Financial Services Guide
and
Independent Expert's Report
in relation to the
Proposed Demerger of Treasury Wine Estates Limited by Foster's Group Limited

Grant Samuel & Associates Pty Limited
(ABN 28 050 036 372)

17 March 2011

GRANT SAMUEL

GRANT SAMUEL & ASSOCIATES

LEVEL 6

1 COLLINS STREET MELBOURNE VIC 3000

T: +61 3 9949 8800 / F: +61 3 99949 8838

www.grantsamuel.com.au

Financial Services Guide

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act, 2001 requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report in relation to the proposed demerger of Treasury Wine Estates Limited by Foster's Group Limited ("Foster's") ("the Foster's Report"), Grant Samuel will receive a fixed fee of $700,000 plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 8.3 of the Foster's Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 October 2007. The following information in relation to the independence of Grant Samuel is stated in Section 8.3 of the Foster's Report:

> *"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Foster's that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Demerger.*
>
> *Grant Samuel advises that in November 2009 it was engaged by Foster's to conduct preliminary work to allow Grant Samuel to prepare an independent expert's report for Foster's should such a report be required. In addition, Grant Samuel group executives hold less than 2,500 shares in aggregate in Foster's.*
>
> *Grant Samuel commenced analysis for the purposes of this report in November 2010 prior to the announcement of the Proposed Demerger. This work did not involve Grant Samuel participating in the formulation of the Proposed Demerger. Grant Samuel's only role has been the preparation of this report.*
>
> *Grant Samuel had no part in the formulation of the Proposed Demerger. Its only role has been the preparation of this report.*
>
> *Grant Samuel will receive a fixed fee of $700,000 for the preparation of this report. This fee is not contingent on the outcome of the Proposed Demerger. Grant Samuel's out-of-pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.*
>
> *Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 October 2007."*

Grant Samuel has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, No. 11929. If you have any concerns regarding the Foster's Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Financial Ombudsman Service at GPO Box 3 Melbourne VIC 3001 or 1300 780 808. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act, 2001.

Grant Samuel is only responsible for the Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

Table of Contents

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

1 Details of the Proposed Demerger

On 26 May 2010, Foster's Group Limited ("Foster's") announced its intention to pursue a demerger of its wine business ("Wine business") from its beer, cider and spirits ("Beer business"), subject to a detailed evaluation of the issues, costs and benefits of a demerger and ongoing assessment of prevailing economic conditions and capital markets. The decision to pursue a demerger follows the operational separation of Foster's Beer and Wine businesses that has been implemented following the announcement of the results of the Wine Strategy Review in February 2009.

On 15 February 2011, Foster's announced that based on its detailed evaluation process, the Foster's Board had decided to recommend the proposal to separate the Beer and Wine businesses and create two separate companies listed on the Australian Securities Exchange ("ASX") (the "Proposed Demerger"). The Wine business will utilise the existing Treasury Wine Estates name and the Beer business will continue under the Foster's corporate identity ("New Foster's" has been used to describe Foster's following the Proposed Demerger for the purpose of this report).

The Proposed Demerger is to be effected by way of a capital reduction and a scheme of arrangement ("Scheme") between Foster's and its shareholders.

Foster's has initiated an internal restructure to ensure that the relevant assets, rights and liabilities are aligned with the appropriate entity prior to the Proposed Demerger being implemented. The following steps will be implemented if the Proposed Demerger is approved:

- Foster's will undertake a capital reduction totalling approximately $1.25 billion;

- amounts due to Foster's shareholders under the capital reduction will be satisfied by Foster's agreeing to pay its subsidiary, Foster's Australia Limited (the current sole shareholder of the Treasury Wine Estates shares), an amount equal to $1.25 billion so as to procure the transfer by Foster's Australia Limited of the Treasury Wine Estates shares to Foster's shareholders (no cash payment will be made to Foster's shareholders as a result of the capital reduction);

- each eligible Foster's shareholder will receive one Treasury Wine Estates share for every three Foster's shares they hold on the record date for the Proposed Demerger (rounded up or down to the nearest whole Treasury Wine Estates share);

- New Foster's will continue to hold all the companies, assets, rights and liabilities of Foster's, other than those relating to Treasury Wine Estates and will retain its listing on the ASX; and

- Treasury Wine Estates will apply to the ASX for Treasury Wine Estates shares to be separately listed on the ASX.

Following the Proposed Demerger, there will be no cross-shareholding between New Foster's and Treasury Wine Estates. New Foster's and Treasury Wine Estates will operate separately from each other apart from certain transitional and operational arrangements, which are documented in various agreements.

Foster's shareholders with registered addresses in certain jurisdictions outside Australia ("ineligible overseas shareholders") will not receive Treasury Wine Estates shares. The Treasury Wine Estates shares will be transferred to a sale agent that has been appointed by Foster's to sell those Treasury Wine Estates shares on behalf of ineligible overseas shareholders. Ineligible overseas shareholders will receive in cash the proceeds from the sale of those shares to which they would otherwise have been entitled, free of any duties or brokerage costs.

In addition, eligible ordinary shareholders with a registered address in Australia or New Zealand who individually hold 1,000 Foster's shares or fewer ("small shareholders") may elect to have their Treasury Wine Estates shares transferred to the sale agent to be sold on the ASX under a share sale facility, free of any duties and brokerage costs ("electing small shareholders").

The effect of the Proposed Demerger is that, immediately following the Proposed Demerger, eligible Foster's shareholders (other than electing small shareholders) will hold one Treasury Wine Estates share for every three Foster's shares they hold[1]. The ownership interests of eligible shareholders (other than electing small shareholders) in New Foster's will be proportionate to their ownership interest in Foster's immediately prior to the Proposed Demerger.

Foster's partly paid shareholders will be entitled to participate in the Proposed Demerger on broadly the same basis as holders of fully paid shareholders. Holders of partly paid shares will be entitled to receive one Treasury Wine Estates share for every three Foster's partly paid shares held[1]. However, their vote on the demerger resolutions will be proportionate to the amounts paid up on the partly paid shares.

If the Proposed Demerger proceeds, Treasury Wine Estates will establish an American Depository Share ("ADS") programme. Treasury Wine Estates ADSs received by the depository for the Foster's ADS programme pursuant to the Scheme will be distributed to Foster's ADS holders, after deduction or payment of any applicable fees, expenses, taxes or other Government charges. No Foster's ADS will be cancelled.

The Proposed Demerger is subject to a number of conditions including:

- a resolution to approve the Scheme by Foster's shareholders under section 411 of the Corporations Act, 2001 ("the Corporations Act"). Under section 411, a scheme of arrangement must be approved by a majority in number (i.e. at least 50%) of Foster's shareholders present and voting (either in person or by proxy) at the meeting who together hold at least 75% of the votes cast on the resolutions;

- an ordinary resolution to approve the capital reduction by Foster's shareholders;

- the approval of the Scheme by the Victorian Supreme Court at a hearing following the shareholder votes referred to above; and

- admission of Treasury Wine Estates to the Official List of the ASX.

The resolutions to approve the capital reduction and the Scheme are interdependent. Failure to approve either of these resolutions will result in the Proposed Demerger not proceeding.

[1] Rounded up or down to the nearest whole Treasury Wine Estates share.

2 Scope of the Report

2.1 Purpose of the Report

The Proposed Demerger is subject to the approval of Foster's shareholders in accordance with:

- Sections 256B and 256C of the Corporations Act ("Sections 256B and 256C"); and
- Section 411 of the Corporations Act ("Section 411").

Sections 256B and 256C, and Section 411, govern reductions of share capital and schemes of arrangement respectively. They require the prior approval of shareholders before a capital reduction or scheme of arrangement can be effected. Sections 256B and 256C do not require an independent expert's report to be prepared.

Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to Section 411. Part 3 of Schedule 8 requires an independent expert's report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement has a prescribed shareholding in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether the scheme of arrangement is in the best interests of shareholders subject to the scheme and must state reasons for that opinion.

The directors of Foster's have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Proposed Demerger is in the best interests of Foster's shareholders and to state reasons for that opinion. Grant Samuel has also been requested to give its opinion as to whether the capital reduction associated with the Proposed Demerger materially prejudices Foster's ability to pay its creditors. A concise version of the report will accompany the Notice of Meeting and Booklet ("the Booklet") to be sent to shareholders by Foster's. The full report will be available on the Foster's website and will be mailed to Foster's shareholders on request.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Foster's shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Booklet issued by Foster's in relation to the Proposed Demerger.

Voting for or against the Proposed Demerger is a matter for individual shareholders based on their views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Proposed Demerger should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in New Foster's or Treasury Wine Estates. This is an investment decision independent of a decision to vote for or against the Proposed Demerger. Grant Samuel does not offer an opinion on this investment decision. Shareholders should consult their own professional adviser in this regard.

2.2 Basis of Evaluation

Schemes of arrangement pursuant to Section 411 can encompass a wide range of transactions. Accordingly, "in the best interests" must be capable of a broad interpretation to meet the particular circumstances of each transaction. However, there is no legal definition of the expression "in the best interests".

The Australian Securities & Investments Commission ("ASIC") has issued Regulatory Guide 111 which establishes guidelines in respect of independent expert's reports. ASIC Regulatory

Guide 111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback), it comments on the meaning of "fair and reasonable" and continues earlier regulatory guidelines that created a distinction between "fair" and "reasonable". A proposal that, under takeover analysis, was "fair and reasonable" or "not fair but reasonable" would be in the best interests of shareholders.

For most other transactions the expert is to weigh up the advantages and disadvantages of the proposal for shareholders. This involves a judgement on the part of the expert as to the overall commercial effect of the transaction, the circumstances that have led to the proposal and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposal and form an overall view as to whether the shareholders are likely to be better off if the proposal is implemented than if it is not. However, Regulatory Guide 111 also states that where a demerger or a demutualisation involves one or more of a change in the underlying economic interests of security holders, a change of control or selective treatment of different security holders, an expert might need to consider whether using the "fair" and "reasonable" tests is appropriate.

In Grant Samuel's opinion, the Proposed Demerger is not a control transaction and therefore the most appropriate basis on which to evaluate the Proposed Demerger is to assess the overall impact on the shareholders of Foster's and to form a judgement as to whether the expected benefits outweigh any disadvantages and risks that might result.

In forming its opinion as to whether the Proposed Demerger is in the best interests of Foster's shareholders, Grant Samuel has considered the following:

- the impact on Foster's business operations;
- the impact on earnings and dividends attributable to existing shareholders;
- the impact on the financial position of New Foster's and Treasury Wine Estates;
- the likely impact on the market value of shareholders' interests and the market for shares in the demerged companies generally;
- any other advantages and benefits arising from the Proposed Demerger; and
- the costs, disadvantages and risks of the Proposed Demerger.

In forming its opinion as to whether the capital reduction materially prejudices Foster's ability to pay its existing creditors, Grant Samuel has considered the following:

- the effect of the capital reduction on the financial position and size of New Foster's and Treasury Wine Estates;
- the impact of the capital reduction on the credit rating of New Foster's;
- the debt facilities available to New Foster's and Treasury Wine Estates after the capital reduction;
- the impact of the capital reduction on the cash flows of New Foster's and Treasury Wine Estates; and
- any other issues relating to the capital reduction.

2.3 Sources of the Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

Publicly Available Information

- the Booklet (including earlier drafts);

- annual reports of Foster's for the three years ended 30 June 2010;
- half year announcement of Foster's for the six months ended 31 December 2010;
- press releases, public announcements, media and analyst presentation material and other public filings by Foster's including information available on its website;
- brokers' reports and recent press articles on Foster's and the alcoholic beverages industry; and
- sharemarket data and related information on Australian and international listed companies engaged in the alcoholic beverages industry.

Non Public Information provided by Foster's

- Board papers and other internal briefing papers relating to the Proposed Demerger;
- management estimates of forward earnings for Foster's businesses prepared by Foster's management; and
- other confidential documents, presentations and working papers.

In preparing this report, Grant Samuel has also held discussions with, and obtained information from, senior management of Foster's and its advisers.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon non-public information referred to in Section 2.3 above. Grant Samuel has considered and relied upon this information. Foster's has represented in writing to Grant Samuel that to its knowledge the information provided by it was complete and not incorrect or misleading in any material aspect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Proposed Demerger is in the best interests of Foster's shareholders. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Foster's. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The information provided to Grant Samuel included pro forma historical financial information for Foster's and Treasury Wine Estates for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the six months ended 31 December 2010 and forecast financial information for Foster's. Foster's is responsible for this financial information.

The pro forma historical financial information was subject to review by the Investigating Accountant, PricewaterhouseCoopers Securities Limited ("PwC Securities"). The Investigating Accountant's report is set out in Section 10 of the Booklet. On this basis, Grant Samuel considers that there are reasonable grounds to believe that the pro forma historical financial information on New Foster's and Treasury Wine Estates as presented in the Booklet has been prepared on a reasonable basis.

The directors of Foster's have decided not to include any forecast financial information in the Booklet and therefore the forecasts have not been disclosed in this report. Grant Samuel has had regard to the forecast financial information in undertaking its analysis but has not relied upon it in forming its opinion. Given the nature of the transaction, the forecast financial information is not the fundamental basis for assessing the Proposed Demerger. Rather, other factors such as strategic implications for the businesses and investors are more important.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the information set out in the Booklet sent by Foster's to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Proposed Demerger will be implemented in accordance with its terms; and
- the legal mechanisms to implement the Proposed Demerger are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.

3 Profile of Foster's

3.1 Background

Foster's is an international premium branded drinks company with a portfolio of over 100 brands and operations on five continents. Its operations comprise:

- Carlton & United Breweries ("CUB"), a producer and distributor of beer, cider, spirits, ready-to-drink ("RTD") and non-alcohol beverage brands; and Foster's International Beer business, which generates earnings from the sale, licensing and distribution of its Australian beer brands outside Australia and the Pacific; and
- Treasury Wine Estates, an international wine business with a portfolio of luxury, premium and commercial wines.

Foster's is a top 50 ASX listed company and has a market capitalisation of approximately $10.9 billion.

Foster's origins date back to 1854 when Australia's most popular beer, Victoria Bitter ("VB"), was first brewed in Melbourne by the Victoria Brewery, followed by the launch of the first bottle of Foster's Lager in 1888. In 1907, the Foster's Brewing Company and Carlton Brewery amalgamated with four other breweries to form CUB. In 1983, CUB established itself as a truly national brewer through the acquisition of New South Wales brewing company, Tooth & Co. By the end of 1983, CUB had become a wholly owned subsidiary of Elders IXL Limited ("Elders IXL"). In 1990, Elders IXL was renamed Foster's Group Limited.

In 1996, Foster's acquired Mildara Blass, one of Australia's leading premium wine companies, following a decision to enter the wine industry. This acquisition represented the transformation of Foster's from a brewing business into a diversified beverage company. This strategy was further enhanced by the establishment of a spirits business following the acquisition of Seagram Australia in 1999.

Foster's Wine business gained global significance in 2000 with the acquisition of Beringer Wine Estates ("Beringer"), a leading United States wine company, which was followed by the merger of Mildara Blass and Beringer Wine Estates to form Beringer Blass Wine Estates in 2001.

In 2003, Foster's spun off its Australian Leisure and Hospitality pub division of Foster's through a public float and, in 2004, the company divested its property portfolio, the Lensworth Property Group.

In 2005, Foster's announced the acquisition of the Australian wine company, Southcorp Limited ("Southcorp"). The acquisition of Southcorp by Foster's created the world's leading premium wine business and Australia's leading alcohol beverages company.

Following the Southcorp acquisition, in 2006, Foster's began to divest non-core businesses and assets in line with the company's announced strategy to focus on premium beverages. Foster's sold the "Foster's" brand in Europe to brewing and distribution partner, Scottish & Newcastle for $750 million. In addition, Foster's exited its brewing operations in the Asian region, with the sale of its Chinese, Vietnamese and Indian breweries. Furthermore, Foster's also exited its wine clubs, packaging and services businesses.

In 2006, Foster's announced a restructuring initiative focussed on a multi-beverage strategy. Under this strategy, Foster's sales force, supply chain, marketing and consumer insights teams, as well as infrastructure, were shared across all product categories. This restructuring involved the creation of three new regional businesses, covering Australia, Asia and the Pacific (which combined beer, cider and spirits with wine); the Americas; and Europe, the Middle East and Africa ("EMEA").

Unsatisfactory performance of the Wine business led to a detailed review of the company's Wine business in 2008 (i.e. the Wine Strategy Review). Following the Wine Strategy Review, it was recognised that the multi-beverage model adopted in Australia had been unsuccessful in achieving the expected revenue growth and synergies, other than in distribution and back office functions. In February 2009, Foster's announced that it would retain and reshape its Wine business and implement significant organisational and operational change to improve performance. The Australian Beer and Wine businesses were to be structurally separated to provide greater management focus, organisational simplicity, financial transparency and performance accountability. The Australian Beer business reverted to the Carlton & United Breweries identity, separate from a stand-alone, dedicated Australian and New Zealand Wine business ("ANZ Wine"). Independent sales and marketing teams with a channel-focussed sales force (on-premise and off-premise) were introduced for CUB and ANZ Wine. Global supply operations were integrated with the demand regions over time to create end-to-end autonomous business units, with planning, procurement and distribution continuing to be shared globally by the Wine and Beer businesses where appropriate. In addition, a number of non-core vineyards and wineries were identified for sale, closure, reconfiguration or consolidation, while a number of tail wine brands were ear-marked for sale.

Key initiatives arising out of the Wine Strategy Review announced in February 2009 have now been implemented, with the operational separation of the Beer and Wine businesses now substantially complete, and substantial progress has been made in the winery and vineyard divestment program. The withdrawal from the cask wine category and the rationalisation of 37 tail wine brands in Australia has also been completed.

Overall operational benefits emerging from initiatives arising from the Wine Strategy Review were expected to exceed $100 million per annum in net pre-tax cost savings in the year ending 30 June 2011 (after allowing for additional investment in sales force numbers and other costs). Restructuring and redundancy costs of $119.3 million were brought to account in the year ended 30 June 2009. Non-cash asset write downs of $278.3 million were also recognised in relation to vineyards, brands and inventories.

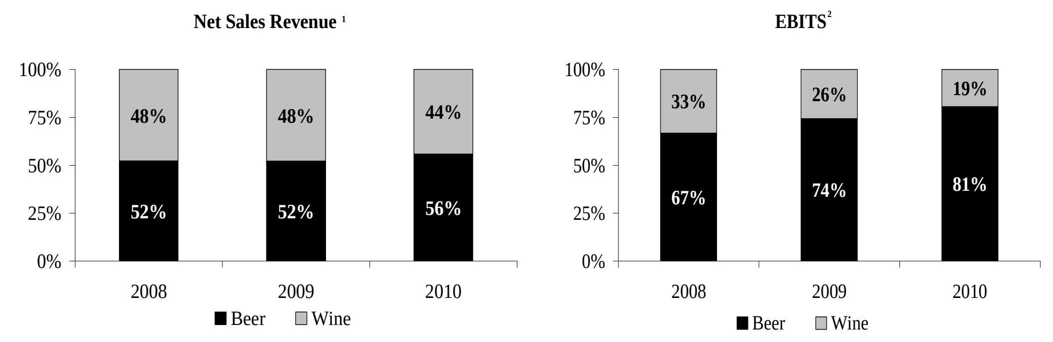
In 2009, Foster's purchased an additional 29% interest in Foster's Group Pacific Limited ("FGPL"), increasing Foster's ownership interest in FGPL to 89.6%. FGPL owns and operates breweries and distilleries in Fiji, producing and distributing various brands including Fiji Bitter, Fiji Gold and Vailima.

On 26 May 2010, Foster's announced that, following significant progress with the initiatives arising from the Wine Strategy Review, it intended to create separate securities exchange listings for its Beer and Wine businesses via a demerger, subject to a detailed evaluation of the issues, costs and benefits to Foster's shareholders and ongoing assessment of prevailing economic and capital market conditions. Treasury Wine Estates became the new identity of Foster's Wine business on 21 July 2010.

3.2 Business Operations

Foster's operations currently comprise two businesses: Beer (CUB and International Beer) and Wine (Treasury Wine Estates). The Beer business is the largest contributor to the sales and earnings of Foster's, generating 56% of net sales revenue and 81% of earnings before net interest, tax and SGARA ("self generating and regenerating assets") ("EBITS") in the 2010 financial year:

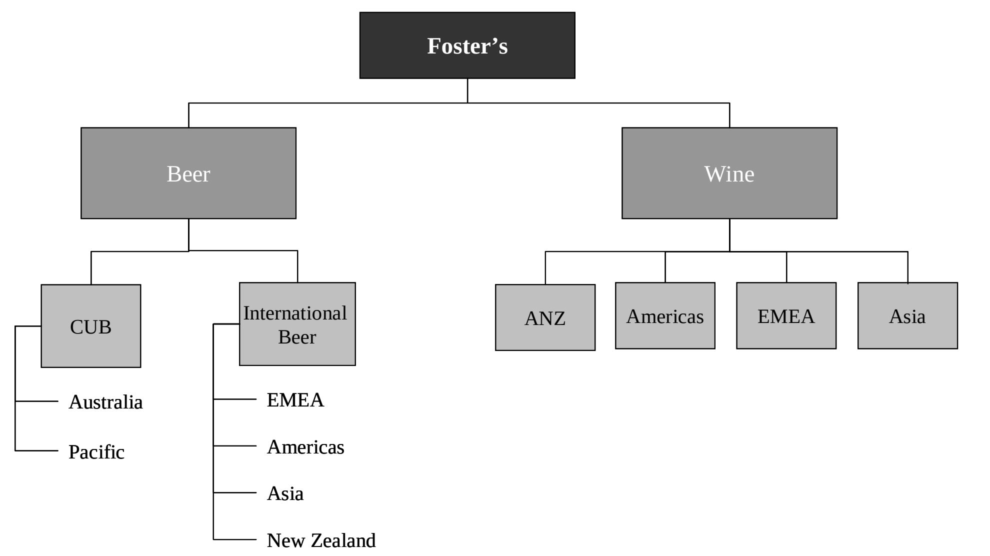
Foster's – Net Sales Revenue and EBITS Contribution by Business (Years ended 30 June 2008 to 2010)



Note 1: Continuing businesses
Note 2: Continuing businesses and excluding corporate

The current business structure of Foster's is depicted below:

Foster's – Current Business Structure



Source: Grant Samuel

Beer

The Beer business comprises CUB and International Beer.

CUB is one of Australia’s largest brewers, incorporating the sale, marketing and supply of beer, cider and spirits in Australia, as well as Fiji and Samoa. CUB’s beer portfolio includes Australian icons such as VB, Cascade, Crown Lager, Carlton Draught and successful imports Asahi and Corona Extra, Stella Artois and Carlsberg (which are brewed locally under licence). CUB also has a 71% value share of the total off-premise Australian cider market, which is dominated by its Strongbow brand. CUB’s portfolio of spirits, RTD and non-alcohol beverages (either owned or licensed) include Cougar bourbon, Black Douglas scotch and Torquay mineral waters. CUB also owns and operates breweries and distilleries in Fiji and Samoa, producing and distributing a number of brands including Fiji Bitter, Fiji Gold and Vailima.

International Beer comprises all beer, cider and spirits activities in the Americas, EMEA, New Zealand and Asia. The International Beer business generates earnings from the sale, licensing and distribution of Australian beer brands in markets outside Australia and the Pacific region and earnings from joint venture arrangements.

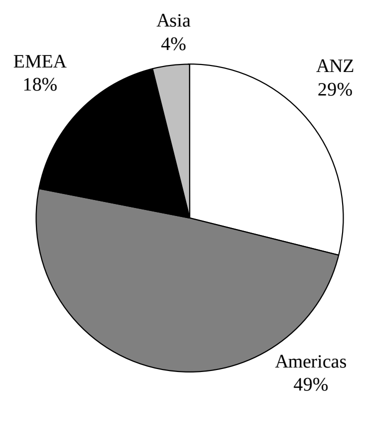
The Beer business generates the majority of its earnings in Australia (approximately 98% of its net sales revenues and 98% of EBIT in the 2010 financial year). During the 2010 financial year, the Beer business sold 113.8 million 9-litre cases, generating approximately $2.4 billion net sales revenue and $922 million of EBIT.

