across Luxury and Masstige segments in Australia in the first half of fiscal 2014[12], led by Pepperjack, Devil's Lair Fifth Leg and Wynns.

Also driving increased cost of doing business was an increase in overheads, principally reflecting expenses incurred due to organisational restructure.

Despite increased volume in New Zealand, a number of one-off benefits in the first half of fiscal 2013, namely a revised beer distribution contract, underpinned a $4.1 million reduction in EBITS in that market.

Overall, ANZ EBITS during the first half of fiscal 2013 down 30.1 percent on a constant currency basis.

While a number of the adverse factors in the first half will continue in the second half of fiscal 2014, TWE's strategy of driving value growth across the premium portfolio remains unchanged and the

[12] Nielsen ScanTrack Liquor, 26 weeks to December 2013 versus the previous corresponding period

Company is addressing the promotional pricing strategy in some segments of its Commercial portfolio.

Asia

A$m		Reported currency		Constant currency	
For the six months ended 31 December	2013	2012	Change	2012	Change
Volume (m 9L cases)	0.5	0.6	(17.6)%	0.6	(17.6)%
NSR	36.8	45.4	(18.9)%	46.0	(20.0)%
NSR per case (A$)	74.40	75.63	(1.6)%	76.63	(2.9)%
EBITS	4.9	13.5	(63.7)%	13.3	(63.2)%
EBITS margin	13.3 %	29.7 %	(16.4)ppts	28.9 %	(15.6)ppts

Total Asia volume down, principally reflecting weaker consumer demand for premium wine in China relative to the previous corresponding period.

TWE continues to outperform the Hong Kong market, with 35 percent and 32 percent volume and value growth, respectively[13] supported by outstanding customer partnering, promotional programming and brand health. Wolf Blass remained Hong Kong's leading Australian wine brand by volume and value during the period[12].

Despite strong consumer demand for TWE wine, Rest of Asia volume down due to one-off macro and market-specific trading factors.

Decline in NSR per case driven by lower volume and adverse mix, partially offset by increased focus on portfolio premiumisation and direct-to-retail sales in Japan.

Investment in our brands increased with Advertising & Promotion investment up 8 percent in the period, focused on the upcoming 2014 Penfolds release. Ongoing investment in brand health and sales and marketing capability planned for second half of fiscal 2014.

EBITS down $8.4 million to $4.9 million on a constant currency basis.

Americas

A$m		Reported currency		Constant currency	
For the six months ended 31 December	2013	2012	Change	2012	Change
Shipments (m 9L cases)	7.1	8.1	(12.7)%	8.1	(12.7)%
Depletions (m 9L cases)	7.6	7.8	(2.3)%	7.8	(2.3)%
NSR	361.8	363.1	(0.4)%	406.9	(11.1)%
NSR per case (A$)	51.19	44.84	14.2 %	50.25	1.9 %
EBITS	24.6	34.1	(27.9)%	45.7	(46.2)%
EBITS margin	6.8 %	9.4 %	(2.6)ppts	11.2 %	(4.4)ppts

[13] Nielsen, 26 weeks to 31 December 2013 versus the previous corresponding period

Lower shipments reflect US distributor inventory reduction initiatives, partially offset by increased Luxury and Masstige volume driven by strong programming and distribution relative to the prior year.

US distributor inventory realignment progressing; with US shipments down more than 1 million cases. TWE shipped 450k cases less than it depleted in the first half of fiscal 2014.

Consultation with distributors late in the first quarter of fiscal 2014 underpinned the decision to delay deployment of Special Depletions Allowance (SDA) to ensure a measured approach to promotional programming and increased distribution. Benefit of SDA is now expected in second half; circa 50 percent of the provision was committed as at 31 December 2013.

Destruction of old and obsolete wine delayed by US Government shutdown; now in progress.

Strong consumer response to promotional campaigns, evidenced by TWE's four largest brands now in volume growth; Beringer Classics up 7 percent; Lindeman's up 1 percent, Chateau St Jean up 13 percent and Beringer Founders Estate up 2 percent[14]. Headline depletion growth continues to be constrained by underperforming non-priority brands.

Positive NSR per case reflects volume growth in Canada, up 3.3 percent as well as improved portfolio mix across the region.

COGS per case up 5.9 percent driven by adverse impact of lower shipments on production overhead recoveries and improved portfolio mix.

EBITS at $24.6 million, down 46.2 percent, principally driven by lower overall shipments, higher COGS per case and increased cost of doing business as a result of a large staff vacancy rate in the prior period.

