



TREASURY WINE ESTATES

28 March 2024

ASX ANNOUNCEMENT

Removal of tariffs on Australian wine imports into China

Treasury Wine Estates (ASX: TWE) welcomes today's announcement by the Chinese Ministry of Commerce which confirms that tariffs on Australian wine imports into China will be reduced to nil, effective from 29 March 2024.

For more than twenty years, TWE has worked closely with its customers and partners in China to support the growth of the Chinese wine market and to build a strong and loyal following for its portfolio of brands, in particular Penfolds. This long-term commitment has been maintained following the introduction of tariffs on Australian wine imports in 2020 through the retention of a strong and experienced onshore team of over 120 people, continued focus on building deep industry and customer relationships, ongoing investment in brand building and the introduction and expansion of the multi country of origin (COO) portfolio, including the first Chinese sourced and produced Luxury wines for Penfolds. Following today's announcement, TWE looks forward to further strengthening this long-term commitment with the re-establishment of its Australian COO portfolio in China.

Effective immediately, TWE will commence partnering with its customers in China to implement the detailed plan outlined as part of its F24 interim results announcement in February, which includes:

- Re-establishing distribution for Penfolds entry-level Australian COO portfolio, including Penfold's Max's, Koonunga Hill and One by Penfolds;
- Re-allocating a portion of Penfolds Bin and Icon tiers from other global markets in order to progressively re-build distribution to China, while maintaining the strong momentum in those other markets where Penfolds has successfully grown in recent years;
- Re-establishing distribution for the Treasury Premium Brands Australian sourced priority portfolio in China, including Rawson's Retreat; and
- Expanding sales and marketing resources, and brand investment, in China.

With demand for the Penfolds Bin and Icon portfolio expected to exceed availability in the short term, TWE will also commence working with its global customer base to finalise price increases across the Bin and Icon portfolio, which are expected to be effective from early F25. In doing so, Penfolds will retain its standardised global pricing structure in order to ensure long-term brand health and price integrity.

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Prior to today's announcement, TWE had commenced implementing its plan to expand sourcing for the Penfolds Bin and Icon portfolio through the 2024 Australian vintage, which is currently in progress. Growing conditions in premium regions have been favourable to date, contributing to expectations for a positive vintage outcome that will support an increase to future availability. TWE also intends to expand sourcing through future vintages in Australia, France and China in order to further grow availability for the Penfolds multi-COO Bin and Icon portfolio over time.

TWE expects that the incremental EBITs contribution from the re-establishment of TWE's Australian COO in China will be minimal through the remainder of F24, with increased shipments of Penfolds entry-level Luxury tier wines to be offset by the step up in overhead costs onshore. Until expanded Bin and Icon availability from the 2024 Australian vintage is available for release, which is expected substantively from F27 onwards, incremental growth due to the removal of tariffs on Australian wine sold in China will be modest, driven by the increased shipments of entry level tiers into China, any incremental price increases implemented as part of Penfolds multi-year pricing roadmap, but partially offset by incremental overheads and brand investment in China.

TWE expects that China will continue to be an attractive Luxury wine market and significant growth opportunity, in particular for Penfolds which remains highly regarded by consumers in the market. Given this, and based on early feedback from customers in China, TWE believes the medium-term potential for Penfolds is strong, and that the removal of tariffs will be a significant positive for the business.

TWE will provide a further update on its expectations before the end of June following the conclusion of pricing discussions with customers and the completion of the 2024 Australian vintage grading process, at which point it will be in a position to outline final plans for pricing and incremental sourcing achieved for the Bin and Icon portfolio, in addition to overall portfolio demand in China.

TWE's Chief Executive Officer, Tim Ford, commented:

"Today's announcement is a significant positive not only for Treasury Wine Estates, but also for the Australian wine industry and wine consumers in China. Since the tariffs were introduced three and a half years ago, our commitment to China has been resolute, and we now look forward to partnering with our local customers to re-establish our Australian COO portfolio in the market while continuing to be a meaningful contributor to the development and growth of the Chinese wine industry. This is a medium-term growth opportunity that we will pursue in a deliberate and sustainable manner, focused on growing our portfolio in China while continuing the strong momentum that we have delivered in several global markets over recent years."

For the purposes of ASX Listing Rule 15.5, TWE confirms that this document has been authorised for release to the market by the Board of Directors.





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