Wine

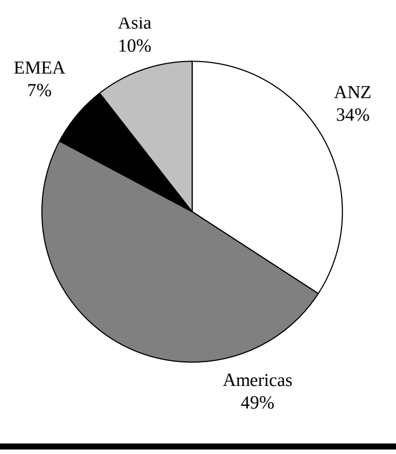
The Wine business comprises four regional business units: ANZ, the Americas, EMEA and Asia. The wine activities of Foster’s Wine business were brought together under a single identity, Treasury Wine Estates, in July 2010. The Wine business has viticulture and production facilities in Australia, New Zealand, the United States and Italy, but its portfolio of more than 50 wine brands include wines sourced from Argentina, Chile and South Africa. The Wine business has significant market positions in key new world markets in Australia, New Zealand, North America, Europe and Asia.

During the 2010 financial year, Foster’s Wine business sold 35.6 million 9-litre cases of wine, generating approximately $1.9 billion net sales revenue and $221 million of EBITS. Foster’s five global “foundation brands” – Beringer, Lindemans, Penfolds, Rosemount and Wolf Blass – represented more than 65% of the Wine business’ net sales revenue in the 2010 financial year. Almost half of net sales revenue and management EBITS were generated in the Americas:

Wine – Net Sales Revenue By Region (Year ended 30 June 2010)



Wine – EBITS By Region (Year ended 30 June 2010)



Source: Foster’s

3.3 Financial Performance

The financial performance of Foster's for the three years ended 30 June 2010 and the six months ended 31 December 2010 is summarised below:

Foster's – Financial Performance ($ millions)				
	Year ended 30 June			Half year ended
	2008 actual	2009 actual	2010 actual	31 Dec 2010 actual
Volume (millions 9 litre equivalent)	156.2	153.0	149.4	75.8
Net Sales Revenue				
Beer	2,286.6	2,346.3	2,395.4	1,226.6
Wine	2,086.1	2,144.8	1,890.2	923.7
Net sales revenue (continuing business)	**4,372.7**	**4,491.1**	**4,285.6**	**2,150.3**
EBITDAS (continuing business) [2]	**1,306.5**	**1,345.0**	**1,266.9**	**602.8**
Depreciation and amortisation	(167.6)	(180.0)	(158.2)	(65.1)
EBITS [3]				
Beer	793.8	885.3	922.1	462.7
Wine	392.7	304.1	221.3	99.9
Corporate	(47.6)	(24.4)	(34.7)	(24.9)
EBITS (continuing business)	**1,138.9**	**1,165.0**	**1,108.7**	**537.7**
SGARA[4]	1.9	(21.9)	(18.0)	(5.2)
EBIT (continuing business)[5]	**1,140.8**	**1,143.1**	**1,090.7**	**532.5**
Net interest expense	(144.7)	(146.6)	(118.8)	(64.1)
Operating profit before tax[6]	**996.1**	**996.5**	**971.9**	**468.4**
Income tax expense[6]	(279.3)	(266.6)	(272.6)	(135.8)
Operating profit after tax[6]	**716.8**	**729.9**	**699.3**	**(332.6)**
Outside equity interests	(5.8)	(4.4)	(1.0)	(0.6)
Discontinued operations (net of tax)	6.5	-	-	-
Material items (net of tax)	(605.8)	(287.2)	(1,162.7)	(19.9)
Profit after tax attributable to Foster's shareholders	**111.7**	**438.3**	**(464.4)**	**312.1**
Statistics				
Earnings per share (cents)[7]	*36.8*	*38.5*	*36.2*	*17.40*
Dividends per share (cents)[7]	*26.25*	*27.25*	*27.25* [8]	*12.00*
Dividend payout ratio (%)[7]	*71.3%*	*70.8%*	*75.3%*	*69.0%*
Amount of dividend franked (%)[7]	*100.0%*	*100.0%*	*100.0%*	*100.0%*
Net sales revenue growth (%)[7]	*(4.0%)*	*2.7%*	*(4.6%)*	*na*
EBITDAS growth (%)[7]	*0.1%*	*2.9%*	*(5.8%)*	*na*
EBITS growth (%)[7]	*(1.4%)*	*2.3%*	*(4.8%)*	*na*
EBITDAS margin (%)[7]	*29.9%*	*29.9%*	*29.6%*	*28.0%*
EBITS margin (%)[7]	*26.0%*	*25.9%*	*25.9%*	*25.0%*
Interest cover (x)[7,9]	*7.9x*	*7.9x*	*9.3x*	*8.4x*

Source: Foster's and Grant Samuel analysis

2 EBITDAS is earnings before net interest, tax, depreciation and amortisation, investment income, material and non-recurring items and SGARA, where SGARA is self generating and regenerating assets as defined in AASB 141 Agriculture.

3 EBITS is earnings before net interest, tax, investment income, material and non-recurring items and SGARA.

4 SGARA is self generating and regenerating assets as defined in AASB 141 Agriculture.

5 EBIT is earnings before net interest, tax, investment income and material and non-recurring items.

6 Excluding material and non-recurring items.

7 Ratios are calculated on a continuing business basis.

8 Dividend for the 2010 financial year represents a 12.0 cent per share ordinary dividend plus a 15.25 cent per share special dividend announced on 26 October 2010 following shareholder approval of amendments to the company's constitution.

9 Interest cover is EBITS divided by net interest.

Foster's overall financial performance since the 2008 financial year has been impacted by issues affecting the profitability of the Wine business, with approximately $2.4 billion of impairment and restructuring charges to the Wine business recognised during the three financial years ended 30 June 2010.

The decline in EBITS of the Wine business in the 2008 financial year reflected the oversupply of wine in key markets, as well as the recessionary economic conditions in the Americas, EMEA and Asia, which significantly impacted customer purchasing patterns and Foster's inventory management. A stronger Australian dollar has also had a negative impact on the Wine business, both through the translation of foreign currency wine sales into Australian dollars and declining sales volumes as currency appreciation decreases the competitiveness of Australian wines in international markets. Unfavourable exchange rate movements impacted the Wine business in the 2010 financial year, reducing EBITS by approximately $123 million, whilst in the 2009 financial year favourable exchange rates resulted in a significant positive impact of $91 million. The half year ended 31 December 2010 was also unfavourably impacted by a higher Australian dollar relative to the United States dollar, Euro and Great British pound.

Foster's has made considerable progress towards its cost savings target of $100 million through initiatives arising from the Wine Strategy Review and expects to achieve the full target by 30 June 2011. Approximately $60 million per annum of overheads were transferred from CUB to ANZ Wine in the 2010 financial year as a result of the structural separation.

The Australian Beer business has consistently improved year-on-year performance, driven by favourable price and mix trends, as well as growth in the premium imported category. However, performance in the half year ended 31 December 2010 was impacted by the decline of approximately 7% in the Australian beer market volume, due to a more subdued consumer environment and exceptional weather conditions reducing consumer demand.

Trading conditions in key wine markets have remained challenging in the 2011 financial year due to the ongoing impact of recessionary economic conditions and the impact of a strong Australian dollar in key international markets.

Discontinued operations in the table above relate to wine clubs, packaging and services businesses, which were divested during the 2007 financial year.

Material items affecting the financial performance of Foster's are summarised below:

Foster's – Material Items ($ millions)				
	Year ended 30 June			Half year ended 31 Dec 2010 actual
	2008 actual	2009 actual	2010 actual	
Financial year ended 30 June 2008 – Wine business impairment charges and provisions				
Goodwill	(391.5)	-	-	-
Brand names	(79.3)	-	-	-
Property, plant and equipment	(94.1)	-	-	-
Agriculture assets	(24.8)	-	-	-
Inventories	(126.9)	-	-	-
Other provisions	(13.8)	-	-	-
Financial year ended 30 June 2009 – Wine Strategy Review and business restructure impairment charges and provisions				
Wine assets held for sale	-	(190.4)	26.0	-
Brand names	-	(2.3)	-	-
Employee provisions	-	(90.5)	5.1	-
Other provisions	-	(12.2)	-	-
Other costs	-	(16.5)	(2.3)	-
Other asset provisions	-	(85.7)	(8.3)	-
Financial year ended 30 June 2010 – Wine business asset impairment				
Goodwill	-	-	(759.9)	-
Brand names	-	-	(305.7)	-
Property, plant & equipment	-	-	(177.9)	-
Agriculture asset fair value adjustment	-	-	(48.1)	-
Half year ended 31 December 2010 – Demerger and foreign exchange costs				
Demerger advisory fees	-	-	-	(11.2)
Foreign exchange derivatives	-	-	-	(17.3)
Total material items before tax	**(730.4)**	**(397.6)**	**(1,271.1)**	**(28.5)**
Tax benefit	124.6	110.4	108.4	8.6
Total material items after tax	**(605.8)**	**(287.2)**	**(1,162.7)**	**(19.9)**

Source: Foster's and Grant Samuel analysis

The following should be noted in relation to the major material items above:

- the impairment charges incurred in the 2008 financial year relate to the carrying values of the Americas and ANZ Wine businesses, reflecting revised growth expectations and the impact of unfavourable exchange rate movements on Australian wine sales internationally. The charges included write downs to intangibles, inventory, agriculture assets and property, plant and equipment;

- material items in the 2009 financial year largely relate to the outcomes of the Wine Strategy Review, representing inventory write downs relating to the significant decline in luxury wine volumes in the Americas, the exit from tail brands in Australia, as well as strategic portfolio refocussing and reshaping initiatives;

- in the 2010 financial year, material items mainly consisted of non-cash impairment charges to the carrying value of the Wine business assets announced in May 2010, predominantly arising from a higher discount rate being applied to value the Wine business' earnings since the move to manage it as a separate business, and higher long term exchange rate assumptions; and

- material items in the half year ended 31 December 2010 related to advisory fees incurred as a result of the Proposed Demerger, as well as a fair value adjustment to exchange rate options purchased to provide a minimum exchange rate for converting United States dollar denominated debt to Australian dollars in the event of the Proposed Demerger proceeding.

3.4 Financial Position

The financial position of Foster's as at 30 June 2010 and 31 December 2010 is summarised below:

Foster's – Financial Position ($ millions)		
	As at 30 June 2010	**As at 31 December 2010**
Debtors and prepayments	990.3	1,088.1
Inventories	1,012.8	926.3
Creditors, accruals and employee provisions	(950.3)	(962.5)
Net working capital	**1,052.8**	**1,051.9**
Agricultural assets	193.7	180.0
Property, plant and equipment (net)	1,688.1	1,584.6
Intangible assets	1,757.9	1,718.7
Investments accounted for using the equity method	76.0	71.5
Assets classified as held for sale (net)	35.4	23.7
Derivative financial instruments (net)	149.8	67.1
Inventories (non-current)	338.0	293.5
Tax liabilities (net)	(259.0)	(286.6)
Other (net)	10.5	13.3
Total funds employed	**5,043.2**	**4,717.7**
Cash and deposits	236.7	225.5
Bank loans, other loans and finance leases	(2,564.5)	(2,155.7)
Net borrowings	**(2,327.8)**	**(1,930.2)**
Net assets	**2,715.4**	**2,787.5**
Outside equity interests	(17.4)	(16.8)
Equity attributable to Foster's shareholders	**2,698.0**	**2,770.7**
Statistics		
Shares on issue at period end (million)	*1,930.4*	*1,935.4*
Net assets per share ($)	*1.41*	*1.44*
NTA[10] per share ($)	*0.50*	*0.55*
Gearing (%)[11]	*46.2%*	*40.9%*

Source: Foster's and Grant Samuel analysis

The following should be noted in relation to Foster's financial position as at 31 December 2010:

- debtors includes a $256.7 million receivable from the Australian Taxation Office ("ATO") in relation to disputed tax assessments ("Ashwick litigation"). Debtors also include an additional $33.3 million in relation to a disputed tax assessment unrelated to the Ashwick litigation. A deferred tax asset of $18.1 million has also been recorded in relation to the latter matter. Refer to Section 7.10 and 7.11 of the Booklet for further detail;
- agricultural assets pertain to over 11,000 hectares of vineyards, with a minor holding in olive trees;

10 NTA is net tangible assets, which is calculated as net assets less intangible assets.

11 Gearing is net borrowings divided by net assets plus net borrowings.

- the intangible assets balance primarily represents brand names and licences and goodwill relating to both the Beer and Wine businesses. In the 2010 financial year, Foster's recognised write downs of approximately $1.3 billion relating to the carrying value of the Wine business assets;

- Foster's investments accounted for using the equity method include a number of interests in beer and wine related companies;

- assets held for sale include certain vineyards, wineries and brand names in both the ANZ and Americas regions following the Wine Strategy Review;

- Foster's net debt position as at 31 December 2010 was $1,867.1 million. Approximately 76% of Foster's total debt was denominated in United States dollars. The balance of Foster's net debt is denominated Australian dollars and sterling:

Foster's – Net Borrowings at 31 December 2010 (millions)	
	Total A$
Borrowings as per balance sheet	2,155.7
Forward exchange contracts on 2011 bonds	35.8
Fair value of fixed rate debt hedges	(98.9)
Cash	(225.5)
Net Borrowings	**1,867.1**

Source: Foster's

Foster's debt includes a number of United States dollar denominated bonds (US$144A notes) on issue which were issued as part of the Southcorp acquisition:

Foster's – United States Bonds at 31 December 2010		
Series	**Maturity Date**	**US$ millions**
US$270.4 million at 6.875%	2011	270.4
US$300.0 million at 4.875%	2014	300.0
US$700.0 million at 5.125%	2015	700.0
US$300.0 million at 7.875%	2016	300.0
US$300.0 million at 5.875%	2035	300.0
Total		**1,870.4**

Source: Foster's

- Foster's has a A$500 million commercial and medium term note program, under which there are no outstanding amounts;

- Foster's financial risk management policy requires interest rate exposures to be hedged to deliver lower funding costs and more predictable interest expense, by maintaining the percentage of fixed and variable rate debt within controlled limits. Foster's policy allows interest rate swaps and options to be entered into to maintain the mix of fixed and variable rate debt;

- Foster's foreign exchange risk management philosophy is to initially fund foreign currency assets, where practicable and cost effective, in the respective currencies in which such assets are denominated as a natural hedge of the underlying cash flows. Subsequent to the initial funding, the focus of foreign exchange risk management activities is on transactional foreign exchange exposure on Foster's underlying currency net cash flows. Foster's foreign currency transaction exposure is managed using derivative financial instruments, which include foreign exchange options and forward exchange contracts; and

- at the time of Foster's divestment of the Australian Leisure & Hospitality business in November 2003, Foster's guaranteed $150 million of unsecured cumulative redeemable loan securities that mature in September 2011. Approximately $78 million notes remain on issue.

3.5 Cash Flow

Foster's cash flow for the three years ended 30 June 2010 and the half year ended 31 December 2010 is summarised below:

Foster's – Cash Flow ($ millions)				
	Year ended 30 June			Half year ended
	2008 actual	2009 actual	2010 actual	31 Dec 2010 actual
EBITDAS	**1,306.5**	**1,345.0**	**1,266.9**	**602.8**
Changes in working capital and other adjustments	124.6	(286.0)	349.9	342.2
Capital expenditure (net)	(53.7)	(180.0)	(91.3)	(58.7)
Operating cash flow	**1,377.4**	**879.0**	**1,525.5**	**886.3**
Tax paid	(392.6)	(260.0)	(267.4)	(182.5)
Net interest paid	(153.4)	(155.0)	(111.0)	(56.1)
Dividends paid (net)	(601.9)	(475.0)	(525.6)	(268.2)
Acquisitions (net of cash)	-	(33.1)	-	-
Proceeds from share issues/(buybacks)	(180.3)	(2.5)	(1.8)	-
Proceeds from/(repayment of) borrowings	48.7	(227.7)	(207.6)	17.1
Other	3.7	2.3	0.6	1.0
Net cash generated (used)	**101.6**	**(272.0)**	**412.7**	**397.6**
Net borrowings[12] – opening	*(2,570.1)*	*(2,468.5)*	*(2,740.5)*	*(2,327.8)*
Net borrowings[12] – closing	*(2,468.5)*	*(2,740.5)*	*(2,327.8)*	*(1,930.2)*

Source: Foster's and Grant Samuel analysis

Foster's activities have primarily been funded over time by profits from operations and borrowings. Key cash flow items over the past three years include:

- in the 2008 financial year, Foster's sold the Nuriootpa and Seppeltsfield wineries and properties adjacent to the Abbotsford brewery. Capital expenditure items included improvements to spirits production capability at Yatala, the purchase of beer kegs in Australia, the purchase of oak barrels in Australia and the Americas and expenditure related to the Australian logistics transformation. In addition, Foster's made a part payment to the ATO of $244.5 million pending resolution of the Ashwick litigation. Since that time, subsequent payments have been made and the total paid as at the date of the report is $254.3 million. The share buyback in the 2008 financial year relates to fulfilling dividend reinvestment plan requirements through the on-market purchase of shares;

- significant cash flow items in the 2009 financial year related to the implementation of initiatives identified in the Wine Strategy Review. Major capital expenditure included costs associated with Foster's global information technology project, the purchase of kegs and oak, and upgrades to the packaging capability at the Abbotsford brewery. In addition, Foster's acquired an additional 29% interest in FGPL in the 2009 financial year;

- substantial progress was made in the 18 months to 31 December 2010 in the winery and vineyard divestment program. In addition, Foster's capital expenditure included costs associated with its global IT transformation project, as well as the purchase of oak barrels; and

- the change in working capital in the half year ended 31 December 2010 reflected seasonal inventory build up due to exceptional weather conditions reducing customer demand. The

12 Excludes fair value of fixed rate hedges.

majority of capital expenditure incurred in the period related to the global IT transformation project.

3.6 Taxation

Under the Australian tax consolidation regime, Foster's and its wholly owned Australian resident entities are taxed as a single entity.

Foster's has substantial tax losses that are currently the subject of dispute (the Ashwick litigation). The losses may be available if the matter is resolved in favour of Foster's (subject to certain contingencies). The losses total approximately $1.5 billion and have not been brought to account. The potential tax benefit of these losses is $447.5 million. Refer to Section 7.10 of the Booklet for further information in relation to the Ashwick litigation.

Foster's is also involved in an additional tax dispute with the ATO relating to a capital loss. Foster's has made a payment of $33.3 million pending resolution of the dispute. Further information on this matter is contained in Section 7.11 of the Booklet.

3.7 Capital Structure and Ownership

3.7.1 Capital Structure

As at 11 February 2011, Foster's had the following securities on issue:

- 1,935,386,127 ordinary shares; and
- 786,510 partly paid ordinary shares.

As at 11 February 2011, 1.27% of the ordinary shares of Foster's are comprised of ADSs.

3.7.2 Ownership

At 11 February 2011 there were 117,926 registered shareholders in Foster's. The top twenty shareholders accounted for approximately 78% of the ordinary shares on issue.

The top twenty registered shareholders are principally institutional nominee or custodian companies. Foster's has a significant retail investor base with a majority of registered shareholders classified as retail although this represents approximately 21% of shares on issue. Foster's shareholders are predominantly Australian based investors (over 96% of registered shareholders and 99% of securities on issue).

Foster's has received notices from the following substantial shareholders:

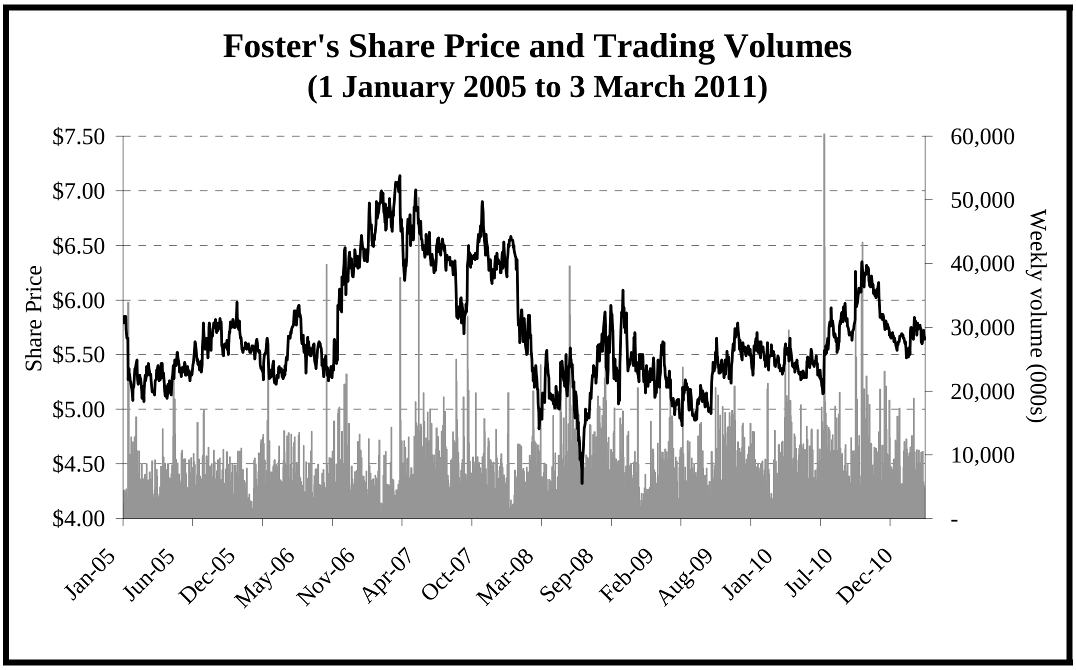
Foster's – Substantial Shareholders as at 11 February 2011

Shareholder	Number of Shares	Percentage (%)
Blackrock Investment Management (Australia) Limited	117,889,201	6.10%
The Capital Group Companies, Inc.	138,112,697	7.15%
Perpetual Limited	98,193,898	5.09%
Commonwealth Bank of Australia	97,099,647	5.02%

Source: Foster's

3.8 Share Price Performance

The following graph illustrates the movement in the Foster's share price and trading volumes over the period 1 January 2005 to 3 March 2011.



Source: IRESS

In June and July 2006, Foster's made a number of announcements including the sale of Foster's Chinese brewing business, the consolidation of its Wine business and the restructuring of its business into three regional operations. In addition, in August 2006, following strong cash flows and proceeds from the sale of Foster's brewing operations in India and Vietnam, Foster's announced a $200 million share buyback. Foster's share price rose from a low of $5.26 in August 2006 to a high of $7.00 in December 2006.