Europe, Middle East and Africa (EMEA)

A$m		Reported currency		Constant currency	
For the six months ended 31 December	**2013**	**2012**	**Change**	**2012**	**Change**
Volume (m 9L cases)	3.5	3.4	2.9 %	3.4	2.9 %
NSR	135.7	119.8	13.3 %	133.8	1.4 %
NSR per case (A$)	39.23	35.64	10.1 %	39.81	(1.5)%
EBITS	10.7	5.9	81.4 %	14.6	(26.7)%
EBITS margin	7.9 %	4.9 %	3.0ppts	10.9 %	(3.0)ppts

Solid volume growth principally reflects stronger sales in the UK and Continental Europe, partially offset by continued soft trading in the Nordics.

Against a declining UK bottled wine market, TWE's UK volume increased 3 percent over the period, driven by improved brand health, expanded distribution and growth in the large retail and fine wine channels. Wolf Blass and Lindeman's volume up 14.1 percent and 16.9 percent respectively[15], supported by successful brand building initiatives including Lindeman's new, global "Sunshine" campaign and Wolf Blass' Cricket campaign in the UK.

[14] US Nielsen ScanTrack , 26 weeks 1 January 2014, Total Food, Drug, Liquor Channels versus the previous corresponding period
[15] Nielsen ScanTrack, 6 months to 4 January 2014 versus the previous corresponding period

Australian category decline in key Nordic markets continued in the first half, down 11 percent in Sweden against total market growth of 3 percent[16]. TWE outperformed the Australian category and further consolidated its category leadership position in the Nordics, principally driven by Lindeman's.

Portfolio premiumisation continued in the period, however despite NSR per case growth in most channels and customers, the increased weighting of sales to large grocery chains in the UK and lower proportional sales in the Nordics relative to the prior period, resulted in lower overall NSR per case for the region.

EBITS down $3.9 million to $10.7 million on a constant currency basis reflects increased volume and improved portfolio mix offset by higher brand building investment and adverse COGS per case.

Corporate

Corporate costs for the first half of fiscal 2014 were $18.8 million compared to $16.1 million in the prior period. The increase in corporate cost principally reflects increased amortisation and other expenses associated with the establishment of a standalone IT system as well as costs associated with the organisational restructure.

[16] Systembolaget, 6 months to December 2013 versus the previous corresponding period

Balance sheet

A$m As at	31 Dec 2013	30 Jun 2013	Change	31 Dec 2012	Change
Cash and cash equivalents	30.0	10.8	19.2	21.9	8.1
Receivables	456.1	460.9	(4.8)	521.8	(65.7)
Current inventories	706.1	714.5	(8.4)	702.6	3.5
Non-current inventories	498.0	446.0	52.0	375.8	122.2
Property, plant and equipment	1,047.8	1,024.4	23.4	951.1	96.7
Agricultural assets	251.5	227.1	24.4	216.0	35.5
Intangible assets	1,033.0	1,009.9	23.1	970.1	62.9
Tax assets	319.0	228.9	90.1	180.7	138.3
Other assets	8.0	5.7	2.3	8.8	(0.8)
Total assets	**4,349.5**	**4,128.2**	**221.3**	**3,948.8**	**400.7**
Payables	434.7	480.0	(45.3)	454.8	(20.1)
Borrowings	337.7	225.0	112.7	228.1	109.6
Tax liabilities	328.6	314.4	14.2	288.7	39.9
Provisions	92.4	91.9	0.5	53.7	38.7
Other liabilities	15.5	9.0	6.5	1.6	13.9
Total liabilities	**1,208.9**	**1,120.3**	**88.6**	**1,026.9**	**182.0**
Net assets	**3,140.6**	**3,007.9**	**132.7**	**2,921.9**	**218.7**

Net assets increased slightly from fiscal 2013 to $3.1 billion at the end of the period.

The increase in net assets of $132.7 million over the period principally reflects the investment in the production of Luxury and Masstige wine associated with the 2013 Californian vintage, a tax benefit after resetting the tax cost base of all assets based on relative market values and unrealised foreign exchange movements associated with a strengthening of the US Dollar.

The increase in total assets of $400.7 million from December 2012 was largely due to the tax benefit, investment in the production of Luxury and Masstige wine, premium vineyards, related PP&E and foreign exchange movements, offset by lower receivables in ANZ and the Americas.

Working capital increased during the period principally driven by an increase in non-current inventory, reduction in trade creditors and foreign exchange impacts.

Reported net debt at 31 December 2013 was $303.5 million and consisted of $30.0 million in cash, $4.2 million of loans and borrowings of $337.7 million. Reported net debt increased by $92.6 million from 30 June 2013. Had the uncommitted receivable purchasing agreement not been available, the reported net debt and debtors would have been $88.3 million higher as at 31 December 2013 ($55.0 million higher as at 31 December 2012).

TWE's successful inaugural issuance of US$250 million US Private Placement (USPP) notes on 16 December 2013 allowed for the repayment and cancellation of the $200 million syndicated debt facility (maturing April 2014). The USPP notes increased the average duration of the TWE's debt profile by 3 years to 5 years, in addition to providing important diversification of funding sources.