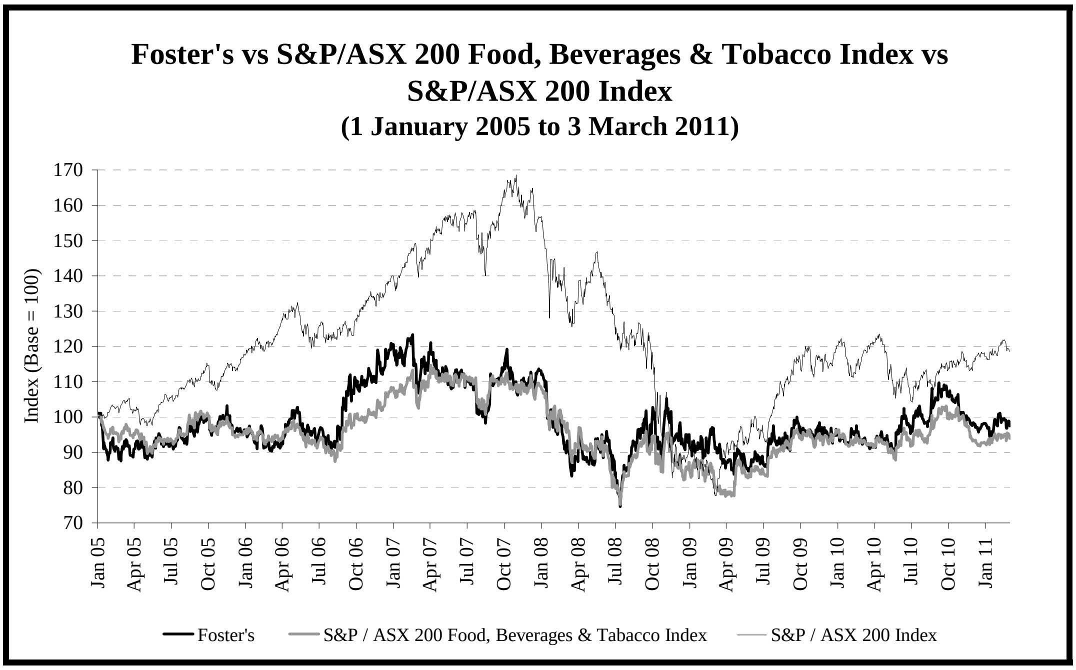
In February 2007, Foster's announced a revised share buyback totalling $400 million which would replace the previous $200 million plan. Foster's had bought back 1.3 million shares under the $200 million share buyback plan. Foster's share price reached a high of $7.14 in February 2007.

In April 2008, Foster's management instituted a broad ranging review of Foster's global wine strategy and operations (i.e. the Wine Strategy Review). In June 2008, following disappointing results, Foster's announced that the review was underway, and foreshadowed a non-cash impairment charge to the carrying value of its wine assets in the Americas and Australia. In August 2008, Foster's confirmed that this non-cash impairment charge was $730 million (before tax).

In July 2008, Foster's share price hit a low of $4.32 and following the results of the Wine Strategy Review in February 2009 traded in the range $4.85 to $5.79 per share to May 2010. Upon the initial announcement on 26 May 2010 that it would pursue a demerger, the Foster's share price strengthened and has continued to trade in the range $5.44 to $6.44 per share since this time. The high of $6.44 per share was achieved on 8 September 2010, upon the announcement by Foster's that it had rejected an unsolicited, indicative, non-binding proposal from an international private equity firm to acquire the assets of the Wine business. This was the highest share price for Foster's in two years. The Foster's share price closed at $5.68 on 3 March 2011.

Foster's is a reasonably liquid stock. Average weekly volume over the twelve months to 3 March 2011 represented approximately 2.6% of total shares on issue or annual turnover for the 12 months ended 3 March 2011 of around 133% of total shares on issue.

Foster's is a member of various indices including the Standard & Poor's ("S&P")/ASX 200 Food, Beverages & Tobacco Index and the S&P/ASX 200 Index. At 3 March 2011 its weighting in these indices was approximately 47.1% and 0.9% respectively. The following graph illustrates the performance of Foster's shares since January 2005 relative to the S&P/ASX 200 Food, Beverages & Tobacco Index and the S&P/ASX 200 Index:



Source: IRESS

Foster's has generally tracked the S&P/ASX 200 Food, Beverage & Tobacco Index, which reflects Foster's significant weighting in the index. Foster's and the S&P/ASX Food, Beverage & Tobacco Index have both generally underperformed the S&P/ASX 200 Index.

4 Background on Demergers

4.1 Rationale

A "demerger" or "spin-off" is generally defined as a pro-rata transfer of shares in a wholly owned subsidiary to shareholders. The broad principle underlying demergers is that sharemarkets generally do not reward corporate diversification unless there are substantial synergies available to a corporate holder of a diversified portfolio of assets or some other strategic rationale. Investors can achieve diversification themselves and it is generally accepted that investors prefer the investment flexibility resulting from the separation of assets into separate companies that have relatively focussed businesses. Consequently, demergers have typically been undertaken to create investment opportunities with a single geographic focus, a single industry focus or a single product focus.

A pure demerger involves the transfer to existing shareholders of 100% of the shares in the subsidiary and there is no dilution of equity or transfer of ownership from the current shareholders. There are a number of variants that are also loosely referred to as demergers including:

- a majority demerger, where the parent distributes the bulk of the subsidiary's shares to existing shareholders and either retains the remaining shares for a period or sells them immediately through an initial public offering ("IPO") or other sale process;
- an equity carve-out, where the parent company sells a portion of a subsidiary's shares though an IPO. The carved-out subsidiary has its own Board, management and financial statements while the parent company provides strategic direction and central resources; and
- a divestiture IPO, where 100% of the shares in the subsidiary are sold to the public.

The use of demergers as a method of divesting a subsidiary has become a common feature of equity markets in recent years. Examples of demergers implemented in Australia since 2000 include:

Selected Recent Demergers in Australia					
Date	**Parent**	**Business/ Market focus**	**Demerged entity**	**Business/ Market focus**	**% demerged**
Jul 2010	Arrow Energy Limited	Australian coal seam gas	Dart Energy Limited	International coal seam gas	100.0%
Jul 2010	Orica Limited	Mining services, chemicals	DuluxGroup Limited	Coatings and home improvement products	100.0%
Jan 2010	Macquarie Infrastructure Group (renamed Intoll Group)	Toll roads	Macquarie Atlas Roads Group	Toll roads	100.0%
Dec 2007	Publishing and Broadcasting Limited (renamed Consolidated Media Holdings)	Media	Crown Limited	Gaming	100.0%
Jun 2007	Toll Holdings Limited	Logistics	Asciano Limited	Ports and rail	100.0%
Nov 2006	Tower Limited	Multi-line insurance (New Zealand)	Tower Australia Group Limited	Life insurance (Australia)	100.0%
Jul 2006	Macquarie Infrastructure Group	Toll roads (globally)	Sydney Roads Group	Toll roads (Sydney)	100.0%
Nov 2005	Mayne Group Limited (renamed Symbion Health Limited)	Healthcare	Mayne Pharma Limited	Pharmaceuticals	100.0%
Feb 2005	Tower Limited	Insurance (Australia/ New Zealand)	Australian Wealth Management Limited	Funds management (Australia)	100.0%
Oct 2003	AMP Limited	Life insurance, wealth management/Australi a, New Zealand	HHG plc	Life insurance, wealth management/United Kingdom, Europe	85.0%
Mar 2003	CSR Limited	Building materials, aluminium, sugar	Rinker Group Limited	Heavy building materials	100.0%
Dec 2002	WMC Limited (renamed Alumina Limited)	Alumina	WMC Resources Limited	Resources	100.0%
Jul 2002	BHP Billiton Limited	Resources	BHP Steel Limited	Steel	94.0%
Oct 2000	The Broken Hill Proprietary Company Limited	Resources	OneSteel Limited	Steel	100.0%
Apr 2000	Amcor Limited	Packaging	PaperlinX Limited	Paper	82.0%
Feb 2000	Origin Energy Limited	Energy	Boral Limited	Building Materials	100.0%

Source: IRESS

In addition, there has been a number of divestiture IPOs in Australia including:

Selected Recent Divestiture IPOs in Australia					
Date	**Parent**	**Business/ Market focus**	**Demerged entity**	**Business/ Market focus**	**% demerged**
Apr 2007	Transfield Services Limited	Infrastructure services	Transfield Services Infrastructure Fund	Energy and transport infrastructure	51.0%
Dec 2005	Burns, Philp & Company Limited	Food manufacture	Goodman Fielder Limited	Basic foods	80.0%
Oct 2005	Alinta Limited	Gas utilities	Alinta Infrastructure Holdings Limited	Gas pipelines and power stations	80.0%
Oct 2003	Foster’s Group Limited	Alcohol beverages	Australian Leisure & Hospitality Group Limited	Hotels, liquor and gaming, property	100.0%
Aug 2001	Futuris Corporation Limited	Rural and automotive systems	Australian Agricultural Company Limited	Agriculture	60.0%
Mar 2001	Village Roadshow Limited	Media and entertainment	Austereo Limited	Radio	55.0%
Jun 2000	The Australian Gas Light Company	Energy	Australian Pipeline Trust	Gas pipelines	70.0%

Source: IRESS

The benefits typically cited for demergers largely reflect the focus of the demerged entity. However, there are a number of disadvantages and potential risks associated with demergers:

Benefits and Disadvantages/Risks of Demergers	
Benefits	**Disadvantages/Risks**
▪ transparency	▪ loss of synergies
▪ investor attraction and interest	▪ transaction costs
▪ enhanced flexibility to shareholders	▪ duplication of corporate costs
▪ clarity in capital allocation	▪ increased financing costs
▪ flexibility in raising capital	▪ loss of diversification
▪ better targeted incentives and management focus	▪ reduced liquidity and rating in key indices
▪ independence and strategic flexibility to undertake growth initiatives	

4.2 Market Evidence

There is little definitive evidence as to whether or not demergers have actually been successful in enhancing shareholder value, largely because it is not possible to reliably measure what the share prices would have been had the demergers not occurred. Some of the evidence and views which have emerged are summarised below:

- several studies[13] have found that there was a positive impact on the share price (of around 3-6%) at the time of the announcement. A similar rise occurred where there was a targeted share or equity carve-out. One study has shown that, in some circumstances, there is no decline even if the demerger is ultimately withdrawn[14];
- several studies[15] have also found significantly positive abnormal returns over an extended period (of up to three years) following the demerger for the demerged company, the parent and the demerged company/parent combination. Although, one study[16] found that long term value creation only exists for the demerged subsidiary not the parent and another study[17] found significant evidence that spin-offs create more value than carve-outs;
- some of the reasons found to be associated with positive abnormal returns have included:
  - corporate restructuring activity[18]. Both the demerged subsidiary and the parent experience an unusually high incidence of takeovers in comparison to their control group comparable companies. The abnormal performance is limited to companies involved in takeover activity. The findings suggest that demergers provide a low-cost method of transferring control of corporate assets to bidders who are able to create greater value;

13 See for example: P.L. Anslinger, S.J. Klepper and S. Subramaniam, “Breaking up is good to do”, The McKinsey Quarterly, 1999 Number 1; Thomas Kirchmaier, “The Performance Effects of European Restructures”, Centre for Economic Performance, London School of Economics and Political Science, May 2003; UBS Investment Research, “Q-Series: Spin-offs and restructures”, UBS Limited, 14 April 2005.

14 K. Alli, G. Ramirez and K. Yung, “Withdrawn Spin-offs: An Empirical Analysis”, The Journal of Financial Research, Winter 2001.

15 See for example: J. Wyatt, “Why Spinoffs Work for Investors”, Fortune, October 16 1995, p72; P.J. Cusatis, J.A. Miles and J.R. Woolridge, “Restructuring Through Spin-outs, The Stock Market Evidence”, Journal of Financial Economics, Volume 33 No. 3, June 1993, T.A. John, “Optimality of Spin-outs and Allocation of Debt” Journal of Financial and Quantitative Analysis, 1993.

16 Thomas Kirchmaier, “The Performance Effects of European Restructures”, Centre for Economic Performance, London School of Economics and Political Science, May 2003.

17 Rodger Rüdisüli, “Value Creation of Spin-offs and Carve-outs”, Doctoral Dissertation, University of Basel (Switzerland), May 2005.

18 P.J. Cusatis, J.A. Miles and J.R. Woolridge, “Restructuring Through Spin-outs, The Stock Market Evidence”, Journal of Financial Economics, Volume 33 No. 3, June 1993.

- mitigation of information asymmetry[19]. The hypothesis was that value would be enhanced if the demerged subsidiary is able to convey more information about its operating efficiency and future prospects when it is a separate entity than when it is part of a combined unit. The findings were that companies that engage in demergers have higher levels of information asymmetry compared to their industry and size matched counterparts and the information problems decrease significantly after the demerger as analyst scrutiny increases. The relationship is more pronounced for those companies that demerge related subsidiaries;
- increased focus[20] translating into better sharemarket and operating performance. The abnormal returns for focus-increasing demergers are significantly larger than the corresponding abnormal returns for the non-focus-increasing demergers. A focus-increasing demerger reduces the diversity of assets under management and thereby increases the efficiency of management. However, an analysis of non-focus increasing demergers showed that companies are likely to undertake these demergers to separate underperforming subsidiaries from their parents with efficiency not being a major motivating factor. Indeed, positive returns after the demerger have been found to be due to pre-announcement sharemarket weakness; and
- improved financing decisions[21]. Conglomerates tend to divide resources evenly between divisions thus investing too little in strong industries and too much in weaker industries. The study showed that capital expenditure showed greater sensitivity to changes in growth opportunities after a division became independent; and

■ one analyst report[22] found that following a demerger, where the resulting entities are relatively similar in size, both entities generally underperform the market for a period of approximately six months. In the long term however, both stocks tend to outperform the market (implying that the market awaits a reporting period before committing to the new entities). In comparison, where the subsidiary is much smaller than the parent, the demerged entity is typically a strong outperformer while the parent moves with the market.

While an admittedly imperfect basis of analysis and somewhat crude (given the wide range of factors that influence share prices), studies of the relative performance of some of the Australian companies that undertook demergers would support this thesis, particularly looking at performance one to two years after the demerger. The following graph summarises the relative share price performance, in percentage terms, of the hypothetical combined sharemarket value of the parent company and the demerged entity three months, one year and two years after the date the demerged entity was listed on the ASX:

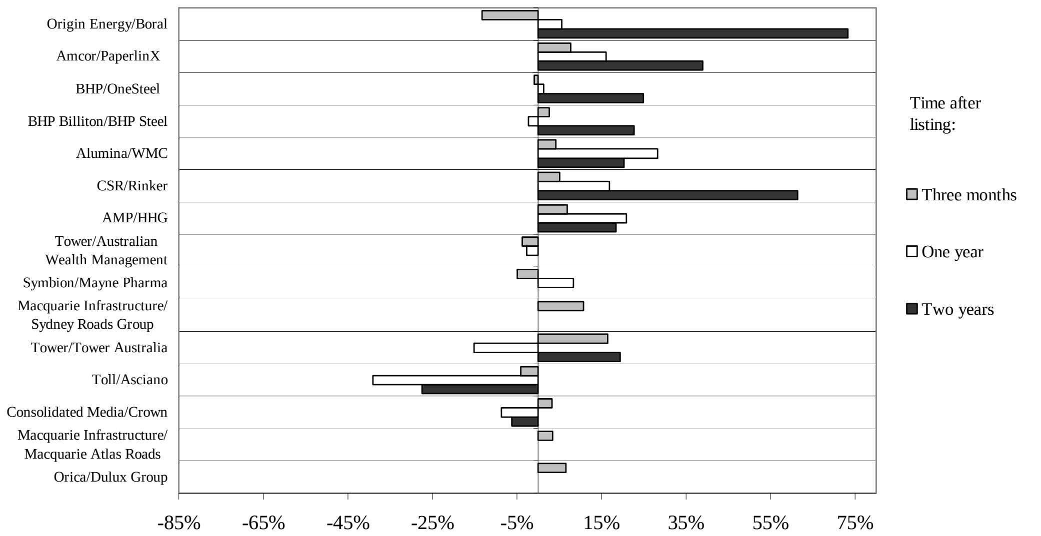
[19] S. Krishnaswami and V Subramaniam, “Information asymmetry, valuation and the corporate spin-out decision” Journal of Financial Economics, Volume 53, No. 1, July 1999.

[20] See for example: H. Desai and P.C. Jain, “Firm performance and focus: long-run stock market performance following spin-outs”, Journal of Financial Economics, Volume 54, No. 1, October 1999 and L. Daley, V. Mehrotra and R. Sivarenmar, “Corporate Focus and Value Creation: Evidence from Spinoffs”, Journal of Financial Economics, Volume 45, 1997.

[21] R. Gertner, E. Powers and D. Scharfstein, “Learning About Internal Capital Markets From Corporate Spinoffs”, November 2000.

[22] Macquarie Research Equities, “Australian Gas Light: Acquisitions, restructures and au revoirs”, 1 November 2005.

Returns of Selected Recent Demergers vs S&P/ASX 200 Index
(Measured from Date of Listing)



Source: IRESS

Note: (1) No two year return is calculated for the Tower/Australian Wealth Management demerger as Tower demerged a second entity (Tower Australia) within the two year period.

(2) Symbion/Mayne Pharma commenced trading separately on 21 November 2005. Mayne Pharma was acquired by Hospira Inc on 22 January 2007 while Symbion was acquired by Primary Healthcare in March 2008.

(3) Macquarie Infrastructure Group ("MIG")/Sydney Roads Group commenced trading separately on the 31 July 2006. Sydney Roads Group was acquired by Transurban Group in April 2007.

(4) Intoll Group/Macquarie Atlas Roads commenced trading separately in January 2010.

The above analysis indicates that there has been mixed combined performance of demerged entities immediately following a demerger, with evidence of both outperformance and underperformance to the general market. However, the evidence suggests that more recently demerged entities have outperformed the market within two years of listing, with the exception of Toll/Asciano. Evidence of significant underperformance can be explained by industry or operational features of either or both entities (e.g. Tower/Tower Australia were impacted by the underperformance of the insurance sector relative to the market during 2007. Consolidated Media/Crown were impacted by the underperformance of the media industry relative to the market following the global financial crisis in 2008/2009 and Toll/Asciano were impacted by Asciano's need to reduce high gearing levels following the global financial crisis in 2008/2009). Further, it should be noted that four of the above demerged entities (Sydney Roads Group, Mayne Pharma, Rinker and WMC Resources) were subject to corporate activity within 3-4 years of their respective demerger transactions.

On the other hand, some studies have found that demergers may negatively impact value and that conglomerates have outperformed the market over some periods[23]. Conglomerate structures do have benefits including financial size and strength, better liquidity and higher index rating, lower earnings volatility and risk (if business units are not correlated in terms of economic cyclicality), greater depth of management and lower cost of capital (depending on other factors).

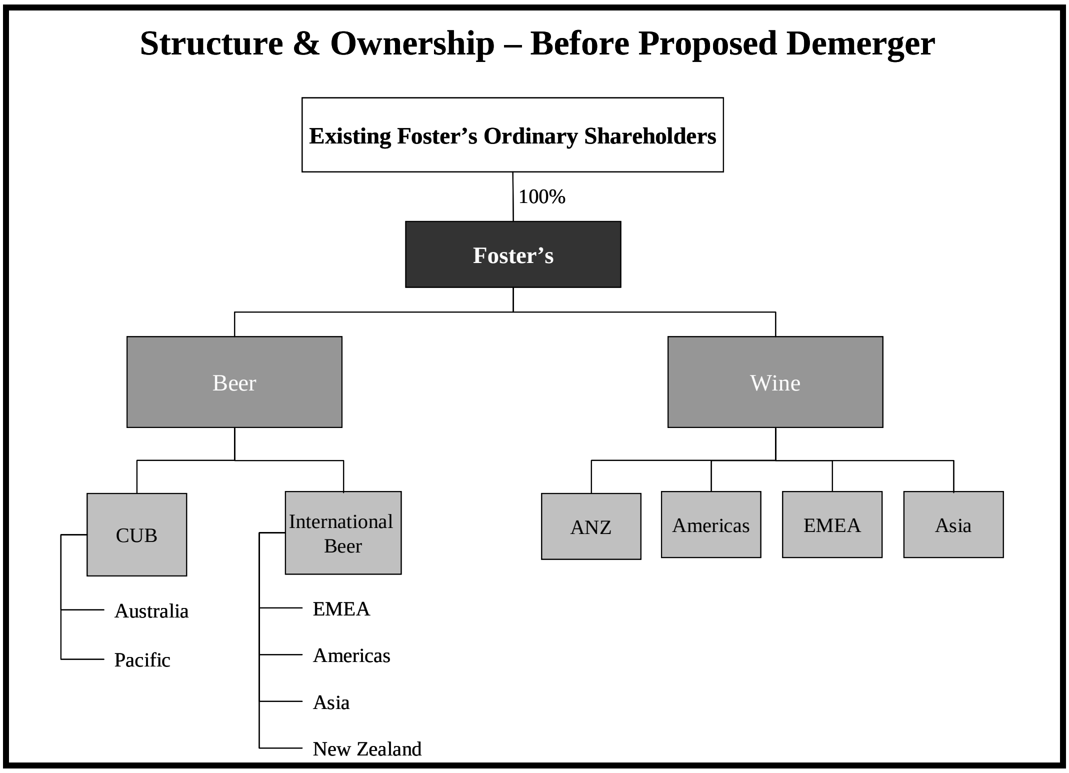
While the balance of evidence does favour demergers as adding value, the alternate views underline the fact that there is no universal structure for businesses. There are successful and unsuccessful conglomerates. While some demergers create substantial value, others do not. In the end, the success of demergers depends on the specific circumstances of each case.

[23] Boston Consulting Group, "Conglomerates Reports", 2002. However, this study was based on share price performance up to 2000 and several of the conglomerates in the sample (e.g. Marconi, Vivendi Universal, Tyco) would now show a very different picture.

5 Impact of the Proposed Demerger

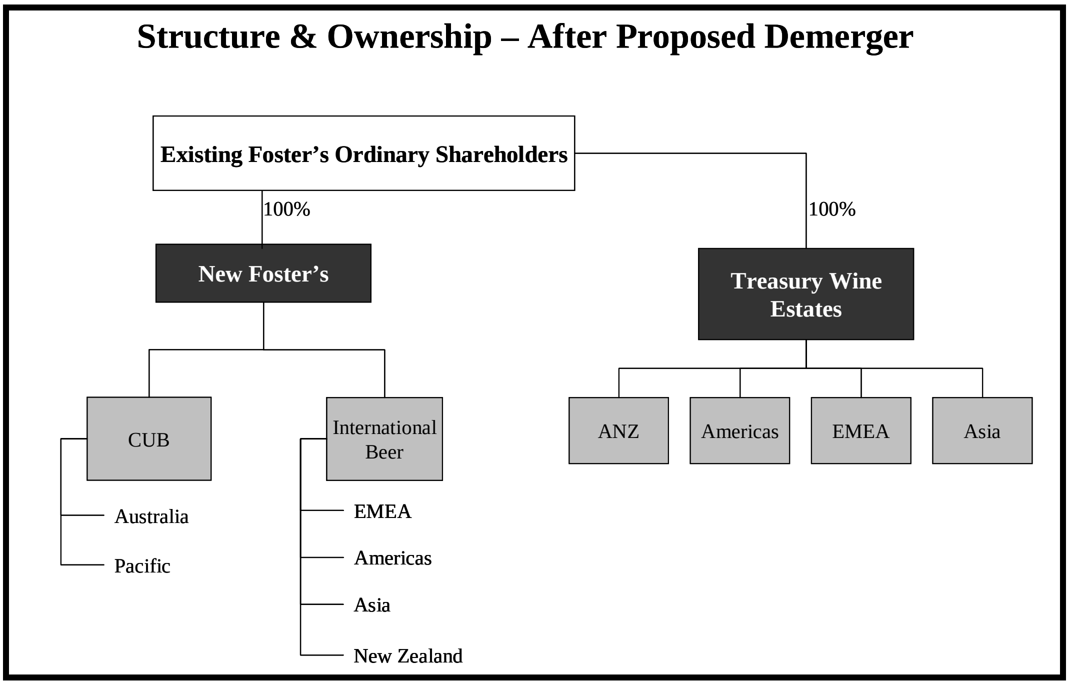
5.1 Impact on Structure and Ownership

The structure and ownership of Foster's immediately prior to the Proposed Demerger is shown below:



Source: Grant Samuel

The effect of the Proposed Demerger on the structure is shown below:



Source: Grant Samuel

Upon implementation of the Proposed Demerger, eligible Foster's shareholders (except electing small shareholders) will receive one Treasury Wine Estates share for every three Foster's shares they own[24]. The relative ownership interest held by eligible Foster's shareholders in New Foster's and Treasury Wine Estates will be equal to their ownership interest in Foster's immediately prior to implementation of the Proposed Demerger.

The separate entities will be arms' length parties. There will be no cross-shareholdings between New Foster's and Treasury Wine Estates.

There will be a period of time following the Proposed Demerger when transitional service arrangements will exist between New Foster's and Treasury Wine Estates. The transitional service arrangements relate to:

- information technology (involving completion of the existing project upgrading back end global transactional systems). It is proposed that New Foster's will continue to manage this project, but that separate back end global transactional systems will be delivered for New Foster's and Treasury Wine Estates following completion of the project. This is expected to be completed approximately two years following the effective date of the Proposed Demerger. It is expected to require a one-off expense of approximately $41.3 million in addition to the current financial commitment for the project. Separation of the remaining information technology will be completed as soon as reasonably practicable following the Proposed Demerger. The costs of the remaining separation have been budgeted as part of New Foster's and Treasury Wine Estates projected capital expenditure and operating costs;

- finance services will be provided by New Foster's to Treasury Wine Estates until around the end of May 2012 and call centre services will be provided until around the end of June 2012. Treasury Wine Estates will provide payroll services (including back office, administration and accounting for these services) to New Foster's for up to two years from the effective date of the Proposed Demerger and other human resources services for shorter periods of time. These services will be provided at cost; and

- logistics, warehousing and distribution will be provided by New Foster's to Treasury Wine Estates. New Foster's will pass through the benefit of the logistics services it receives from third parties in relation to the Wine business under the relevant agreements to Treasury Wine Estates and will provide certain additional services, including the management of the third party provides and network planning and optimisation. This arrangement will continue initially until completion of the information technology upgrading project outlined above, however, Treasury Wine Estates has the option to extend the agreement for a further 12 month term. Treasury Wine Estates will pay New Foster's a fee which represents a portion of the total amount New Foster's pays the third party providers which is referable to the Treasury Wine Estates' products. New Foster's will be entitled to a margin of 5% on the costs allocated to Treasury Wine Estates but will not be paid its head office overhead management costs.

Further information relating to the transitional service arrangements is provided in Section 2.10 of the Booklet.

24 Rounded up or down to the nearest whole Treasury Wine Estates share.

5.2 New Foster's

5.2.1 Operations

Following the Proposed Demerger, New Foster's will be a predominantly domestically focussed brewing company with 97.6% of its pro forma revenue for the year ended 30 June 2010 generated by CUB and the remaining 2.4% generated by the International Beer business.

CUB

CUB incorporates the production, sale, marketing and supply of beer, cider and spirits in Australia, as well as the beer, cider and spirits activities in Fiji and Samoa. The Australian beer market is dominated by two national brewing groups, CUB and Lion Nathan Limited ("Lion Nathan") (owned by Kirin Holdings Company, Limited ("Kirin")). CUB and Lion Nathan account for over 90% of beer volumes in Australia. CUB is Australia's largest brewer with 50% volume share of the off-premise beer category as at 31 December 2010. CUB has experienced a decline in market share over the past five years. However, in the half year ended 31 December 2010, CUB's volume share increased by 0.5%. Smaller players are steadily increasing their market share, particularly craft and micro brewers.

Beer volumes have benefited from a number of one-off factors in the past two years, including a higher tax imposed on RTDs, the Commonwealth Government's economic stimulus payments and interest rate cuts. However, the effect of these factors is diminishing, and beer volumes are expected to decline before returning to historic trends. In the longer term, declines in annual per capita consumption are expected to be largely offset by population growth, resulting in flat to modest long term annual volume growth.

CUB has 30 beer brands in the Australian market and seven of the top ten largest beer brands in Australia. Maintaining the dominant market position of CUB's core brands, and the ability to supplement these brands with a range of innovative and emerging brands, is critical to CUB's continued growth. CUB's market leading brand are included in the table below:

CUB – Market Leading Brands	
VB	The largest beer brand in Australia
Crown Lager	The largest domestic premium beer in Australia
Corona Extra	The largest imported premium international beer in Australia
Carlton Draught	The second fastest growing brand by retail sales and third largest beer brand in Australia
Carlton Dry	The second fastest growing new style brand by retail sales in Australia
Fat Yak	The fastest growing craft beer by retail sales in Australia
Strongbow	The largest cider brand in Australia

Source: Foster's

CUB is the market leader in all beer segments (regular, premium domestic, light and premium imported) with the exception of mid-strength.

CUB is the clear market leader in the traditional regular beer segment, with a market share of approximately 67% for the year ended 31 December 2010. This is predominantly attributable to CUB's VB and Carlton Draught brands. The traditional beer segment, while a lower growth segment, currently comprises almost 41% of the total beer market.

CUB's share of the light beer market has fallen, however the light beer market has been losing market share to mid-strength and premium beers. CUB's brands in the light beer segment include Cascade Premium Light and Light Ice.

Consistent with global trends, the premium beer, new style regular (low carbohydrate and flavoured) and craft beer segments have experienced significant growth in recent years. These beers are generally priced at a premium to mainstream beers.

While CUB remains the market leader in the fast growing premium domestic and premium international beer categories, its overall portfolio remains weighted to lower growth traditional mainstream beers and is underweight in mid-strength and the faster growing craft categories and new style beers. Being overweight in the traditional mainstream category has adversely impacted CUB's market share, and it is now focussed on realigning its beer portfolio towards the faster growing categories:

- CUB occupies a dominant position in the premium domestic beer segment due to Crown Lager's position as Australia's number one premium domestic beer. This has been complemented by the Cascade range. The premium domestic beer segment experienced a 5% CAGR increase in the two years ended 30 June 2010;

- CUB also occupies 37% of the new style regular segment, with Pure Blonde and the fastest growing new style brand being Carlton Dry. CUB has also successfully launched Carlton Dry Fusion Lime, Lemon and Black which are flavoured beers. The new style regular segment experienced a 20% CAGR increase in the two years ended 30 June 2010;

- craft beer represents a small but fast growing beer segment in Australia, experiencing a 32% CAGR in the two years ended 30 June 2010. CUB launched craft beer, Matilda Bay Fat Yak, in 2008 and it is the fastest growing craft beer. However, CUB occupied only 26% of this segment as at 30 June 2010; and

- the international premium beer segment is more fragmented than the other segments. CUB occupies the dominant market position as a result of Corona Extra representing Australia's largest imported premium beer, the strong contribution from Stella Artois which is the third largest imported premium beer (manufactured locally) and the manufacturing and distribution rights for Carlsberg. The international premium beer category experienced a 14% CAGR increase in the two years ended 30 June 2010. This has been driven by an increase in the number of brands in the market and the price reductions relative to full-strength beer.

CUB also has a 71% value share of the total off-premise cider market by value, which is dominated by its Strongbow brand. CUB's other cider brands are Bulmers and Mercury. Cider is the fastest growing alcohol category in Australia.

In addition, CUB has a portfolio of spirits, RTD's and non-alcohol beverages that are either owned by or licensed to, CUB. In the spirits and RTD category, CUB's strongest performing brands are Cougar bourbon (the fifth most popular bourbon) and Black Douglas (the second most popular scotch). Non-alcohol beverage brands include Torquay waters and the Cascade range of fruit juices and soft drinks.

Although CUB does not have the level of market dominance in other beverage segments as it does in the beer market, it is well positioned to grow these brands by leveraging CUB's brand building and distribution capabilities.

CUB operates two of Australia's largest breweries, the Yatala brewery in Queensland and the Abbotsford brewery in Melbourne, as well as two smaller breweries, being the historic Cascade brewery in Tasmania and a boutique craft beer facility in Melbourne. In addition, CUB operates a cider facility in Campbelltown in New South Wales. The following table sets out the key products manufactured at each of these facilities:

CUB – Major Production Facilities	
Brewery	**Key Products Produced**
Abbotsford, VIC	Primarily beer in bottles, cans and kegs. Also produces kegs of spirits such as Cougar and Bundaberg
Yatala, QLD	Primarily beer in bottles, cans and kegs
Matilda Bay Garage, VIC	Kegs and bottles of specialty beers
Cascade Brewery, TAS	Cascade and some other specialty beers in bottles, cans and kegs
Campbelltown, NSW	Cider

Source: Foster's

CUB also operates breweries in Fiji and Samoa and a distillery in Fiji.

CUB is investing in its production network to increase flexibility and better meet customer and consumer demands through innovative packaging solutions, as well as low carbohydrate and flavoured beers.

Distribution arrangements with retailers (off-premise) and pubs and hotels (on-premise) are critical in the Australian beer market. Off-premise is the dominant beer sales channel, accounting for approximately 70% of all beer sold.

The national accounts of Wesfarmers (through its Coles supermarket Liquorland, Vintage Cellars and 1st Choice outlets) and Woolworths (through its Woolworths and Safeway supermarket outlets, Dan Murphy's and BWS stores) are an increasingly significant component of CUB's spirits, RTD and cider beverage sales.

CUB primarily deals directly with its customers, however it has established relationships and trading terms with two major wholesalers: Australian Liquor Marketers ("ALM") and Liquor Marketing Group ("LMG"). ALM is owned by Metcash and is Australia's largest independent liquor wholesaler, owning a number of liquor stores including Cellarbrations, Bottle-O, IGA, Thirsty Camel and Harbottle. LMG is the largest independent hotel banner and marketing group with a number of stores including Bottlemart, Hotel Liquor Wholesalers, Sip'n Save and Western Cellars.

International Beer

Americas

New Foster's North American operations consist of arrangements with a limited liability company owned by MillerCoors and Foster's in the United States and Molson Coors in Canada for the brewing, packaging, marketing, distribution and sale of Foster's Lager.

EMEA

In the EMEA region, Foster's markets a range of beer products direct to customers and using local distributors. Key markets include the United Kingdom and the Middle East. While Foster's has sold the rights to the Foster's brand in Europe, the brand is distributed in the Middle East and African markets through partnerships and licensing arrangements. Foster's also owns 39.95% of African and Eastern Dubai and African & Eastern Oman (together "A&E") in the Middle East. A&E is an alcohol distribution company. A&E markets the major international liquor brands (including New Foster's beer) in the Emirate of Dubai and country of Oman respectively. In Dubai, A&E is one of only two Dubai alcoholic beverages businesses and has a market share of around 40%. During 2004, it secured the exclusive distribution rights for Diageo brands in Dubai.

New Foster's has limited arrangements in Africa. The Foster's brand is sold through distributors in various countries including Nigeria, Kenya and Tanzania on an order-by-order basis.

New Foster's has direct distribution arrangements with retailers in the United Kingdom.

New Zealand

New Foster's distributes a range of beer, cider and spirits products in New Zealand. The market is extremely competitive across all segments and there has been an ongoing focus on building profitability though premium products within the portfolio.

Asia

New Foster's has an export business into Asia, which primarily includes the sale of Foster's Lager. Key export markets include Vietnam, Japan, Korea, Taiwan, Bangladesh, Malaysia, Singapore and Thailand. In addition, New Foster's participates in a joint venture licensing arrangement with Asia Pacific Breweries in Vietnam.

5.2.2 Strategy

As stated by Foster's:

"New Foster's strategic agenda is a multi-stage programme involving an initial period of short term imperatives (already commenced) designed to stabilise the business and build momentum (the "Urgent Agenda"), followed by longer term imperatives targeted at delivering full potential across the business (the "Full Potential Strategy"). Combined, these programmes are intended to deliver sustainable growth and returns while maintaining New Foster's strong margins, asset efficiency and cash flow.

The Urgent Agenda imperatives include:

- *align to "must win" battles;*
- *win in-store;*
- *win on-premise;*
- *execution excellence;*
- *invest in brand strength and momentum; and*
- *drive operational excellence.*

The Full Potential Strategy is based on five strategic imperatives aimed at delivering full potential across the business:

- *bring the "core" business to full potential first;*
- *target cost leadership;*
- *achieve consumer-led growth;*
- *out-invest and out-execute the competition; and*
- *lead industry evolution and aggressively defend the core."*

Refer to Section 6.1 of the Booklet for further detail in relation to New Foster's Urgent Agenda and Full Potential Strategy.

5.2.3 Financial Performance

The pro forma historical financial performance of New Foster's for the financial years ended 30 June 2008, 30 June 2009 and 30 June 2010, and for the half year ended 31 December 2010 is summarised below:

New Foster's – Pro Forma Financial Performance ($ millions)				
	Year ended 30 June			Half year ended 31 Dec 2010
	2008 pro forma	2009 pro forma	2010 pro forma	pro forma
Volume (millions 9 litre equivalent)	117.5	116.5	113.8	57.8
Net Sales Revenue				
CUB	2,220.4	2,279.2	2,337.1	1,199.9
International Beer	66.9	67.1	58.3	26.7
Total Net Sales Revenue	**2,287.3**	**2,346.3**	**2,395.4**	**1,226.6**
Other revenue	165.7	181.9	160.8	79.4
Total Revenue	**2,453.0**	**2,528.2**	**2,556.2**	**1,306.0**
EBIT				
CUB	838.0	852.4	894.8	447.5
International Beer	17.2	25.6	19.0	10.1
Unallocated costs [25]	(42.2)	(19.0)	(29.3)	(22.3)
EBIT before individually material items [26]	**813.0**	**859.0**	**884.5**	**435.4**
Individually material items	-	(45.5)	0.6	-
EBIT after individually material items [27]	**813.0**	**813.5**	**885.1**	**435.4**
Net sales revenue growth[28] (%)	*na*	*2.6%*	*2.1%*	*na*
EBIT growth[28] (%)	*na*	*5.7%*	*3.0%*	*na*
EBIT margin[28] (%)	*35.5%*	*36.6%*	*36.9%*	*35.5%*

Source: Booklet and Grant Samuel analysis

25 Unallocated costs represents the net amount of the estimated corporate and operating costs necessary to operate New Foster's as a separate legal entity which have not previously been allocated in segment EBIT.

26 EBIT is earnings before net interest, tax, investment income and material and non-recurring items.

27 EBIT is earnings before net interest, tax, investment income and material and non-recurring items.

28 Ratios are calculated before individually material items.

The pro forma summary of financial performance represents the adjusted historical earnings of New Foster's after deducting the historical performance of the Treasury Wine Estates business. Pro forma adjustments for net financing costs and tax have not been made because the financing arrangements under which Foster's operated during the above periods may not reflect the financing arrangements of New Foster's following the Proposed Demerger. In addition, although the Foster's Australian tax consolidated group will remain in place, it will no longer incorporate the assessable income and allowable deductions attributable to Treasury Wine Estates given Treasury Wine Estates Limited and its Australian subsidiaries will no longer be members of that consolidated group after the Proposed Demerger.

The pro forma summary of financial performance assumes that the Proposed Demerger was effective from 1 July 2007. It assumes that New Foster's and Treasury Wine Estates would have incurred additional corporate and operating costs of $21.6 million per annum had the Proposed Demerger been effected for the financial year ended 30 June 2010. Refer to Section 7.8 of the Booklet for further details.

The pro forma financial performance represents the historical financial performance of New Foster's after deducting Treasury Wine Estates' historical financial performance as it operated in the context of Foster's, but does not purport to represent the New Foster's performance that would have occurred had Treasury Wine Estates been a standalone entity during that period.

Detailed pro forma financial information for New Foster's after the Proposed Demerger is set out in Section 7 of the Booklet. Pro forma financial information has been prepared by Foster's and reviewed by the Investigating Accountant, PwC Securities. PwC Securities' report is set out in Section 10 of the Booklet.

The financial policies (including dividend policies) of New Foster's will be at the discretion of the Board after the Proposed Demerger and may change over time. The Foster's Board anticipates that New Foster's will target a dividend payout ratio of not less than 80% of net profit after tax[29]. New Foster's intends to frank its dividends to the maximum extent practicable. It is expected that the final dividends for the year ending 30 June 2011 for New Foster's and Treasury Wine Estates combined will be equivalent (excluding franking) to the final dividend that Foster's would announce if the Proposed Demerger did not proceed. The combined franking credits attached to the final dividends of New Foster's and Treasury Wine Estates for the 2011 financial year are likely to be less than the franking credits that would otherwise attach to a final dividend declared by Foster's.

[29] Excluding individually material items and subject to Corporations Act dividend payment restrictions.

5.2.4 Financial Position

The pro forma financial position of New Foster's as at 31 December 2010 is summarised below:

New Foster's – Pro Forma Summary Financial Position ($ millions)	As at 31 December 2010
Debtors and prepayments	635.6
Inventories	159.1
Creditors, accruals and employee provisions	(555.4)
Net working capital	**239.3**
Property, plant and equipment (net)	671.9
Intangible assets	798.7
Investments accounted for using the equity method	62.8
Derivative financial instruments (net)	67.1
Inventories (non-current)	14.2
Tax liabilities (net)	(170.3)
Other (net)	(0.5)
Total funds employed	**1,683.2**
Cash and deposits	71.3
Bank loans, other loans and finance leases	(1,954.6)
Net borrowings	**(1,883.3)**
Net assets/(liabilities)	**(200.1)**
Statistics	
Shares on issue at period end (million)	*1,935.4*
Net assets per share ($)	*(0.10)*
NTA[30] per share ($)	*(0.52)*
Gearing (%),[31]	*90.4%*

Source: Booklet and Grant Samuel analysis

The pro forma statement of financial position of New Foster's assumes:

- the Proposed Demerger was effected and completed on 31 December 2010;
- all of the Wine business' assets and liabilities were aligned with Treasury Wine Estates at their historical book value;
- a non-cash adjustment of $10.9 million is made to reflect the derecognition of certain deferred tax assets as a result of the separation of New Foster's and Treasury Wine Estates. These assets may be reinstated in the future in the event that relevant accounting and tax requirements are satisfied;
- the settlement of intercompany debt by Treasury Wine Estates to New Foster's of $167.0 million through the draw down of external debt; and

30 NTA is net tangible assets, which is calculated as net assets less intangible assets.

31 Gearing is net borrowings divided by net assets plus net borrowings.

- transaction costs of $151.4 million before tax ($107.5 million after tax) are incurred by New Foster's in association with the Proposed Demerger (of which $29.9 million had been recognised as at 31 December 2010).

The net liability position of New Foster's is primarily due to the existing long term borrowings of Foster's remaining with New Foster's, which exceeds the historical cost of CUB's beer brands and goodwill assets, which in some instances is zero (accounting policies do not currently permit these assets to be revalued to fair value).

New Foster's will retain all of Foster's existing debt following the Proposed Demerger. Foster's currently has a combination of bank debt and non-bank raised on capital markets. The facilities of New Foster's as at 31 December 2010 are summarised below:

New Foster's – Debt Facilities as at 31 December 2010

	Year of maturity	Currency ($millions)	Interest rate
Bank bilateral multi-option facilities	2011	A$240	Floating
Bank bilateral multi-option facilities	2011	US$25	Floating
Bank bilateral multi-option facilities	2012	A$100	Floating
Bank syndicated multi-currency revolving facility	2011	£200	Floating
Bank syndicated multi-currency revolving facilities	2012	US$635	Floating
US$144A notes	2011	US$270	Fixed
US$144A notes	2014	US$300	Fixed
US$144A notes	2015	US$700	Fixed
US$144A notes	2016	US$300	Fixed
US$144A notes	2035	US$300	Fixed

Source: Foster's

In addition to the above, New Foster's will also have an uncommitted A$500 million commercial paper and medium term note program.

New Foster's United States dollar-denominated debt will be swapped into Australian dollars to limit the potential negative exposure resulting from movements in the United States dollar against the Australian dollar. New Foster's will also seek to mitigate risk from adverse movements in interest rates, foreign currencies and commodity prices through the use of interest rate and cross currency swaps and options, as well as other short and medium-term derivatives.

New Foster's is expected to retain Foster's current investment grade BBB and Baa2 credit ratings from Standard & Poor's ("S&P") and Moody's Investor Services ("Moody's") respectively.

Foster's currently anticipates that the Proposed Demerger will adversely impact the ability of New Foster's to claim the benefit of certain deferred tax assets that would have been received by Foster's over a number of financial years. The extent of the benefits lost will be impacted by a range of factors including interest rates and exchange rates over this period. It is possible that these assets may be reinstated in the future in the event that relevant accounting and tax requirements are satisfied.

Tax losses recognised as part of the deferred tax balances in New Foster's pro forma balance sheet as at 31 December 2010 are expected to remain available to New Foster's (unless they have subsequently been applied against taxable income). However, the ability of New Foster's to obtain the benefit of these existing tax losses will depend on future circumstances.

Foster's has substantial tax losses that have not been used, that are currently subject of dispute pursuant to the Ashwick litigation. These losses may be available if the matter is resolved in favour of Foster's (subject to certain contingencies). These losses total approximately $1.5 billion and have not been brought to account. The potential tax benefit of these losses is $447.5 million. New Foster's will assume the economic benefit, risks and liabilities of that dispute. Further details are set out in Section 7.10 of the Booklet.

Foster's is also involved in an additional tax dispute with the ATO relating to a capital loss. Foster's has made a payment of $33.3 million pending resolution of the dispute. New Foster's will assume the economic benefit, risks and liabilities of that dispute. Further information on this matter is contained in Section 7.11 of the Booklet.

A detailed pro forma statement of financial position is set out in Section 7 of the Booklet. The pro forma statement of financial position has been prepared by Foster's and reviewed by the Investigating Accountant, PwC Securities. PwC Securities' report is set out in Section 10 of the Booklet.

5.2.5 Cash Flow

The pro forma operating cash flows of New Foster's are summarised below:

New Foster's – Pro Forma Cash Flow ($ millions)

	Year ended 30 June			Half year ended
	2008 pro forma	2009 pro forma	2010 pro forma	31 Dec 2010 pro forma
Pro forma EBITDA before individually material items	**885.4**	**933.8**	**947.7**	**462.3**
Changes in working capital	20.4	(25.0)	5.2	0.2
Capital expenditure (net)	(61.5)	(86.7)	(86.1)	(53.0)
Operating cash flow	**844.3**	**822.1**	**866.8**	**409.5**
Net profit on sale of businesses, property, plant and equipment	(30.3)	(7.1)	(2.7)	1.3
Share of associates net (profit)/loss	(11.5)	(15.6)	(12.0)	(7.0)
Other non-cash items	19.7	(15.1)	7.4	1.4
Net operating cash flows after capex, before financing activities and tax	**822.2**	**784.3**	**859.5**	**405.2**

Source: Booklet and Grant Samuel analysis

The pro forma operating cash flows of New Foster's have been presented before financing activities and income tax and after capital expenditure because the financing arrangements under which Foster's businesses operated during the above periods may not reflect the financing arrangements of New Foster's following the Proposed Demerger. Further, although the Foster's Australian tax consolidated group will remain in place, it will no longer incorporate the assessable income and allowable deductions attributable to Treasury Wine Estates given Treasury Wine Estates and its Australian subsidiaries will no longer be members of that consolidated group after the Proposed Demerger.

5.2.6 Directors and Management

Until the date of the Proposed Demerger, the Board of Foster's will remain unchanged. However, upon implementation of the Proposed Demerger, the New Foster's Board will be reconstituted to comprise the following directors:

- David Crawford AO – Chairman and Non-Executive Director;
- John Pollaers – Chief Executive Officer and Executive Director;
- Paul Clinton – Non-Executive Director;
- Michael Ullmer – Non-Executive Director;
- Paula Dwyer – Non-Executive Director;
- Judith Swales – Non-Executive Director; and
- Michael Wesslink – Non-Executive Director.

Foster's current Chief Executive Officer, Ian Johnston will leave Foster's upon implementation of the Proposed Demerger. John Pollaers is currently the Managing Director of Foster's Australian and Pacific beer business, CUB.

5.3 Treasury Wine Estates

5.3.1 Operations

Treasury Wine Estates is an international wine business with a portfolio of luxury, premium and commercial wines. It has a portfolio of over 50 wine brands, including wines from Australia, the United States (California), New Zealand (Marlborough), Italy (Tuscany), Argentina, Chile and South Africa, with significant market positions in key new world wine markets in Australia, New Zealand, North America, Europe and Asia. Treasury Wine Estates' largest markets are the United States and Australia, where it sells both domestically produced and imported wine. Treasury Wine Estates' operations are managed via four regional business units – ANZ, Americas, EMEA and Asia.