At 31 December 2013, TWE has $525.8 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).

Cash Flow

A$m For the six months ended 31 December	2013	2012	Change
EBITS	**45.8**	**73.4**	**(37.6)%**
Depreciation & Amortisation	42.6	36.5	
EBITDAS	**88.4**	**109.9**	**(19.6)%**
Change in working capital	(66.4)	(103.2)	
Other items	(0.1)	(2.7)	
Net operating cash flows before financing costs, tax and material items	**21.9**	**4.0**	**447.5 %**
Cash conversion[1]	**24.8%**	**3.6%**	**21.2ppts**
Capital expenditure	(33.1)	(51.2)	
Net investment expenditure	(12.7)	(55.8)	
Total investment expenditure	(45.8)	(107.0)	
Asset sale proceeds	0.4	1.2	
Cash flows after net capital expenditure, before financing costs, tax and material items	**(23.5)**	**(101.8)**	
Net interest paid	(9.3)	(4.7)	
Tax paid	(7.1)	(8.0)	
Cash flows before dividends and material items	**(39.9)**	**(114.5)**	
Dividends paid/distributions to minority interests	(45.5)	(45.3)	
Cash flows after dividends before material items	**(85.4)**	**(159.8)**	
Material item cash flows			
- operating	(0.7)	(5.5)	
- investing	-	1.1	
Total material item cash flows	(0.7)	(4.4)	
Loans to other parties (incl investment sale proceeds)	-	-	
Share re-purchase (employee share plan)	(0.8)	(4.4)	
Borrowings acquired	-	(9.9)	
Finance leases	(2.7)	-	
Debt revaluation and foreign exchange movements	(3.0)	7.8	
(Increase)/decrease in net debt [2]	**(92.6)**	**(170.7)**	
Reconciliation to Statement of Cash Flows			
Net operating cash flows before financing costs, tax and material items	**21.9**	**4.0**	
Net interest paid	(9.3)	(4.7)	
Tax paid	(7.1)	(8.0)	
Net operating cash flows before net capital expenditure and material items	**5.5**	**(8.7)**	
Material item cash flows - operating	(0.7)	(5.5)	
Net cash flows from operating activities	**4.8**	**(14.2)**	
Cash conversion including operating material items	24.0 %	(1.4)%	

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

[2] Reconciliation to Total cashflows from activities per Statutory Statement of Cashflows of $19.1m: decrease in net debt of ($92.6m) adjusted for FX movements of $3.0m, adjusted for net proceeds and repayments of borrowings of $106m and finance leases of $2.7m

Net debt increased $92.6 million for the six months ending 31 December 2013 principally due to an increase in non-current inventory associated with the 2013 Californian vintage and capital and investment expenditure of $45.8 million. Adjusting for the reduction in the receivable purchasing agreement (from $122.6 million as at 30 June 2013 to $88.3 million as at 31December 2013), net debt increased by $58.3 million for the period.

The reduction in the change in working capital from the prior period was principally as a result of lower debtors in the ANZ and America's regions. The decrease was as a result of the planned reduction in sales (shipments) in the America's and a weaker Christmas trading period in Australia, in addition to elevated Australian receivables as a result of an IT systems fault that caused a delay in the issuance of electronic invoices in the prior period.

Total capital and investment expenditure of $45.8 million reflects capital expenditure of $33.1 million, including $6.6 million of IT spend and "Project Uplift" investment on vineyard re-developments, upgrades and luxury wine making equipment during the period. Investment expenditure (acquisitions) of $12.7 million relates to the purchase of premium vineyards in Tasmania and the Yarra Valley and a capacity upgrade of the Matua Marlborough New Zealand Winery acquired in the prior corresponding period.

Capital expenditure is expected to be within the guidance range of $100-$130 million in fiscal 2014, despite movements in foreign exchange rates.

Vintage update

Growing conditions in California in 2013 were characterised by an early heat spike in July which accelerated ripening, however late in the vintage, weather patterns were cool and mild, allowing for ideal ripening and development of desired flavour profiles. Quality was excellent across all appellations and varietals, with Chardonnay the standout varietal. Yields from TWE-owned and leased vineyards were broadly in line with the prior year.

Early signs of the 2014 Australian vintage have been varied. Cool and windy conditions in spring have affected fruit flowering and set with a resultant effect on yield. Subsequent extreme heat events in January have also impacted crop expectations in premium regions. As a result of active management, TWE expects to source fruit commensurate with its quality requirements.

Growing conditions in New Zealand have been outstanding in all regions, characterised by warm weather, well-timed rainfall and little frost. Vines are balanced and yields and quality are expected to be well above average, especially in the Marlborough, Central Otago and Hawkes Bay regions. Total industry intake is anticipated to be one of the largest on record. This will help support the continued growth of TWE's New Zealand portfolio globally.