ANZ

Treasury Wine Estates' ANZ operations comprise the production, sale and marketing of wine within Australia and New Zealand.

Treasury Wine Estates is the leading wine company in Australia, with more than 22% value share in the bottled wine market and four of the top ten bottled wine brands sold by value, including the second and third largest brands, Yellowglen and Wolf Blass. Key competitors to Treasury Wine Estates in the region include Pernod Ricard, Accolade Wines (formerly part of Constellation Brands Inc ("Constellation Brands")), McWilliam's Wines and Brown Brothers.

Treasury Wine Estates has interests in two joint ventures in the ANZ region:

- Vok Beverages – In October 2009, Foster's announced the transfer of 13 of its Australian wine brands to a 50:50 joint venture between Foster's and Vok Beverages Pty Ltd ("Vok Beverages"). Under the joint venture, Vok Beverages assumed responsibility for the marketing, sales and management of the brands from 1 December 2009. Foster's continues to produce wine for the joint venture; and

- Rapaura Vinters – Treasury Wine Estates has a 50% interest in Rapaura Vinters Limited ("Rapaura Vinters"), a contract winery in Marlborough, New Zealand. Babich Wines Limited ("Babich") owns the remaining 50%. Rapaura Vinters produces wines for Babich, Vasavour and Foster's own Matua Valley label.

Treasury Wine Estates owns or leases 9,404 hectares of vineyards in Australia, including vineyards in the Barossa Valley and Coonawarra regions. In recent times, the Australian and New Zealand wine industries have experienced an ongoing oversupply of grapes, resulting in increased competition and lower prices. In the 2010 Australian vintage, Treasury Wine Estates sourced approximately 28% of its total requirements from owned or leased vineyards, 49% through the purchase of grapes from third party growers and 23% through the purchase of bulk wine.

In the year ended 30 June 2010, Treasury Wine Estates sold approximately 22.8 million 9-litre equivalent cases of wine produced in Australia, which represented approximately 63% of Treasury Wine Estates' total wine volume. Treasury Wine Estates owns and operates eleven wineries in Australia. Premium and luxury wines are primarily produced at the Penfolds and Wolf Blass facilities in South Australia. Karadoc, in north western Victoria, is Treasury Wine Estates' largest commercial wine making facility. The Karadoc facility is a key network hub used for blending and blend management and is focussed on lower cost and lower grade wine production. Karadoc also incorporates consolidated commercial sparkling wine production, blending and packaging capacity.

The majority of Treasury Wine Estates' bottling and packaging activities in Australia have been centralised and are carried out at the high speed bottling lines at the Wolf Blass packaging centre.

The majority of off-premise wine sales in Australia are made through major liquor retail outlets owned by Wesfarmers (through its Coles supermarkets' Liquorland, Vintage Cellars and 1st Choice outlets) and Woolworths (through its Woolworths and Safeway supermarket outlets, Dan Murphy's and BWS outlets). In recent years, Wesfarmers and Woolworths have also established private label wine brands. Third party wholesalers are used to reach independents and regional areas.

Americas

The Americas business comprises the production, sale and marketing of wine within the region, which includes the United States and Canada.

Treasury Wine Estates is the second largest supplier of Australian wine in the United States with a 26% value market share and a leading supplier of Australian wine in Canada, with a 36% value market share. It is also the third largest wine supplier in the United States, with the leading premium brand, Beringer. Key competitors to Treasury Wine Estates in the Americas region include Constellation Brands, E&J Gallo, W.J. Deutsch, Kendall Jackson, Trinchero Family Estates, Diageo and Pernod Ricard.

Treasury Wine Estates has a 70% interest in a joint venture arrangement with Great White Shark Enterprises. Established in 1999, Treasury Wine Estates entered into a joint venture arrangement with Great White Shark Enterprises to produce, market and sell wine under the Greg Norman name. Wines are currently produced in Australia and California and sold predominately in North America.

Wine consumption in the United States is growing faster than the overall beverage alcohol market in both volume and value terms. Per capita annual consumption has grown to around 8.7 litres annually in the United States, well below Western European and Australian levels.

Imported Australian wines face continuing competition from other new world wine regions, particularly Argentina and Chile, with the high Australian dollar impacting the competitiveness of Australian wine.

The Treasury Wine Estates brand portfolio of United States originated wines is summarised below:

Treasury Wine Estates Americas – Brand Portfolio	
Beringer Vineyards	Meridien
Campanile (Italian)	Santa Barbara
Cellar No. 8	Souverain
Chateau St Jean	St Clement
Etude	Stags' Leap

Source: Foster's

The Americas' luxury brands include Beringer, Stag's Leap and Chateau St Jean, with the iconic Beringer Private Reserve Chardonnay and Cabernet Sauvignon featuring prominently in major restaurants and hotels across the United States.

Treasury Wine Estates owns or leases approximately 2,435 hectares of vineyards in California, specifically in the Napa Valley, Sonoma Valley and Santa Barbara regions.
In the year ended 30 June 2010, Treasury Wine Estates sold approximately 11.4 million 9-litre equivalent cases of Californian produced wine, which represented approximately 32% of Treasury Wine Estates' total wine production. Treasury Wine Estates operates seven wineries in California. Premium wines are primarily produced at the Asti winery in Sonoma and the Meridian winery on the Central Coast. Luxury wines are produced at Chateau St Jean, Beringer and estate wineries Stags' Leap, Etude and St Clement.

Treasury Wine Estates' packaging facilities in United States have been consolidated in recent times and are concentrated at the high speed Napa Bottling Centre in California (with the exception of luxury estate bottled wines).

The majority of wine volumes in the United States are delivered through the off-premise channel (e.g. supermarkets, club stores and liquor stores), with the balance of volumes through the on-premise sector (e.g. restaurants, hotels, resorts, airlines and cruise ships).

In the United States, the regulation of the sale of wine in most states requires suppliers to sell their products to distributors who in turn are restricted to selling products to retailers in that state in both the on-premise and off-premise channels. As a result, the majority of all wine supplied by Treasury Wine Estates to United States markets is sold via distributors.

Treasury Wine Estates has successfully completed the first phase of its distributor alignment program with new long term agreements in place in 15 states that represent approximately 50% of Treasury Wine Estates' United States volumes. The new distributor arrangements create a shared ambition with aligned performance metrics to drive growth in Treasury Wine Estates Americas' portfolio, and to support new product development. This program will be progressively extended to other States.

In Canada, regulation in nearly all provinces requires all alcohol beverages to be distributed and sold to consumers through provincial Liquor Control Boards or Commissions, with sales to major retailers only permitted in some provinces. A direct sales function is therefore maintained by Treasury Wine Estates in Canada for sales to the Liquor Control Boards and for sales to major retailers where this is permitted.

EMEA

The EMEA business comprises the sale and marketing of Treasury Wine Estates' Australian, New Zealand and United States-originated wines within the EMEA region, focussing on non-wine producing European markets such as the United Kingdom, Ireland, the Nordics and the Netherlands. Treasury Wine Estates also owns and produces wine at Castello di Gabiano winery in Tuscany Italy, which is distributed in Europe, Australia, the United States and Canada. Treasury Wine Estates also sources wine from other countries of origin such as Italy, Argentina, Chile and South Africa.

Treasury Wine Estates is the second largest supplier of Australian wine in the United Kingdom (with a 19% value share). The United Kingdom is the largest importer of wine by value in the world. Sales from new world countries have been growing at the expense of European producers. Whilst Australia is the largest exporter by value to the United Kingdom, in recent years the Australian and United States-produced share of the total market has been eroded by lower priced brands from South Africa and Chile. In the United Kingdom, the bulk of wine sales are controlled by the major supermarket chains, as specialist and independent retailers struggle to remain price competitive. Retail consolidation in the United Kingdom has increased, with the four major retailers accounting for a significant proportion of the off-premise trade (off-premise trade comprises approximately 80-90% of all wine sales in the United Kingdom).

The Nordic region has evolved to be a key region for Treasury Wine Estates in recent years, with Treasury Wine Estates now the largest supplier by value of Australian wine in Sweden and Norway. Wine consumption is becoming popular and widespread in these rapidly growing markets, although consumption annual per capita remains below Continental European levels. These markets are subject to a higher level of regulation than the United Kingdom, including control by state-owned monopoly retailers that provide a stable retail environment and a low level of market volatility.

The EMEA business distributes wines directly to retailers in the United Kingdom and in the off-premise channel in many parts of Continental Europe. Third party distributors are used to distribute wines in the on-premise market in the United Kingdom, and to on-premise and off-premise customers in Ireland. The transition to direct distribution in key Nordic markets was completed in the second half of the 2009 financial year.

Key competitors to Treasury Wine Estates in this region are Accolade Wines (formerly part of Constellation Brands), Constellation Brands, Diageo, E&J Gallo and Pernod Ricard.

Asia

Treasury Wine Estates' Asia business comprises the sale and marketing of Australian, United States, New Zealand and European-bottled wine in Asia. Treasury Wine Estates Asia is the supplier of the highest selling brand in the Australian wine category in Hong Kong, Malaysia, Singapore and Thailand. Key competitors to Treasury Wine Estates in this region include Accolade Wines (formerly part of Constellation Brands), Constellation Brands, E&J Gallo, The Wine Group, Pernod Ricard and Diageo.

In January 2010, Treasury Wine Estates relocated its Asian business leadership team and head office to Singapore and focussed operations on three sub-regions:

- Greater China: with market focus on China, Hong Kong, Taiwan and Korea;
- South East Asia: with market focus on Singapore, Malaysia and Thailand; and
- Japan.

Treasury Wine Estates' Asia business operates through three regional sales offices in Shanghai, Tokyo and Singapore, supported by sales offices in Hong Kong and Taipei.

Treasury Wine Estates currently has two distributors (ASC and Jensens) that are predominantly involved in the sale of five Treasury Wine Estates foundation brands (Wolf Blass, Penfolds, Beringer, Lindemans and Rosemount).

Approximately 50% of wine volume in Asia is sold in the off-premise channel, largely through modern retailers and western-style retail formats. The balance is sold through the on-premise channel, with the focus on premium hotels and restaurants.

5.3.2 Strategy

As stated by Foster's:

"Treasury Wine Estates aims to build sustainable shareholder value with a focus on improving margins and asset efficiency and maintaining strong cash conversion.

Key shorter term priorities are focussed on embedding a sustainable business platform for Treasury Wine Estates, including:

- *driving profitable share growth with a bias towards premium segments in existing markets;*
- *leveraging Treasury Wine Estates' flexible and efficient production model to manage variability in the wine supply cycle;*
- *continued performance improvement initiatives; and*
- *realising the benefits of the Demerger including delivering a more efficient stand-alone operating structure.*

Key longer term priorities are focussed on pursuing profitable growth and include:

- *maintaining exceptional brand franchises across Treasury Wine Estates' portfolio;*
- *evolving the flexible and efficient production model;*
- *pursuing longer term growth opportunities with a focus on Asia and other core markets;*
- *exploring profitable portfolio expansion opportunities; and*
- *embedding a dedicated commercial wine culture with a single minded wine ethos focussed on financial outcomes."*

Refer to Section 4.1 of the Booklet for further information in relation to the strategy of Treasury Wine Estates.

5.3.3 Financial Performance

The pro forma financial performance of Treasury Wine Estates for the financial years ended 30 June 2008, 30 June 2009, 30 June 2010 and the half year ended 31 December 2010, is summarised below:

Treasury Wine Estates – Pro Forma Financial Performance ($ millions)				
	Year ended 30 June			Half year ended 31 Dec 2010 pro forma
	2008 pro forma	2009 pro forma	2010 pro forma	
Volume (millions 9 litre equivalent)	38.6	36.5	35.6	18.0
Net Sales Revenue				
ANZ	602.0	598.8	554.5	294.3
Americas	978.3	1,093.2	933.0	431.3
EMEA	431.6	381.6	336.4	166.8
Asia	73.5	71.2	66.3	31.3
Total Net Sales Revenue	**2,085.4**	**2,144.8**	**1,890.2**	**923.7**
Other revenue	20.4	11.5	14.5	8.3
Total Revenue	**2,105.8**	**2,156.3**	**1,904.7**	**932.0**
EBITS				
ANZ	77.8	78.9	84.1	44.7
Americas	146.6	159.3	107.4	54.2
EMEA	77.9	45.4	15.0	(0.5)
Asia	29.0	27.8	23.1	6.6
Unallocated costs[32]	(27.0)	(27.0)	(27.0)	(13.5)
EBITS [33]	**304.3**	**284.4**	**202.6**	**91.5**
SGARA	1.9	(21.9)	(18.0)	(5.2)
EBIT before individually material items [34]	**306.2**	**262.5**	**184.6**	**86.3**
Individually material items	(730.4)	(319.6)	(1,264.7)	-
EBIT after individually material items [34]	**(424.2)**	**(57.1)**	**(1,080.1)**	**86.3**
Net sales revenue growth[35] (%)	*na*	*2.8%*	*(11.9%)*	*na*
EBITS growth[35] (%)	*na*	*(6.5%)*	*(28.8%)*	*na*
EBITS margin[35] (%)	*14.6%*	*13.3%*	*10.7%*	*9.9%*

Source: Booklet and Grant Samuel analysis

Treasury Wine Estates' pro forma summary of historical financial performance represents the adjusted historical earnings of all the operations and assets of Treasury Wine Estates transferred, or to be transferred, by Foster's to Treasury Wine Estates Limited. Treasury Wine Estates pro forma historical financial performance has been presented before net financing costs and income tax. Treasury Wine Estates did not previously have separate financing arrangements and the application of the Australian tax laws in relation to the assets and operations of Treasury Wine Estates as part of the Foster's Australian tax consolidated group will not necessarily reflect their application to Treasury Wine Estates once it forms its own Australian tax consolidated group. The above periods do not reflect the anticipated financing arrangements of Treasury Wine Estates following the Proposed Demerger.

32 Unallocated costs represents the net amount of the estimated corporate and operating costs necessary to operate Treasury Wine Estates as a separate legal entity which have not previously been allocated in segment EBITS.

33 EBITS is earnings before net interest, tax, investment income, material and non-recurring items and SGARA, where SGARA is self generating and regenerating assets as defined in AASB 141 Agriculture.

34 EBIT is earnings before net interest, tax, investment income and material and non-recurring items.

35 Ratios are calculated before individually material items.

The pro forma historical financial information has been prepared on the basis that the Proposed Demerger was completed on 1 July 2007. It assumes that New Foster's and Treasury Wine Estates would have incurred additional corporate and operating costs of $21.6 million per annum had the Proposed Demerger been effected for the financial year ended 30 June 2010. Refer to Section 7.8 of the Booklet for further details.

Detailed pro forma financial information for Treasury Wine Estates is set out in Section 5 of the Booklet. The pro forma financial information has been prepared by Foster's and reviewed by the Investigating Accountant, PwC Securities. PwC Securities' report is set out in Section 10 of the Booklet.

Treasury Wine Estates' dividend policy will be determined by the Treasury Wine Estates Board at its discretion and may change over time. The current Treasury Wine Estates Board has confirmed that it intends to target a dividend payout ratio of between 55% and 70% of Treasury Wine Estates' consolidated net profit after tax[36] as dividends to Treasury Wine Estates shareholders. Treasury Wine Estates intends to frank its dividends to the extent practicable. However, whether any given dividend can be franked will depend on Treasury Wine Estates' franking account balance. Upon implementation of the Proposed Demerger, Treasury Wine Estates' franking account balance will be zero. The franking account balance thereafter will depend on the amount of Australian tax paid by Treasury Wine Estates. As Treasury Wine Estates will operate in a number of geographical regions, a substantial proportion of Treasury Wine Estates' earnings will be derived outside of Australia and therefore will not be subject to Australian income tax. Accordingly, it is unlikely, at least in the short term that Treasury Wine Estates will be able to pay fully franked dividends.

It is expected that the final dividends for the year ending 30 June 2011 for New Foster's and Treasury Wine Estates combined will be equivalent (excluding franking) to the final dividend that Foster's would announce if the Proposed Demerger did not proceed. The combined franking credits attached to the final dividends of New Foster's and Treasury Wine Estates for the 2011 financial year are likely to be less than the franking credits that would otherwise attach to a final dividend declared by Foster's.

[36] Excluding individually material items and subject to Corporations Act dividend payment restrictions.

5.3.4 Financial Position

The pro forma statement of financial position of Treasury Wine Estates as at 31 December 2010 is summarised below:

Treasury Wine Estates – Pro Forma Summary Financial Position ($ millions)	As at 31 December 2010
Debtors and prepayments	452.5
Inventories	767.2
Creditors, accruals and employee provisions	(418.7)
Net working capital	**801.0**
Agricultural assets	180.0
Property, plant and equipment (net)	912.7
Intangible assets	920.0
Investments accounted for using the equity method	8.7
Assets classified as held for sale (net)	23.7
Inventories (non-current)	279.3
Tax liabilities (net)	(92.2)
Other (net)	(1.9)
Total funds employed	**3,031.3**
Cash and deposits	60.0
Bank loans, other loans and finance leases	(201.1)
Net borrowings	**(141.1)**
Net assets	**2,890.2**
Outside equity interests	-
Equity attributable to Treasury Wine Estates' shareholders	**2,890.2**
Statistics	
Shares on issue at period end (million)	645.1
Net assets per share ($)	4.48
NTA[37] per share ($)	3.05
Gearing (%)[38]	*5.1%*

Source: Booklet and Grant Samuel analysis

The pro forma statement of financial position for Treasury Wine Estates assumes:

- the Proposed Demerger occurred on 31 December 2010;
- all assets, liabilities and legal entities will be transferred from Foster's to Treasury Wine Estates at historical book value. This results in Treasury Wine Estates having net assets of approximately $2.9 billion;
- there is an allocation of Foster's deferred tax balances based on the legal ownership of the underlying asset or liability to which the deferred tax balance relates; and
- the draw down of external debt of $200.0 million by Treasury Wine Estates to settle intercompany loan accounts between New Foster's and Treasury Wine Estates of $167.0 million, with Treasury Estates retaining the balance as cash.

37 NTA is net tangible assets, which is calculated as net assets less intangible assets.

38 Gearing is net borrowings divided by net assets plus net borrowings.

Immediately following the Proposed Demerger, Treasury Wine Estates will have a multi-currency $500 million syndicated bank loan facility which is fully underwritten by Westpac Banking Corporation. The facility consists of a three year $200 million tranche and a five year $300 million tranche. It is anticipated that upon implementation of the Proposed Demerger, Treasury Wine Estates will have net debt of approximately $140 million, comprising $200 million of external debt under the new syndicated loan facility and approximately $60 million of cash (in addition to working capital). It is anticipated that all of Treasury Wine Estates' gross debt will be drawn in United States dollars. This external debt will be paid to New Foster's to settle the consideration payable as a result of the transfer of assets, liabilities and legal entities from Foster's to Treasury Wine Estates. There will be a limited number of loan balances remaining between New Foster's and Treasury Wine Estates after the Proposed Demerger, representing trading balances which will remain in place and be settled on normal commercial terms.

Treasury Wine Estates is not expected to seek a credit rating in the short term.

Treasury Wine Estates EMEA Limited currently has a receivables purchasing agreement with a facility limit of GBP 40.0 million. As at 31 December 2010, Treasury Wine Estates EMEA Limited had transferred receivables of GBP 35.9 million in exchange for cash. The retention of this receivables purchasing agreement by Treasury Wine Estates following the Proposed Demerger will require consent from the unrelated entity. Treasury Wine Estates will seek to retain this facility and, should such consent not be provided, may seek to replace this uncommitted arrangement with another unrelated entity.

Treasury Wine Estates may seek to mitigate risk from adverse movements in interest rates through the use of interest rate and cross currency swaps, forward rate agreements and interest rate options. Treasury Wine Estates may also undertake hedging of its foreign currency exposure through the use of financial derivatives, although it does not intend to undertake any material hedging prior to implementation of the Proposed Demerger.

Tax losses recognised as part of the deferred tax balances in Treasury Wine Estates' pro forma balance sheet as at 31 December 2010 are expected to remain available to Treasury Wine Estates (unless they have subsequently been applied against taxable income). However, the ability of Treasury Wine Estates to obtain the benefit of these existing tax losses will depend on future circumstances.

Further detail on the pro forma financial information for Treasury Wine Estates are set out in Section 5 of the Booklet.

5.3.5 Cash flow

The pro forma cash flow of Treasury Wine Estates are summarised below:

Treasury Wine Estates – Pro Forma Cash Flow ($ millions)				
	Year ended 30 June			Half year ended
	2008 pro forma	2009 pro forma	2010 pro forma	31 Dec 2010 pro forma
Pro forma EBITDAS before individually material items	**399.5**	**389.7**	**297.6**	**129.7**
Changes in working capital	(84.6)	101.4	122.8	(1.0)
Capital expenditure (net)	(79.3)	(99.6)	(77.7)	(18.8)
Operating cash flow	**235.6**	**391.5**	**342.7**	**109.9**
Net profit on sale of businesses, property, plant & equipment	(2.7)	(2.0)	(0.6)	(0.8)
Share of associates net (profit)/loss	-	-	(1.2)	(0.9)
Dividends received	-	1.2		-
Other non-cash items	-	(11.0)	(14.3)	1.6
Net operating cash flows after capex, before financing activities and tax	**232.9**	**379.7**	**326.6**	**109.8**

Source: Booklet and Grant Samuel analysis

As a standalone entity following the Proposed Demerger, Treasury Wine Estates will have additional cash outflows relating to financing activities, taxation and dividends. Pro forma adjustments have not been made for these items as the above periods do not reflect Treasury Wine Estates' financing facilities, tax arrangements and capital structure following the Proposed Demerger.

5.3.6 Directors and Management

Upon implementation of the Proposed Demerger, the Board of Treasury Wine Estates will comprise:

- Maxwell Ould – Chairman and Non-Executive Director;
- David Dearie – Chief Executive Officer and Executive Director;
- Margaret Lyndsey Cattermole AM – Non-Executive Director;
- Warwick Every-Burns – Non-Executive Director;
- Peter Hearl – Non-Executive Director; and
- Paul Rayner – Non-Executive Director.

David Dearie is the current Managing Director of Treasury Wine Estates ANZ.

6 Evaluation of the Proposed Demerger

6.1 Summary

In Grant Samuel's opinion, the Proposed Demerger is, on balance, in the best interests of Foster's shareholders. Foster's shareholders are ultimately likely to be better off if the Proposed Demerger is implemented than if it is not, notwithstanding the costs, disadvantages and risks.

The Proposed Demerger does not result in any change in shareholders' economic interests in the businesses currently owned by Foster's. Eligible Foster's ordinary shareholders are entitled to receive one share in Treasury Wine Estates for every three Foster's ordinary shares they own[39]. The Proposed Demerger does not involve the issue of new Foster's shares. As a result, the relative ownership interests held by each Foster's ordinary shareholder (other than ineligible overseas shareholders and electing small shareholders) in New Foster's and Treasury Wine Estates will be proportionate to their ownership interest in Foster's immediately prior to the implementation of the Proposed Demerger.

Foster's investments in the global wine market, with the acquisitions of Beringer in 2000 and Southcorp in 2005, were premised on the significant synergies and growth opportunities expected to be available. However, the investments have not been successful. The earnings performance of the Wine business has been disappointing, in part because of challenging external conditions. Adverse external circumstances have included persistent wine oversupply in Foster's key markets, the increasing power of the retail chains, growing competition from new world wine from South America and South Africa, a reduction in demand for premium wines caused by the global financial crisis and the strengthening of the Australian dollar. However, the disappointing performance has also been the results of internal factors. Foster's has been ineffective in responding to the challenges of the wine industry and its competitive position in the key markets in which it operates has deteriorated. The Foster's Wine Strategy Review concluded that initiatives in the Americas had been poorly executed and that the multi-beverage model implemented in Australia following the Southcorp acquisition had been largely unsuccessful in achieving the anticipated growth and cost efficiencies.

The Wine Strategy Review resulted in the reversal of the multi-beverage model with the operational separation of the Wine and Beer businesses in Australia, in conjunction with a number of other initiatives to improve performance. These initiatives have been completed, including delivering the target of $100 million of efficiency benefits in full by the end of the 2011 financial year. In parallel with this progress, the Board and management of Foster's have continued to assess market and economic conditions, and to consider the potential options to increase shareholder value. They believe that the timing is now right to pursue a structural separation of the Beer and Wine businesses through the Proposed Demerger.

As Foster's Beer and Wine businesses have increasingly operated independently of each other as a result of initiatives arising from the Wine Strategy Review, the Proposed Demerger is not expected to have a significant impact on the underlying businesses. Transitional service arrangements, primarily in relation to information technology, finance services, call centre services, human resource services (including back office, payroll, administration and the accounting for these services), logistics, warehousing and distribution, will apply for various time periods following the Proposed Demerger.

---

39 Rounded up or down to the nearest whole Treasury Wine Estates share.

The key benefits expected from the Proposed Demerger include:

- improving the ability of the Beer business to pursue growth opportunities and invest in brand and new product development without the potential constraints of competing capital demands from the Wine business;
- allowing the Beer and Wine businesses to establish more appropriate capital structures and financial policies having regard to the characteristics of each business. Treasury Wine Estates will require a more conservative capital structure than New Foster's given its exposure to agricultural and cyclical risks and its high asset intensity;
- providing investment flexibility for shareholders. Foster's shareholders will be able to increase or decrease their exposure to either or both of the Beer business and the Wine business in accordance with their investment and diversification appetite or mandates. The creation of a "pure" domestically focussed Beer business and "pure" international Wine business may also attract new investors that may only want exposure to one of the businesses;
- enhancing the prospects for a change of control transaction involving New Foster's and/or Treasury Wine Estates, thereby providing Foster's shareholders with the opportunity to receive a premium for control. There may be no parties interested in acquiring both the Beer and the Wine businesses. The presence of the Wine business has arguably acted as a "poison pill" for parties potentially interested in acquiring the Beer business, while parties interested only in the Wine business would be unlikely to contemplate an acquisition of all of Foster's;
- increasing the focus of the Board and management on the strategies of each of the Beer business and the Wine business, although it is acknowledged that the operational separation implemented since completion of the Wine Strategy Review, including the establishment of Treasury Wine Estates, has already improved management focus and accountability to some extent. The remuneration of the management of New Foster's and Treasury Wine Estates will also be more closely aligned to the performance of the business for which they are responsible; and
- potentially supporting an increase in the aggregate sharemarket valuation of New Foster's and Treasury Wine Estates compared to Foster's. While the potential for a further short term uplift may be modest, given the increase in the Foster's share price that occurred following the initial announcement on 26 May 2010 that it would pursue a demerger, there would be a real risk of a non-trivial fall in the Foster's share price if the Proposed Demerger was not approved.

Foster's strong share price performance since the initial demerger announcement on 26 May 2010 represents a clear market endorsement of the Proposed Demerger. The Wine business has been viewed by many investors as a major negative for Foster's. In this context the positive response to the news of the Proposed Demerger appears to represent market approval of the final unwinding of what has been an unsuccessful and costly strategy to build a major global wine business. However, Foster's shareholders should understand that the Proposed Demerger will not be a panacea for the various challenges faced by the Wine business. Treasury Wine Estates will continue, in the short term at least, to face pressures on profitability caused by factors such as global oversupply of grapes, subdued demand for premium wines and the strong Australian dollar. At the same time, New Foster's will face vigorous competition and market share pressure combined with continued low volume growth in the beer category. Moreover, Foster's has already taken steps to operationally separate the Beer and Wine businesses. Accordingly, the Proposed Demerger is unlikely to have any direct short term positive impact on the operating performance of the Wine business or the Beer business.

There are a number of costs and disadvantages associated with implementation of the Proposed Demerger, some of which result from the smaller size and less diversified position of the demerged companies:

- New Foster's and Treasury Wine Estates will be less capable of absorbing any financial stress resulting from adverse events, although Treasury Wine Estates will have a relatively conservative capital structure to mitigate this risk;
- New Foster's will incur a higher interest expense than currently incurred by Foster's as a result of the swapping of United States dollar debt obligations into Australian dollar debt obligations, although the increase will (on one view at least) be offset by a reduction in New Foster's exchange rate exposure. New Foster's is expected to retain its existing credit ratings;
- Treasury Wine Estates is likely to be excluded from the S&P/ASX 50 Index, although it is expected to qualify for inclusion in the S&P/ASX 100 Index. New Foster's is expected to be retained in the S&P/ASX 50 Index;
- Treasury Wine Estates will have a zero franking account balance following the Proposed Demerger and will generate a significant proportion of its earnings from outside Australia. Accordingly, by comparison with the franking credits that Foster's in its current form would otherwise be able to attach to its dividends, there is likely to be some reduction in the franking credits (in aggregate) attached to the dividends to be paid by New Foster's and Treasury Wine Estates, particularly in the short term; and
- there are substantial one-off costs associated with the Proposed Demerger, estimated by management to be approximately $151.4 million before tax ($107.5 million after tax). However, $74.1 million of these will have been incurred or committed to prior to the shareholder vote in relation to the Proposed Demerger. There will also be ongoing incremental costs associated with operating New Foster's and Treasury Wine Estates as separately listed entities. However, cost saving programmes undertaken by New Foster's and Treasury Wine Estates are expected to reduce the cost bases of the standalone entities and mitigate these additional administration and operating costs.

There are also risks associated with the Proposed Demerger, including the fact that Treasury Wine Estates (and its Board and management) have no track record of operating as a standalone entity.

In Grant Samuel's opinion, the Proposed Demerger is, on balance, in the best interests of Foster's shareholders. Whilst none of the benefits of the Proposed Demerger is individually compelling, the benefits are collectively meaningful. The costs, disadvantages and risks associated with the Proposed Demerger are not considered to be material in the context of the overall transaction. Many of the benefits of the Proposed Demerger involve subjective judgements about strategic, capital and shareholder flexibility rather than quantitative issues, and accordingly it is not possible to make any forecasts regarding the future market valuations of New Foster's and Treasury Wine Estates as separately listed companies. However, Foster's share price outperformance since the initial demerger announcement on 26 May 2010 represents a clear market endorsement of the Proposed Demerger. If the Proposed Demerger did not proceed there would be a real risk of a meaningful fall in the Foster's share price. Overall, Foster's shareholders are ultimately likely to be better off if the Proposed Demerger is implemented than if it does not, notwithstanding the costs, disadvantages and risks.

In addition, in Grant Samuel's opinion, the Proposed Demerger is in the best interests of holders of Foster's partly paid shares.

6.2 Background on the Proposed Demerger

The decision to pursue a demerger followed the structural reorganisation of Foster's that was implemented following the release of the Wine Strategy Review in February 2009. The Wine Strategy Review identified that initiatives implemented in the Americas had been poorly executed and that the multi-beverage strategy that was pursued in Australia following the Southcorp acquisition had been ineffective in producing the synergies that were expected, other than in distribution and back office costs. The key outcome of the Wine Strategy Review was the disbandment of the multi-beverage strategy and the separation of the Beer and Wine businesses through initiatives including:

- appointment of new senior management teams for both the Beer and the Wine businesses;
- implementation of standalone organisational structures for the Beer and the Wine businesses;
- rationalisation of the brand portfolio, vineyard divestments and optimisation of the winery portfolio of the Wine business;
- investment in additional sales force numbers in Australia for both the Beer and Wine businesses, while reducing sales, marketing and functional support overheads; and
- achievement of significant cost savings through overhead, procurement and manufacturing efficiency programs. These savings are expected to total at least $100 million (annual savings) in the 2011 financial year.

The beer, cider and spirits business returned to its former identity of Carlton & United Breweries, and the Wine business was subsequently renamed Treasury Wine Estates on 21 July 2010.

As part of the Wine Strategy Review, the Board considered a range of ownership, organisational and operational options for the Foster's Wine business to maximise shareholder value, including a sale or demerger. However, the Board concluded that it was not appropriate to proceed with any transaction at the time given the prevailing capital markets volatility and uncertain global economic environment. On 26 May 2010, following an improvement in economic conditions and capital markets, Foster's announced its intention to pursue a demerger of Treasury Wine Estates to create two separately listed companies, subject to a detailed evaluation and ongoing assessment of current market conditions.

On 15 February 2011, Foster's announced that, following its detailed evaluation process, the Board had decided to recommend the Proposed Demerger to shareholders. The Foster's Board's rationale for the Proposed Demerger includes:

- enhancing New Foster's and Treasury Wine Estates' focus on their respective businesses and strategies and providing each company with greater flexibility to pursue strategic objectives;
- allowing New Foster's and Treasury Wine Estates to adopt independent capital structures and financial policies appropriate for their operational requirements and strategic objectives;
- providing greater investment choice for shareholders, with direct participation in the future performance of Treasury Wine Estates;
- increasing transparency, allowing investors to independently and appropriately value New Foster's and Treasury Wine Estates; and
- allowing closer alignment between business performance, total shareholder value generation and compensation and incentive plans for each of Foster's and Treasury Wine Estates.

The Board's decision to demerge Treasury Wine Estates was underpinned by the objective of creating long term value for Foster's shareholders. The Board considered a number of alternatives, and unanimously concluded that the Proposed Demerger is in the best interests of Foster's shareholders.

6.3 Advantages and Benefits

6.3.1 Strategic Flexibility

The Proposed Demerger provides New Foster's and Treasury Wine Estates with an enhanced ability to pursue growth and strategic opportunities independently, whether by investment in capital assets, new product and brand development, or acquisitions, joint ventures and alliances.

Following the Proposed Demerger, New Foster's will initially continue to focus on the realignment of the brand portfolio to higher growth categories, increased brand investment and product development, improved sales execution and optimisation of the manufacturing facilities. New Foster's will be able to assess all strategic opportunities and capital investment available to it without considering the needs of Treasury Wine Estates (although there is no evidence that the Beer business has historically been starved of capital or thwarted strategically as a result of the Wine business).

Similarly, as an independent listed company, Treasury Wine Estates will be able to focus purely on executing its own strategy. Treasury Wine Estates will continue the process of focussing its brand portfolio on the premium end of the market and optimising distribution. As an international "pure play" wine company, Treasury Wine Estates will have the ability to pursue acquisitions, joint ventures, alliances or other transactions both within Australia and in key international markets, without having to compete with the Beer business for an allocation of capital. Treasury Wine Estates will have access to capital from a range of sources (debt and equity) and more flexibility to develop its businesses in emerging regions including the Nordics and Asia.

The Proposed Demerger will enable New Foster's and Treasury Wine Estates to pursue growth opportunities independently and in a manner that best suits the strategy of each entity.

6.3.2 Financial Flexibility and Efficiency

The Proposed Demerger will give both New Foster's and Treasury Wine Estates greater flexibility to manage their capital structures, allowing them to fund their operations and growth opportunities independently and in a manner that is most appropriate for the operational and financial characteristics and strategic objectives of each entity.

The appropriate gearing and financial structure for Treasury Wine Estates is quite different from that appropriate for New Foster's:

- whilst New Foster's operates predominantly in the low growth domestic brewing sector, the business generates strong, predictable cash flows; and

- Treasury Wine Estates has less predictable cash flows as a result of its agricultural exposure, the high asset intensity of its vineyard operations, and the cyclical nature of the wine industry. This uncertainty limits the amount of debt that can be incorporated into the capital structure of Treasury Wine Estates, as the business needs to be able to respond to adverse agricultural and cyclical events. It is also heavily exposed to changes in foreign exchange rates due to the significance of its activities offshore (more than 63% of pro forma EBITS for the 2010 financial year was sourced from outside Australia and New Zealand).

Consequently, it is appropriate for Treasury Wine Estates to have a lower level of gearing than New Foster's. New Foster's will have a more highly geared capital structure reflecting its more predictable cash flows. The pro forma gearing of New Foster's is summarised in the table below:

New Foster's – Pro Forma Gearing Analysis		
Parameter	**As at 30 June 2010**	**As at 31 December 2010**
Gearing[40]	80.5%	90.4%
Leverage ratio[41]	2.4	2.0

Source: Foster's and Grant Samuel analysis

New Foster's will have pro forma gearing of 90.4% as at 31 December 2010. This level of gearing is substantially higher than Foster's gearing as at 31 December 2010 of 40.9%. However, this gearing is calculated by reference to the pro forma book values of New Foster's, which show a consolidated net liability position in the pro forma balance sheet. This net liability position is the result of the allocation of all Foster's debt to New Foster's, and the fact that the carrying value of CUB's beer brands and goodwill assets (in many cases at historical cost or in some instances at zero value) is modest. If calculated by reference to estimated market values, gearing decreases significantly to a level that is broadly consistent with the gearing levels of comparable beer companies. New Foster's pro forma leverage ratio[42] as at 31 December 2010 of 2.0 times is higher than Foster's actual leverage ratio of 1.5 times as at 31 December 2010, however, it remains within levels consistent with its investment grade credit rating. In addition, New Foster's is expected to generate strong operating cash flows that, if necessary, would be available to reduce gearing levels relatively quickly.

The pro forma gearing of Treasury Wine Estates is summarised in the table below:

Treasury Wine Estates – Pro Forma Gearing Analysis		
Parameter	**As at 30 June 2010**	**As at 31 December 2010**
Gearing[43]	(2.3%)	5.1%
Leverage ratio[44]	(0.3)	0.5

Source: Foster's and Grant Samuel analysis

The pro forma gearing of Treasury Wine Estates as at 31 December 2010 of 5.1% (based on book values) and a leverage ratio of 0.5 times is extremely conservative and below the gearing levels of international listed wine companies. However, this relatively low level of gearing is considered appropriate given the ongoing challenging market conditions in the United States and Europe. Treasury Wine Estates will have access to undrawn facilities totalling approximately $300 million. It will also be able to raise capital from equity markets if deemed appropriate.

---

40 Gearing is net borrowings divided by shareholders' funds plus net borrowings. This measure is dependent on balance sheet asset valuations (e.g. whether carried at historical cost or recent valuation) and should be treated with caution.

41 Leverage ratio is net borrowings divided by EBITDA before individually material items.

42 Leverage ratio is net borrowings divided by EBITDA before individually material items and provides a measure of the level of debt supported by earnings.

43 Gearing is net borrowings divided by shareholders' funds plus net borrowings. This measure is dependent on balance sheet asset valuations (e.g. whether carried at historical cost or recent valuation) and should be treated with caution.

44 Leverage ratio is net borrowings divided by EBITDAS before individually material items.

6.3.3 Shareholder Flexibility

Immediately following the Proposed Demerger, Foster's ordinary shareholders (except ineligible overseas shareholders and electing small shareholders) will retain their existing economic exposure to Foster's assets by holding both New Foster's and Treasury Wine Estates shares. Initially at least, shareholders' interests will simply be split into two. The Proposed Demerger will provide shareholders with increased flexibility in managing their investment exposure to the domestically focussed Beer business and the international Wine business.

Notwithstanding that they both operate in the alcoholic beverages sector, the investment risk/return profile of Foster's Beer business is quite different from the risk/return profile of the Wine business. Given the different investment characteristics of New Foster's and Treasury Wine Estates, it is likely that the two companies will appeal to very different sets of investors:

- New Foster's is focussed on the domestic beer market, generating approximately 98% of pro forma EBIT for the 2010 financial year from the Australian and Pacific Beer business, CUB. It has the leading market position in a mature market with a relatively flat growth outlook. The strategy of New Foster's is to re-align the portfolio to higher growth categories, increase brand investment and product innovation, improve sales execution, and pursue production efficiencies. New Foster's generates strong cash flows and will have a dividend payout ratio of not less than 80% of net profit after tax[45]. New Foster's is likely to be able to pay fully franked dividends; and

- Treasury Wine Estates operates globally with substantial activities in Australasia (37% of pro forma EBITS in the 2010 financial year) and the Americas (47% of pro forma EBITS in the 2010 financial year). The strategy of Treasury Wine Estates is to pursue more profitable markets and channels, to focus its brand portfolio on the premium end of the market, to optimise distribution, and to realise further production efficiencies. Treasury Wine Estates is exposed to agricultural risks associated with its ownership of vineyards and the cyclicality of the wine industry. The Wine business is also exposed to exchange rate fluctuations given the international activities of the business. As a result, the Wine business is exposed to greater volatility in earnings. Treasury Wine Estates will have a lower dividend payout than New Foster's of between 55-70% of net profit after tax[46] and is unlikely to pay fully franked dividends (at least in the short term) given that it will initially have a zero franking account balance and given its substantial offshore earnings.

Because of the differences in their investment characteristics, it is likely that New Foster's and Treasury Wine Estates will appeal to different sets of investors. For example, the higher growth, lower gearing and lower dividend payout ratio of Treasury Wine Estates is likely to appeal to investors seeking capital growth, whereas New Foster's is likely to be regarded as a yield stock. Following the Proposed Demerger, shareholders will be able to make their own investment exposure decisions and shift their relative exposures to the Beer business of New Foster's or the Wine business of Treasury Wine Estates, as they see fit. At present, shareholders must have an exposure to both the Beer and Wine businesses or no exposure at all. The Proposed Demerger should increase the investment appeal of the Beer and Wine businesses to investors who wish to invest in specific sectors and may attract investors who would not choose to invest in Foster's in its current form.

[45] Excluding individually material items and subject to the Corporations Act.

[46] Excluding individually material items and subject to the Corporations Act.

It is likely that following the Proposed Demerger there will be some abnormal short term share trading (share register transition) in both Treasury Wine Estates and New Foster's as a result of a rebalancing of portfolios to reflect investor appetites. Given that the Beer business contributes the majority of the value of Foster's, it is likely that many Foster's shareholders will have invested in Foster's shares for the Beer business exposure rather than the Wine business. The investment mandates of some Foster's shareholders may preclude their continued holding of Treasury Wine Estates shares. Accordingly, there may be some short term selling pressure following the Proposed Demerger. Precedent demergers suggest that there is typically considerable selling of shares in the demerged company immediately following implementation of the demerger. Treasury Wine Estates has commenced and will continue to undertake investment marketing campaigns and road shows in order to maximise awareness of and interest in the company following the Proposed Demerger. This should help to provide buying support during any share register transition. On the other hand, it is also reasonable to expect that many Australian investors with a focus on yield and a preference for fully franked dividends, who previously may not have invested in Foster's because of its exposure to the Wine business, will be interested in investing in New Foster's after the Proposed Demerger. The short term net effect of these factors is difficult to predict.

6.3.4 Change of Control Potential

Takeovers are an important mechanism by which shareholders can realise value in excess of sharemarket prices as bidders will typically pay a premium to acquire control. Impediments to a takeover are generally negative for shareholders.

The current structure of Foster's arguably acts as a barrier to Foster's shareholders receiving a takeover offer. In particular, while the Beer business has characteristics that should be highly attractive to potential acquirers, the presence of the Wine business within Foster's has arguably been a "poison pill" that may have deterred parties otherwise interested in making acquisition proposals. The Proposed Demerger does not involve a change of control as the same shareholders will hold the same proportionate shareholdings in New Foster's and Treasury Wine Estates. However, the Proposed Demerger should increase the likelihood of shareholders receiving a takeover offer and maximise the prospects of achieving full underlying value:

- immediately prior to the announcement on 26 May 2010 that it would proceed with a demerger (subject to full evaluation), Foster's had a market capitalisation of approximately $9.9 billion. It is one of the top 50 companies listed on the ASX. Any acquisition of Foster's would be a very large transaction. Following the Proposed Demerger, New Foster's and Treasury Wine Estates will individually have lower market capitalisations and will be more easily acquired by a wider range of potential purchasers;

- the mix of businesses in Foster's (domestically focussed beer assets combined with international wine assets) may not have appealed to a single bidder, adding complexity to any potential transaction (whether by involving joint bidders or as a result of the need to dispose of the business that is not wanted). The conditional proposal received in September 2010 from an international private equity firm to acquire the Wine business of Foster's (rather than Foster's as a whole) arguably supports this view. The Proposed Demerger is likely to increase the appeal of both New Foster's and Treasury Wine Estates to a wider set of potential acquirers; and

- there will be no cross-shareholdings between New Foster's and Treasury Wine Estates that would act as an impediment to a takeover or change of control transaction following the Proposed Demerger.

6.3.5 Management and Board Focus

The Proposed Demerger will result in the creation of two companies with separate Boards and senior management teams focussed on their respective businesses. The Board and management of each company will be able to focus on their respective strategic objectives, make decisions appropriate to each business' risk/return and capital profile and address specific operational issues in a timely manner.

Foster's Beer business has very different characteristics to the Wine business. The Beer business is focussed primarily on the reasonably concentrated, although increasingly competitive, low growth Australian beer market. By contrast, the Wine business is an international business with substantial offshore activities in the United States, a significant market position in Europe and a growing presence in Asia. Whilst the wine category is growing in most major markets, it is extremely competitive. The Wine business is also exposed to the agricultural risks associated with vineyard activities and cyclical nature of the market, and to foreign exchange fluctuations.

Accordingly, Treasury Wine Estates imposes demands on management and requires management skill sets that are significantly different from those required for the domestic Beer business. The Proposed Demerger will enable management of New Foster's to focus on its strategy to maintain its leading market position in the domestic beer segment, involving re-alignment of the portfolio to higher growth categories and continual investment in new product and brand development. At the same time, the Board and management of Treasury Wine Estates will be able to ensure that the domestic and offshore wine assets receive the detailed attention they require having regard to the competitive and market structure challenges they face.

The Proposed Demerger may also result in the imposition of increased financial and operational disciplines on the management of New Foster's and Treasury Wine Estates. Separation of the businesses into two companies will make it easier for analysts and investors to benchmark their operating performance against comparable companies. Although the market is already reasonably well informed as to the performance of the Beer and Wine businesses, there is likely to be greater transparency of individual business performance following the Proposed Demerger. This enhanced transparency and the resulting increased scrutiny should increase incentives for the Boards and management of both New Foster's and Treasury Wine Estates to improve performance. Without the strong and relatively predictable cash flows of the Beer business, Treasury Wine Estates will be forced to fund future growth from its own resources, providing additional discipline on capital and operating expenditure.

Moreover, the Proposed Demerger will make it easier to more closely link the remuneration of management to the performance of businesses over which management has direct and exclusive control. Historically, Foster's management remuneration has been linked, at least in part, to the financial performance of Foster's as a whole and to total shareholder returns. Accordingly, managers of individual businesses, at least to some extent have had their remuneration affected by business performance beyond their control. The Proposed Demerger will enable each of New Foster's and Treasury Wine Estates to link management performance to their own financial and share price performance, creating a more direct relationship between management performance and remuneration and more closely aligning the interest of shareholders and management.

Whilst, in theory, similar management focus and alignment should be able to be achieved within the current Foster's structure (at least in part), in Grant Samuel's view the Proposed Demerger will make it easier to achieve these benefits.

6.3.6 Investment Transparency

One of the benefits typically associated with a demerger is an enhanced market valuation of the demerged entity resulting from greater transparency about the demerged entities' operations, strategy and future prospects. This benefit is more pronounced where the demerged entity is a small part of a larger group or operates in an industry sector to which the market applies valuation parameters different from those that apply to the larger group.

In the case of Foster's, this benefit is arguably less clear. Prior to the announcement on 26 May 2010 that it would pursue a demerger (subject to full evaluation), Foster's had a market capitalisation of $9.9 billion. It is ranked in the top 50 companies by market capitalisation on the ASX. It receives close scrutiny from investment analysts (it is covered by more than 10 analysts) and fund managers. There is a significant level of disclosure in relation to Foster's and its underlying businesses as Foster's discloses summarised financial information (e.g. revenues, EBITDA and EBIT) for both the Beer and Wine businesses.

In theory, the combination of extensive analyst coverage and divisional performance disclosure should already allow the market to accurately determine values for both the Beer and Wine businesses, as part of the overall process whereby analysts and the broader market estimate an aggregate value for the group. As a practical matter, most of the analysts that cover Foster's attribute a separate value to the Wine business of Treasury Wine Estates. Brokers tend to apply a "sum of the parts" approach to valuing Foster's utilising EBITDA or EBIT multiples, although some brokers undertake discounted cash flow analysis.

On the other hand, notwithstanding that significant financial and other information is already available, the Proposed Demerger is likely to result in increased transparency for each of New Foster's and Treasury Wine Estates. Investors will be forced to consider the attributes and underlying performance of each company separately and in the context of their respective peer groups. Accordingly, there is some prospect that increased investment transparency resulting from the Proposed Demerger may over time result in improved valuations for the respective businesses, in particular for Treasury Wine Estates. This may result in more appropriate valuations for the respective businesses, in particular for Treasury Wine Estates. However, given that considerable information about the operations, strategies and prospects of both businesses is already available, the incremental benefits may be limited.

6.3.7 Market Value

Overview

There may be some potential for one or both of the separate entities to be rated more highly by the market following the Proposed Demerger (i.e. the aggregate market capitalisations of the separate entities may exceed the pre-announcement market capitalisation of Foster's):

- higher levels of disclosure may increase investors' confidence in their ability to judge and value each company;
- as a separate listed entity, Treasury Wine Estates will have a higher level of visibility to the investment community;
- more focussed research coverage will improve the understanding of the investment community;
- the investors in each entity should be those investors that value the respective businesses most highly (in particular, there is potential for Treasury Wine Estates to generate international investor interest). By allowing the "natural investors" in Treasury Wine Estates to become the price setting investors, the Proposed Demerger has the potential to lower Treasury Wine Estates' cost of equity and lead to a market re-rating;

- as more focussed companies, New Foster's and Treasury Wine Estates are likely to appeal to a wider range of potential acquirers. This may result in increased market valuations reflecting an expectation that the demerged companies will become the subject of fully priced acquisition proposals; and
- both companies are likely to be rated against their direct peers. In particular, Treasury Wine Estates will be rated against "pure play" international wine companies.

Given the share price outperformance that Foster's has already enjoyed, there is clearly a need for caution in assessing the prospects of a further positive market re-rating following the Proposed Demerger. In a sense, Foster's share price outperformance since the initial demerger announcement on 26 May 2010 represents an anticipation of the benefits set out above and there can be no guarantee of any further outperformance. Moreover, New Foster's and Treasury Wine Estates will continue to face challenging external conditions. On the other hand, it appears reasonable to conclude that if the Proposed Demerger is not approved there would be a real risk of a non-trivial fall in the Foster's share price.

Post Announcement Share Price Performance

The Foster's share price increased significantly immediately following the announcement on 26 May 2010 that Foster's would pursue a demerger, subject to a detailed evaluation:

Source: IRESS

Foster's shares materially outperformed the S&P/ASX 200 Industrials Index in the months following the announcement on 26 May 2010 that Foster's would pursue a demerger, although this outperformance partially reversed in late 2010, possibly reflecting the adverse impact on Foster's of the strengthening Australian dollar.

In the month prior to the demerger announcement on 26 May 2010, Foster's shares traded between $5.11 and $5.50 per share at a volume weighted average price of $5.30. Foster's shares closed at $5.15 the day prior to the announcement. Upon the initial announcement of Foster's intention to pursue a demerger, the Foster's share price increased to a high of $5.60 before closing at $5.53. Since then, the Foster's share price has traded in the range $5.44 to $6.44 per share and at a volume weighted average price of $5.65 for the three months ended 3 March 2011.

The Foster's share price during this period reflects a number of factors, including:

- Foster's announcement on 24 August 2010 of the financial results for the year ended 30 June 2010;
- the receipt of an expression of interest from an international private equity firm to acquire the wine assets of Treasury Wine Estates, and the subsequent rejection of the proposal by Foster's on 8 September 2010;
- Foster's announcement on 15 February 2011 that it would proceed with the Proposed Demerger and the results for the six months ended 31 December 2010;
- the expected benefits of the Proposed Demerger;
- the expectation of corporate activity involving Foster's, or its businesses, either before or after implementation of the Proposed Demerger; and
- the adverse impact of the strengthening Australian dollar on Foster's earnings.

It is not possible to isolate precisely the extent to which these different factors may have contributed to or detracted from Foster's share price outperformance. Nevertheless, the share price outperformance since 26 May 2010 appears to represent, at least in part, market endorsement of the benefits of the Proposed Demerger.

Given Foster's share price outperformance since the initial demerger announcement on 26 May 2010, there can be no guarantee of any further share price outperformance. In addition, as with most demergers, there is the potential for a period of relative share price weakness in the short term following the Proposed Demerger, until the share registers for each company reach some degree of equilibrium (although the share sale facility should facilitate this process) and because the expected benefits of the Proposed Demerger will take some time to translate into improved earnings and cash flow.

Ultimately, the actual price at which New Foster's and Treasury Wine Estates will trade following the Proposed Demerger is dependent on a range of factors, including:

- equity market conditions;
- economic conditions;
- interest rates; and
- factors specific to each company including:
  - operating performance;
  - its ability to grow market share in key regions;
  - its ability to successfully innovate with new product and brand development;
  - market perceptions about its earning prospects; and
  - the effectiveness of its communication about the company and its prospects to analysts, institutional investors and other market participants.

Market Valuation Parameters

New Foster's

There are no major listed brewing companies in Australia other than Foster's. As a result, Grant Samuel has analysed the share market trading multiples of international brewing companies. The trading multiples for a selection of these companies are summarised below:

Sharemarket Ratings of Selected Listed Beer Companies

Company	Market Capitalisation[47] (millions)	EBITDA Multiple[48] (times)			EBIT Multiple[49] (times)			Gearing[50]
		2010 Historical	2011 Forecast	2012 Forecast	2010 Historical	2011 Forecast	2012 Forecast	
Global								
AB InBev	US$92,132.2	10.1	9.2	8.6	12.5	11.1	10.3	31.5%
Heineken	€21,813.2	9.7	8.2	7.8	15.0	11.5	10.9	28.0%
SAB Miller	US$33,773.5	10.5	9.0	8.0	14.3	11.8	10.5	19.5%
Asia & Pacific								
Asahi	JPY755,361.2	7.5	5.0	4.9	8.9	7.0	6.8	19.6%
Sapporo	JPY151,679.0	8.1	8.2	7.9	19.1	19.9	18.4	52.5%
Kirin	JPY1,113,610.0	7.6	6.8	6.6	12.6	13.6	12.9	39.1%
Tsingtao	CNY43,269.0	14.3	12.5	10.9	18.0	15.5	13.5	na
Coca Cola Amatil	AU$8,933.7	10.4	9.3	8.6	12.5	11.5	10.6	15.0%
Asia Pacific Breweries	SGD5,653.3	10.5	na	na	11.9	na	na	2.8%
Americas								
Molson Coors	US$8,597.6	8.1	7.3	6.7	9.9	8.3	7.8	5.6%
Grupo Modelo	MXN233,028.3	9.0	8.7	8.0	10.7	10.4	9.5	na
Compania Cervecerias	CLP1,680,134.6	9.5	8.4	8.5	12.2	10.8	9.6	5.9%
Am Bev	BRL130,538.6	11.3	9.9	8.8	12.9	11.2	10.0	na
Europe								
Carlsberg	DKK90,260.4	9.4	8.4	7.7	12.9	11.2	10.0	27.3%

Source: Grant Samuel analysis (refer Appendix)

The multiples are based on sharemarket prices as at 3 March 2011.

The data presented for each company is the most recent historical annual result plus the subsequent two forecast years. The majority of companies selected have 31 December year ends, with the exception of SAB Miller plc ("SAB Miller"), which has a 31 March year end and Asia Pacific Breweries Limited ("Asia Pacific Breweries"), which has a 30 September year end.

47 Market capitalisation based on sharemarket prices as at 3 March 2011.

48 Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items.

49 Represents gross capitalisation divided by EBIT. EBIT is earnings before net interest, tax, investment income and significant and non-recurring items.

50 Gearing is net borrowings divided by net assets plus net borrowings as at latest balance sheet date.

As at the date of this report, Tsingtao Brewery Company Limited ("Tsingtao") and Compania Cervecerias Unidas SA ("CCU"), Anheuser-Busch Inbev NV ("AB InBev") and Companhia de Bebidas das Americas ("Am Bev") have not reported results for the year ended 31 December 2010. For the purposes of this analysis, the 2010 forecasts for Tsingtao and CCU, AB In Bev and Am Bev are treated as the actual results for the year ended 31 December 2010 to provide consistency with the other comparable companies.

None of these companies is directly comparable to New Foster's. However, they provide a useful benchmark against which to assess the range of trading multiple within which New Foster's could trade following the Proposed Demerger. The following comments are made in relation to the trading multiples of comparable brewing companies:

- while there is some variability in the trading multiples of comparable companies, brewing companies generally trade in a range of 8-10 times forecast EBITDA and 10-13 times forecast EBIT;

- the low forecast multiples for Heineken N.V. ("Heineken") are in part due to Heineken's lower free float as a result of the Heineken family's ownership of approximately 26% of Heineken;

- just over half (58%) of Sapporo Breweries Limited's operating income is generated by its real estate business. The high EBIT multiples are due to the significant depreciation expense related to the real estate business; and

- Tsingtao's high multiples reflect the earnings performance of the business which reflects strong revenue growth, recent low raw material costs and operating margin improvements.

Treasury Wine Estates

Given the international activities of Treasury Wine Estates, Grant Samuel has analysed the trading multiples for a range of listed international wine companies.

The trading multiples for selected wine companies are shown in the following table:

Sharemarket Ratings of Selected Listed Wine Companies								
Company	Market Capitalisation[51] (millions)	EBITDAS[52] multiple (times)			EBITS[53] multiple (times)			Gearing[54]
		2010 Historical	2011 Forecast	2012 Forecast	2010 Historical	2011 Forecast	2012 Forecast	
Australia, Asia & Pacific								
Australian Vintage	AU$45.6	5.5	6.2	5.8	7.0	8.2	8.1	76.0%
Delegat's Group	NZ$202.3	12.0	7.0	6.9	19.0	9.1	8.9	39.8%
North America								
Constellation	US$4,190.6	15.2	11.9	11.6	16.8	15.1	14.7	47.4%
Andrew Peller	C$132.4	8.0	na	na	11.3	na	na	40.8%
South America								
Vina Concha	CLP836,721.4	14.0	12.3	11.4	18.2	15.4	14.0	6.7%
Europe								
Diageo	GBP30,539.5	12.2	11.7	10.9	13.9	13.1	12.2	18.1%
Pernod Ricard	€18,319.7	13.3	13.0	12.0	15.2	14.3	13.4	12.8%
Baron de Ley	€208.7	7.3	6.1	na	9.4	8.6	na	9.8%

Source: Grant Samuel analysis (refer Appendix)

The multiples are based on sharemarket prices as at 3 March 2011.

The data analysed for each company includes the most recent annual historical results plus the subsequent two forecast years. The companies selected have a variety of year ends. All of the Australian and New Zealand based companies have 30 June year ends and the North and South American companies have 31 December year ends, except for Constellation Brands, which has a 28 February year end, and Andrew Peller Limited ("Andrew Peller") which has a 31 March year end.

As at the date of this report, Vina Concha y Toro S.A ("Vina Concha") has not reported results for the year ended 31 December 2010. For the purposes of this analysis, the 2010 forecast for Vina Concha is treated as the actual result for the year ended 31 December 2010 to provide consistency with other corporate companies.

The following should be noted in relation to the above analysis:

- all of the above companies are focussed on the production of, or marketing of, wine produced in new world wine countries and the sale of wine to the major wine markets of Europe, North America and Asia Pacific;

- Vina Concha is controlled by a substantial shareholder and has a limited free float;

51 Market capitalisation based on sharemarket prices as at 3 March 2011.

52 Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDAS. EBITDAS is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items and SGARA, where SGARA is self generating and regenerating assets as defined in AASB 141 Agriculture.

53 Represents gross capitalisation divided by EBITS. EBITS is earnings before net interest, tax, investment income and significant and non-recurring items and SGARA, where SGARA is self generating and regenerating assets as defined in AASB 141 Agriculture.

54 Gearing is net borrowings divided by net assets plus net borrowings as at latest balance sheet date.

- Constellation is predominantly a branded wine business operating in North America, Europe and Australasia (approximately 85% of sales) with a complementary spirits business and investments in associates involved in beer, beverage distribution in the United Kingdom and other wine activities. Earnings of associates have been excluded from the calculation of the earnings multiples and therefore the multiples primarily reflect the wine business; and

- Vina Concha and Delegat's Group are pure wine companies. The multiples for Vina Concha are higher than those for Delegat's Group reflecting the relative scale of the businesses and that Vina Concha exports a greater proportion of wine to the high growth North American market rather than to the competitive United Kingdom market.

6.4 Disadvantages, Costs and Risks

6.4.1 Underlying Businesses

As Foster's Beer and Wine businesses have increasingly operated independently of each other as a result of initiatives arising from the Wine Strategy Review, the Proposed Demerger is not expected to have a significant impact on the underlying businesses. Whilst there is at least some prospect that the separation of New Foster's and Treasury Wine Estates achieved by the Proposed Demerger will, over time, improve the underlying performance of the demerged businesses, no direct performance improvements should be expected in the short term.

Investors and other market participants have long been critical of Foster's strategy of building a global wine business. In this context, the Foster's share price outperformance that followed the initial demerger announcement on 26 May 2010 can be seen as an expression of market approval of the final renunciation of the company's wine ambitions. However, Foster's shareholders should understand that the Proposed Demerger will not be a panacea for the various challenges facing the Wine business. In the short term at least, Treasury Wine Estates will continue to face a difficult external environment (including global wine oversupply, subdued demand for premium wine and the strong Australian dollar). At the same time, New Foster's will face vigorous competition and market share pressure combined with continued low volume growth in the beer category. Foster's has already put in place an operational separation of the Beer and Wine businesses and there are not anticipated to be any short term changes to the strategies or operations of the Wine business or the Beer business following the Proposed Demerger. Accordingly, shareholders should not expect the Proposed Demerger to result in any direct short term operational improvements in the Wine business or the Beer business.

6.4.2 Loss of Diversification

The Proposed Demerger will result in the loss of diversification inherent in Foster's current portfolio of businesses. Although Foster's Wine and Beer businesses both operate in the alcoholic beverages sector, they have quite different risk profiles and growth outlooks:

- Foster's Beer business operates primarily in the domestic beer sector where it is the market leader, whereas Treasury Wine Estates operates globally in the wine sector;

- Foster's Beer business operates in a low growth sector, whilst the Wine business operates in a sector that is growing in all of the markets in which Foster's has activities; and

- Foster's Wine business is subject to agricultural risks and market cyclicality, whilst the Beer business is generally a stable cash flow business.

In recent years, poor performance and earnings volatility in the Wine business have been partially offset by improved performance in the Beer business, which has assisted in smoothing earnings. Following the Proposed Demerger, if either of the Beer or Wine businesses is affected by a significant unfavourable event, it will no longer be supported by the other business. On the other hand, a strong performance in one business will not be hampered by the need to support an underperforming business.

The corporate diversification inherent in the current structure of Foster's will be lost as a result of the Proposed Demerger. However, shareholders will be able to replicate the diversification provided by Foster's in its current form through their portfolio decisions, by retaining an investment in both New Foster's and Treasury Wine Estates. Indeed, in most circumstances the enhanced ability of shareholders to choose the extent of diversification inherent in their portfolio by changing their shareholdings in New Foster's and Treasury Wine Estates is a positive benefit of the Proposed Demerger.

The smaller size of New Foster's and Treasury Wine Estates as standalone entities may exacerbate the impact of any significant adverse events as they will have a greater relative impact. Such events could include:

- significant damage to New Foster's or Treasury Wine Estates' key brands;
- adverse weather conditions and other agricultural disasters impacting on wine production;
- adverse movements in grape prices;
- significant damage to storage and/or production facilities of New Foster's or Treasury Wine Estates;
- changes in consumer preferences towards products in which New Foster's and/or Treasury Wine Estates is underrepresented, such as certain types of beer or varietals of wine, to which the companies are unable to respond quickly;
- adverse movements in foreign exchange rates. The Australian dollar equivalent of the earnings of Treasury Wine Estates that are denominated in foreign currencies and the competiveness and profitability of wine exported from Australia are impacted by fluctuations in exchange rates; and
- adverse changes in regulations (including taxes) in the markets in which New Foster's and/or Treasury Wine Estates operate.

The impact of these events would be less material for Foster's in its current form (although the absolute magnitude of the events would not change). On the other hand, New Foster's and Treasury Wine Estates will still be substantial companies. In addition, Treasury Wine Estates will have a conservative capital structure following the Proposed Demerger. Accordingly, the Proposed Demerger should not result in any significant increase in the impact of any adverse event on either company.

6.4.3 Index Weighting and Impact on Liquidity

Foster's currently has a market capitalisation of approximately $10.9 billion and is included in all the major S&P/ASX market indices including the S&P/ASX 50 Index. The Proposed Demerger will result in Foster's being split into two smaller companies. The reduction in size, in particular for Treasury Wine Estates, will potentially reduce liquidity and therefore reduce the attractiveness of New Foster's and Treasury Wine Estates for some investors. Companies with larger market capitalisations generally attract greater investor interest reflecting, in part, the deep and liquid market for their shares and their relative importance to the performance of the market in general.

While New Foster's and Treasury Wine Estates will have smaller market capitalisations than Foster's before the Proposed Demerger, it should be recognised that:

- both entities will still be a meaningful size (in the context of their respective peers). New Foster's will continue to be a very substantial company. New Foster's and Treasury Wine Estates will remain the only significant ASX-listed exposures to brewing and wine;
- New Foster's is expected to remain in the S&P/ASX 50 Index and Treasury Wine Estates is expected to qualify for inclusion in the S&P/ASX 100 Index. They will both be included in the S&P/ASX 200 which is the key index for institutional investors. Accordingly, index based investors are likely to continue to be able to hold both New Foster's and Treasury Wine Estates shares;
- both New Foster's and Treasury Wine Estates should largely retain the relatively open and diverse share register of Foster's in its pre-demerger form, which should promote deep and liquid markets for their shares; and
- the share sale facility should assist in creating a liquid market for New Foster's and Treasury Wine Estates shares in the short term.

The impact of the Proposed Demerger on the liquidity of shares in the separate companies, and the consequent impact on investor interest, is difficult to predict with any confidence. Index related selling and the consequent impact on demand for shares in the short term are typically more pronounced when companies move in or out of the S&P/ASX 200 Index. However, in Grant Samuel's view the adverse effect on investor interest of lower liquidity (if any) is unlikely to be significant.

6.4.4 Impact on Funding Costs and Risks

Following the Proposed Demerger, New Foster's and Treasury Wine Estates will have to raise their own finance to fund growth, as well as product and brand development, without the financial support or credit profile associated with being part of the larger Foster's group.

New Foster's will retain all of Foster's existing debt following the Proposed Demerger. Foster's currently has a combination of bank debt and non-bank debt raised on capital markets (bonds). New Foster's is expected to have available facilities totalling at least $3,106 million upon implementation of the Proposed Demerger. New Foster's has pro forma drawn debt of approximately $1,954.6 million as at 31 December 2010. New Foster's is expected to maintain the existing Foster's credit ratings of BBB and Baa2 from S&P and Moody's respectively.

As the asset and revenue base of New Foster's will primarily be in Australia, it is intended that New Foster's will have debt facilities that are predominantly denominated in Australian dollars. To effect this, New Foster's intends to enter into cross currency swaps that convert the future United States dollar interest and principal obligations under the existing United States dollar denominated bonds (US$144A notes) and related interest rate swaps to Australian dollar obligations.

The impact of entering into the swap arrangements is that the interest expense of New Foster's is likely to increase, as a result of the differences between prevailing interest rates in the United States and Australia. Foster's estimates that New Foster's cost of borrowings in relation to the US$144A notes will be approximately 3.8% higher on a pre-tax basis than if the cross currency swaps were not entered into. However, it should be recognised that this increase in interest costs is (on one view at least) not a result of the Proposed Demerger per se. Rather, it reflects a recognition of the risks inherent in Foster's current foreign exchange exposures and a judgement that the increased interest cost is justified by the reduction in exchange rate risk achieved through swapping Foster's United States dollar debt commitments into Australian dollar debt commitments. Any future impact on funding costs will be dependent on the differential between United States and Australian interest rates, where interest rates remain at variable rates.

The cross currency swap arrangements will also give rise to an increase in the counterparty credit risk faced by New Foster's. Whilst it is intended that New Foster's will regularly monitor the credit quality of the financial institutions to which it is exposed through the currency swaps, there is a risk that a counterparty may default on its obligations under the swaps.

Following the Proposed Demerger, Treasury Wine Estates will have in place a newly established multi-currency syndicated debt facility consisting of a three year $200 million tranche and a five year $300 million tranche. The debt can be drawn down in Australian dollars, United States dollars, Great British pounds and Euros. Upon implementation of the Proposed Demerger, Treasury Wine Estates is expected to have net debt of approximately $140 million comprising external debt of $200 million and cash of approximately $60 million (in addition to working capital). It is expected that Treasury Wine Estates' gross debt will initially be drawn in United States dollars. This provides a natural hedge against United States dollar earnings and takes advantage of the lower interest rates prevailing in the United States.

Treasury Wine Estates is not expected to seek a credit rating in the short term.

6.4.5 Additional Administration and Operating Costs

The Proposed Demerger will result in the loss of financial benefits that result from the operation of two businesses within a single corporate group. These benefits are largely a consequence of operating a single corporate head office for the two businesses and the provision of a number of functions centrally on behalf of both the Beer business and the Wine business. There will also be a loss of certain operational synergies that existed through ownership of both the Beer business and the Wine business. Foster's has estimated that New Foster's and Treasury Wine Estates would have incurred additional corporate and operating costs of $21.6 million per annum had the Proposed Demerger been effected for the financial year ended 30 June 2010.

The Beer business and the Wine business currently share corporate overheads including the Board of directors, Chief Executive Officer and Chief Financial Officer and regulatory reporting requirements. While certain services (including information technology, call centre services, logistics, warehousing and distribution, finance services and human resources) will be covered by services arrangements for a transitional period, ultimately the separate companies will have to support these overheads from their own resources.

Following the Proposed Demerger, Treasury Wine Estates will have to establish its own corporate and administrative functions. These costs include:

- costs associated with listing Treasury Wine Estates on the ASX, including listing fees, costs associated with maintaining a share register, annual reports (preparation, audit, printing), shareholder communications, legal and regulatory compliance costs, costs associated with maintaining a Board of directors and secretarial costs; and

- central administrative costs for Treasury Wine Estates including finance, treasury, taxation, legal, insurance and other general services.

Given the initiatives implemented following the Wine Strategy Review to effect the structural separation of the Beer and Wine businesses, the loss of operational synergies resulting from the Proposed Demerger is expected to be minimal. The incremental operating costs associated with the loss of these synergies reflect costs associated with the separation of existing shared service functions including logistics, call centre operation, transactional accounting, procurement, human resources and information technology.

Incremental costs associated with the separation of the existing information technology systems and services are estimated to comprise $9.9 million of the total increase in corporate and operating costs.

Cost saving initiatives undertaken by New Foster's and Treasury Wine Estates following the Proposed Demerger are expected to exceed the additional corporate and operating costs estimated to be incurred as a result of the Proposed Demerger. However, these cost savings arguably could have been achieved under the current Foster's structure.

Overall, the incremental corporate and operating costs that are expected to be incurred will not be material in the context of the expected benefits from the Proposed Demerger.

6.4.6 Impact on Dividends and Franking Credits

Following implementation of the Proposed Demerger, Foster's shareholders will become shareholders in New Foster's and Treasury Wine Estates. Dividends will be paid depending on the performance of the individual entity.

Over the past five financial years, Foster's has paid approximately 70% of net profit after tax as dividends to Foster's ordinary shareholders. The dividends have been fully franked. New Foster's is expected to have a dividend payout policy of not less than 80% of net profit after tax[55]. As the majority of New Foster's earnings are earned in Australia and subject to Australian taxation, New Foster's is expected to continue to fully frank its dividends. Upon implementation of the Proposed Demerger, New Foster's franking account balance is expected to be $116.3 million (excluding the impact of the Ashwick litigation discussed in Section 6.5.1).

At the time of the Proposed Demerger, Treasury Wine Estates will form a new tax consolidated group. Treasury Wine Estates is expected to have a dividend payout policy of between 55-70% of net profit after tax[55]. It will initially have a zero franking account balance but is expected to generate franking credits over time. Treasury Wine Estates intends to frank its dividends to the maximum extent possible. However, Treasury Wine Estates generates a substantial proportion of its earnings from outside Australia. Because Treasury Wine Estates will not pay Australian tax on these earnings, these offshore earnings will not generate any franking credits. Accordingly, there can be no assurance as to whether and to what extent any dividends will be franked. It is unlikely, at least in the short term, that Treasury Wine Estates will have sufficient franking credits to enable it to pay fully franked dividends. This may reduce the appeal of Treasury Wine Estates to Australian yield-focussed investors.

It is expected that the final dividends for the year ending 30 June 2011 for New Foster's and Treasury Wine Estates combined will be equivalent (excluding franking) to the final dividend that Foster's would announce if the Proposed Demerger did not proceed. The combined franking credits attached to the final dividends of New Foster's and Treasury Wine Estates for the 2011 financial year are likely to be less than the franking credits that would otherwise attach to a final dividend declared by Foster's.

[55] Excluding individually material items and subject to the Corporations Act.

6.4.7 One-Off Transaction Costs

Foster's has estimated that the total one-off transaction costs of the Proposed Demerger will be approximately $151.4 million on a pre-tax basis ($107.5 million after tax). These transaction costs include stamp duty, establishment fees for debt facilities, expenses associated with establishing foreign exchange derivatives, restructuring costs associated with the costs of separating New Foster's and Treasury Wine Estates (particularly information technology expenditures), the costs associated with establishing separate employee share plans, and professional fees. Approximately $41.3 million of the one-off transaction costs relate to the additional costs associated with the development of two separate back end global transactional systems for New Foster's and Treasury Wine Estates.

Approximately $74.1 million (before tax) of these costs will have been committed prior to the Foster's shareholders' meeting to approve the Proposed Demerger. Therefore, the additional transaction costs that will be incurred if the Proposed Demerger proceeds are approximately $77.3 million (before tax).

Whilst the amount of the one-off transaction costs associated with the Proposed Demerger is significant, the total costs are not material in comparison to the assets and market capitalisation of Foster's. Total transaction costs (before tax) represent approximately 1% of Foster's current market capitalisation.

6.4.8 Lack of Track Record

Whilst Foster's has been preparing for the separation of the Beer business from the Wine business for some time following the completion of the Wine Strategy Review, neither New Foster's nor Treasury Wine Estates has a track record of operating as a standalone entity.

Following the Proposed Demerger, three of the current Foster's directors (David Crawford AO, Paul Clinton and Michael Ullmer) will continue as directors of New Foster's. The current Managing Director of CUB, John Pollaers, will join the New Foster's Board as Chief Executive Officer and executive director. The senior management team will remain largely unchanged. Accordingly, New Foster's will benefit from considerable Board and management continuity, although the Chief Executive Officer has not previously held this position for a publicly listed Australian company.

Treasury Wine Estates will have a new Board of directors, which will include current Foster's directors Maxwell Ould and Margaret Lyndsey Cattermole AM. Whilst the current Wine business management team will largely remain in place, the Chief Executive Officer has not had experience as the Chief Executive Officer of a publicly listed company. Further, the responsibilities of the Chief Executive Officer will be significantly expanded from operating the Australasian business of the Wine business to the international business of Treasury Wine Estates. Although a number of Foster's existing senior management are expecting to join Treasury Wine Estates, it will need to develop its own corporate and administrative functions. Transitional arrangements have been put in place between New Fosters and Treasury Wine Estates, to assist immediately following the Proposed Demerger. These organisational changes involve some degree of risk. However, change is a regular part of corporate development and any negative impact is unlikely to be material.

6.4.9 Ineligible Shareholders

Ineligible overseas shareholders will not be entitled to participate in the Proposed Demerger. The Treasury Wine Estates shares that would otherwise have been transferred to those shareholders, will be transferred to a sale agent and sold on the ASX, with the proceeds remitted to the ineligible overseas shareholders following the sale of those shares. The ineligible overseas shareholders may also pay tax on any profit on that disposal (in their country of residence). However:

- their Treasury Wine Estates shares will be sold for market value; and
- they can acquire Treasury Wine Estates shares through ASX following the listing if they wish to retain an exposure.

6.5 Taxation Issues

6.5.1 Corporate Taxation

Foster's has received a private binding ruling from the ATO confirming that Foster's will be entitled to demerger tax relief in respect of the transfer of Treasury Wine Estates shares to Foster's shareholders and accordingly will not realise any capital gain or capital loss on the transfer.

Following the Proposed Demerger, Treasury Wine Estates will become head company for a new consolidated group under the Australian tax consolidation system. The effective tax rates of New Foster's and Treasury Wine Estates may be different from the rates that would have applied to Foster's in the absence of the Proposed Demerger.

Foster's currently anticipates that the Proposed Demerger will adversely impact the ability of New Foster's to claim the benefit of certain deferred tax assets that would have been received by Foster's over a number of financial years. The extent of the benefits lost will be impacted by a range of factors including interest rates and exchange rates over this period. It is possible that these assets may be reinstated in the future in the event that relevant accounting and tax requirements are satisfied.

Tax losses recognised as part of the deferred tax balances in New Foster's and Treasury Wine Estates' pro forma balance sheet as at 31 December 2010 are expected to remain available to New Foster's and Treasury Wine Estates respectively (unless they have subsequently been applied against taxable income). However, the ability of New Foster's and Treasury Wine Estates to obtain the benefit of these existing tax losses will depend on future circumstances.

Foster's has substantial tax losses that are currently the subject of dispute (the Ashwick litigation). The losses may be available if the matter is resolved in favour of Foster's (subject to certain contingencies). The losses total approximately $1.5 billion and have not been brought to account. The potential tax benefit of these losses is $447.5 million. New Foster's will assume the economic benefit, risks and liabilities of that dispute. The outcome may, however, impact on Treasury Wine Estates by increasing or decreasing the franking account balance of Treasury Wine Estates. Further details are set out in Section 7.10 of the Booklet.

Foster's is also involved in an additional tax dispute with the ATO relating to a capital loss. Foster's has made a payment of $33.3 million pending resolution of the dispute. Further information on this matter is contained in Section 7.11 of the Booklet.

6.5.2 Tax Consequences for Australian Resident Shareholders

The Proposed Demerger is not expected to give rise to any adverse tax consequences for Australian resident shareholders that hold Foster's shares on capital account and are not subject to the rules concerning the taxation of financial arrangements contained in division 230 of the Income Tax Assessment Act 1997 (Cth) ("participating Australian shareholders").

Participating Australian shareholders will be eligible for rollover relief to defer the capital gains tax consequences of the capital gains tax events relating to the capital reduction. Foster's has received a draft class ruling from the ATO that sets out the Australian income tax consequences of the Proposed Demerger for participating Australian shareholders and expects that this treatment will be confirmed in a class ruling published by the ATO following completion of the Proposed Demerger.

For participating Australian shareholders who elect to obtain relief, the tax consequences of the Proposed Demerger are expected to be as follows:

- any capital gain that arises in relation to the shares of participating Australian shareholders as a result of the Proposed Demerger will be disregarded;

- participating Australian shareholders will be required to apportion the existing cost base of their Foster's shares between their New Foster's and Treasury Wine Estates shares following the Proposed Demerger. The cost base of the Foster's shares will be apportioned between the New Foster's shares and Treasury Wine Estates shares on the basis of market values immediately following the Proposed Demerger; and

- the capital gains tax status of New Foster's and Treasury Wine Estates shares transferred to participating Australian shareholders under the Proposed Demerger will be the same as the status of shareholders' Foster's shares. If the Foster's shares were pre-capital gains tax shares (that is, they had been acquired before 20 September 1985 and were therefore not subject to capital gains tax), the New Foster's shares and Treasury Wine Estates shares will be treated as pre-capital gains tax shares.

For participating Australian shareholders who do not elect to obtain Proposed Demerger relief, the capital gains tax consequences of the Proposed Demerger are expected to be as follows:

- if the Foster's shares were post-capital gains tax shares (that is, they had been acquired on or after 20 September 1985):
  - participating Australian shareholders must reduce the cost base of the Foster's shares by the amount of the capital reduction, and to the extent that the capital reduction amount exceeds the cost base, will realise a capital gain. Any capital gain may be eligible for the capital gains tax discount concession;
  - the existing cost base of the Foster's shares will be apportioned over their New Foster's and Treasury Wine Estates shares in the same manner as for participating Australian shareholders who elect to use demerger relief; and
  - the Treasury Wine Estates shares will be treated as having been acquired on the same date as the shareholders' Foster's shares; and

- if the Foster's shares were pre-capital gains tax shares:
  - participating Australian shareholders will be entitled to disregard any capital gains realised on their Foster's shares; and
  - the Treasury Wine Estates shares will be treated as having been acquired at the implementation date of the Proposed Demerger and will be post-capital gains tax shares. The cost base will be determined under the ordinary capital gains tax cost base rules.

The difference between the fair value of Treasury Wine Estates and the amount of the capital reduction will be treated as a demerger dividend for income tax purposes. The demerger dividend will not be assessable to participating Australian shareholders, regardless of whether or not they choose demerger tax relief.

6.5.3 Disclaimer

The analysis set out in Section 6.5.2 outlines the major tax consequences of the Proposed Demerger for participating Australian shareholders and should be viewed as indicative only. It does not purport to represent formal tax advice regarding the taxation consequences of the Proposed Demerger for participating Australian shareholders. Further details on the taxation consequences of the Proposed Demerger for Australian participating shareholders are set out in Section 9 of the Booklet. In any event, the tax consequences for shareholders will depend upon their individual circumstances. If in any doubt, shareholders should consult their own professional adviser.

6.6 Alternatives to the Proposed Demerger

The Board and management of Foster's completed detailed consideration of all ownership and structural options, including a full or partial sale or demerger, as part of the Wine Strategy Review. At the time, Foster's concluded that it was not the appropriate time to restructure the ownership of the Wine business given the opportunities to optimise its brand portfolio and address its poor operational performance, and the prevailing state of capital markets and deteriorating economic conditions. Foster's considered that shareholder value would be maximised by implementing the identified strategies for improving the performance of the Wine business, and that the sale of the Wine business would result in Foster's shareholders losing the opportunity to participate in this future benefit. Foster's indicated that it expected to achieve more than $100 million in net pre-tax savings in the 2011 financial year from the organisational and operational initiatives, and these savings have now been achieved.

Since the announcement of the outcome of the Wine Strategy Review, and the subsequent announcement that it would pursue a demerger of the Beer and Wine businesses (subject to full evaluation), Foster's has continued to consider the alternatives, including retention of the status quo, to maximise shareholder value from Foster's mix of businesses. This included consideration of an indicative expression of interest received from an international private equity firm to acquire the wine assets of Treasury Wine Estates in September 2010. Having regard to the value range proposed and uncertainties associated with completion of a transaction, Foster's concluded that a demerger was likely to represent the best outcome for shareholders, and accordingly, rejected the proposal. In view of the operational improvements and cost savings achieved since the Wine Strategy Review, Foster's believes that Treasury Wine Estates is well positioned to grow and to create further shareholder value.

Alternative approaches to dealing with the Wine business have a range of disadvantages. Foster's has made it clear that it would consider any fully priced offer to acquire the Wine business. However, Foster's believes that any short term divestment of the Wine business is unlikely to maximise shareholder value, given the adverse external environment and the opportunities to improve the operational performance of the business. Divestment by way of an initial public offering would almost certainly realise less than full underlying value and (to the extent that the initial public offering involved third party investors) would result in a dilution of the economic interests of Foster's shareholders. A partial divestment through some form of joint venture would have additional disadvantages. In particular, a partial divestment would not address the disadvantages from a management focus perspective, and in fact, a joint venture structure would be likely to exacerbate such disadvantages.

The Proposed Demerger has none of the disadvantages associated with the alternatives. There is no dilution in the economic interests of Foster's shareholders. Shareholders retain the prospect of realising full underlying value for New Foster's and/or Treasury Wine Estates through a future change of control transaction. In the absence of a fully priced offer to buy Treasury Wine Estates on a trade sale basis (which would have to be assessed on its merits), in Grant Samuel's view the Proposed Demerger is preferable to alternative approaches to dealing with Treasury Wine Estates.

6.7 Partly Paid Shareholders

Holders of Foster's partly paid shares will participate in the Proposed Demerger on broadly the same basis as holders of Foster's fully paid shares. They will be entitled to receive one Treasury Wine Estates share for every three Foster's partly paid shares held[56]. The Treasury Wine Estates shares received by partly paid shareholders will be fully paid and will rank equally with all other Treasury Wine Estates shares, including in relation to dividends. However, the vote of partly paid shareholders on the demerger resolutions will be proportionate to the amounts paid up on the partly paid shares.

Holders of partly paid shares will not be required to pay up the unpaid amounts on their partly paid shares. Instead, the potential commitment to pay the unpaid amounts will continue to attach to partly paid shares in New Foster's (i.e. neither the amount paid up nor the issue price of Foster's partly paid shares will be adjusted as a result of the Proposed Demerger).

The Proposed Demerger will potentially improve the position of holders of partly paid shares in two ways:

- through increasing (over time) the aggregate value of the economic interests in the Beer and Wine businesses attributable to the partly paid shares; and
- through delivering a value uplift as a result of restructuring the interests of holders of partly paid shares such that these interests are held, in part, through fully paid Treasury Wine Estates shares.

Holders of partly paid shares will continue to have the same aggregate asset exposures to the Beer and Wine businesses and exposure to the same contingent call liability. Grant Samuel has concluded that the Proposed Demerger is in the best interests of holders of fully paid shares. For the same reasons Grant Samuel believes that, on balance, the Proposed Demerger is likely over time to result in an improvement in the aggregate value of the interests in the Beer and Wine businesses attributable to holders of partly paid shares. On this basis alone the Proposed Demerger is in the best interests of holders of partly paid shares.

In addition, the restructuring of the interests of holders of partly paid shares into two separate components, including fully paid shares in Treasury Wine Estates, should of itself deliver a value uplift (regardless of any impact on the value of the Beer and Wine businesses). The interests of holders of partly paid shares in the Wine business will be separated and held through fully paid Treasury Wine Estates shares, which unlike the current partly paid shares in Foster's are freely transferrable. The ongoing contingent call liability will be confined to the continuing partly paid shares in New Foster's.

[56] Rounded up or down to the nearest whole Treasury Wine Estates share.

Because the issue price of the partly paid shares will not be adjusted, the value of the partly paid shares in New Foster's will be reduced if the New Foster's share price falls to reflect the removal of the value of Treasury Wine Estates. However, the quantum of value delivered to holders of partly paid shares in the form of fully paid Treasury Wine Estate shares should exceed any diminution in the value of the continuing partly paid shares in New Foster's. The extent of this benefit will depend upon the relativities between the issue price of various tranches of partly paid shares and the Foster's share price (because the diminution in value of those partly paid shares that are currently already well "out of the money" will be less significant). Overall, the restructuring of the interests of holders of partly paid shares resulting from the Proposed Demerger should result in an increase in the aggregate value of those interests, particularly in relation to partly paid shares with issue prices well above the current Foster's share price.

Accordingly, in Grant Samuel's opinion, the Proposed Demerger is in the best interests of holders of Foster's partly paid shares.

6.8 Shareholder Decision

The decision whether to vote for or against the Proposed Demerger is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the Proposed Demerger, shareholders should consult their own professional adviser.

Any decision to continue to hold shares in New Foster's or Treasury Wine Estates is a separate investment decision independent of a decision on whether to vote for or against the Proposed Demerger. Grant Samuel does not offer an opinion on this investment decision. Shareholders should consult their own professional adviser in this regard.

7 Impact on Creditors

Pursuant to the Proposed Demerger, Foster's will be split into two separate entities. Existing creditors of Foster's (and its subsidiaries) will become creditors of either New Foster's (and its subsidiaries) or Treasury Wine Estates (and its subsidiaries).

If the Proposed Demerger is approved, Foster's will undertake a capital reduction of $1.25 billion. The capital reduction will ultimately be satisfied by Foster's procuring the transfer of Treasury Wine Estates shares to Foster's shareholders. There will be a reduction in Foster's shareholders' funds as a result of the capital reduction and other impacts of the Proposed Demerger and future earnings will be reduced by removal of the contribution from Treasury Wine Estates.

By definition, any reduction in the equity base of a company disadvantages creditors as it reduces the company's capacity to meet the claims of creditors. However, in Grant Samuel's opinion, existing Foster's creditors will not be materially prejudiced by the capital reduction for the following reasons:

- New Foster's and Treasury Wine Estates will each still be of a meaningful size:

Impact of Proposed Demerger on Key Pro Forma Financial Parameters ($ millions)

	Foster's actual	New Foster's pro forma[57]	Treasury Wine Estates pro forma
Financial Performance for year ended 30 June 2010			
Net sales revenue	4,285.6	2,395.4	1,890.2
EBITDAS	1,266.9	947.7	297.6
EBITS	1,108.7	884.5	202.6
Financial Position as at 31 December 2010			
Total assets	6,531.7	2,685.0	3,776.6
Net borrowings	(1,930.2)	(1,883.3)	(141.1)
Net assets	2,787.5	(200.1)	2,890.2
Liquidity and Gearing Metrics			
Current ratio[58]	1.8	1.0	3.1
Leverage ratio[59]	1.5	2.0	0.5
Gearing (net borrowings/(net assets plus net borrowings))	40.9%	90.4%	5.1%

Source: Booklet and Grant Samuel analysis

- following the Proposed Demerger, New Foster's is expected to have available facilities of at least $3,106.0 million. As at 31 December 2010, New Foster's had pro forma gross borrowings of approximately $1,954.6 million and cash balances of approximately $71.3 million. New Foster's intends to enter into swap arrangements to convert United States denominated debt into Australian dollars to reduce the exposure of New Foster's to adverse movements in foreign exchange rates;

- following the Proposed Demerger, Treasury Wine Estates is expected to have external debt of $200 million and cash of approximately $60 million (in addition to working capital). The debt will be drawn under a new multi-currency syndicated debt facility, consisting of a three year $200 million tranche and a five year $300 million tranche. The providers of the new facility have made their own judgements as to the financial risk of Treasury Wine Estates in full knowledge of its position. This funding commitment by third party providers suggests that the financial gearing of

57 Includes transaction costs.

58 Current ratio is current assets divided by current liabilities.

59 Leverage ratio is net borrowings divided by EBITDAS before individually material items (EBITDA before material items for New Foster's Pro Forma) and provides a measure of the level of debt supported by earnings.

Treasury Wine Estates is reasonable. The new facility is subject to implementation of the Proposed Demerger;

- the gearing of New Foster's will increase significantly following the Proposed Demerger as it will retain all of Foster's existing US$ denominated 144A notes and bank debt. Based on book values, New Foster's pro forma gearing as at 31 December 2010 is 90.4% compared to Foster's actual gearing as at 31 December 2010 of 40.9%. If calculated by reference to estimated market values, gearing decreases significantly to a level that is broadly consistent with the gearing of comparable beer companies. New Foster's pro forma leverage ratio[60] as at 31 December 2010 of 2.0 times is higher than Foster's actual leverage ratio of 1.5 times as at 31 December 2010, however, it remains within levels consistent with its investment grade credit rating. In addition, New Foster's is expected to generate strong operating cash flows that, if necessary, would be available to reduce gearing levels relatively quickly. Treasury Wine Estates will initially have a relatively conservative gearing level of 5.1% gearing (based on book values) and a leverage ratio of 0.5 times, which is considered appropriate having regard to the volatility in earnings and Treasury Wine Estates' growth strategy;

- Foster's has investment grade credit ratings of BBB and Baa2 issued by S&P and Moody's respectively. S&P and Moody's have indicated that New Foster's is expected to retain its investment grade credit ratings following the Proposed Demerger. Treasury Wine Estates is not expected to seek a credit rating in the short term;

- most amounts due to trade creditors are short term in nature (i.e. repayable within, say, 60 days at any point in time). Trade creditors will therefore have the opportunity to reassess for themselves whether or not they wish to grant continued credit to New Foster's or Treasury Wine Estates;

- neither New Foster's nor Treasury Wine Estates currently has major capital commitments, apart from the information technology upgrade programme currently being undertaken by Foster's. The upgrade programme is being altered to deliver two separate systems for New Fosters and Treasury Wine Estates at an additional cost of approximately $41.3 million, which is included in the one-off transaction costs associated with the Proposed Demerger;

- the capital reduction is non-cash in nature, so there is no net cash outflow (except for transaction costs) from Foster's as a whole as a result of the Proposed Demerger;

- as substantial listed companies, New Foster's and Treasury Wine Estates would, if necessary, have access to the public equity markets to fund creditor payments (although there is absolutely no indication that this might be required); and

- the directors of Foster's have stated the Proposed Demerger, if implemented, will not materially prejudice Foster's ability to pay its creditors.

Grant Samuel makes no warranty, express or implied, as to the potential recoverability of existing or contingent debts owed by Foster's at the date of this report or at any subsequent time. Future creditors must rely on their own investigations of the financial position of New Foster's and Treasury Wine Estates following the Proposed Demerger.

[60] Leverage ratio is net borrowings divided by EBITDA before individually material items and provides a measure of the level of debt supported by earnings.

8 Qualifications, Declarations and Consents

8.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services (in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally), property advisory services, manages specialist funds and provides marketing and distribution services to fund managers. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 440 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Stephen Cooper BCom(Hons) CA(SA) ACMA and Hannah Crawford BCom LLB CA FFin. Each has a significant number of years of experience in relevant corporate advisory matters. Bo Briedis BCom CA assisted in the preparation of the report. Each of the above persons is an authorised representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

8.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Proposed Demerger is in the best interests of shareholders. Grant Samuel expressly disclaims any liability to any Foster's shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Booklet issued by Foster's and has not verified or approved any of the contents of the Booklet. Grant Samuel does not accept any responsibility for the contents of the Booklet (except for this report).

8.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Foster's that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Demerger.

Grant Samuel advises that in November 2009 it was engaged by Foster's to conduct preliminary work to allow Grant Samuel to prepare an independent expert's report for Foster's should such a report be required. In addition, Grant Samuel group executives hold less than 2,500 shares in aggregate in Foster's.

Grant Samuel commenced analysis for the purposes of this report in November 2010 prior to the announcement of the Proposed Demerger. This work did not involve Grant Samuel participating in the formulation of the Proposed Demerger. Grant Samuel's only role has been the preparation of this report.

Grant Samuel had no part in the formulation of the Proposed Demerger. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of $700,000 for the preparation of this report. This fee is not contingent on the outcome of the Proposed Demerger. Grant Samuel's out-of-pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 October 2007.

8.4 Declarations

Foster's has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a court to be primarily caused by any conduct involving recklessness, fraud, negligence or wilful misconduct by Grant Samuel. Foster's has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Any claims by Foster's are limited to an amount equal to the fees paid to Grant Samuel. Where Grant Samuel or its employees and officers are found to have been reckless, fraudulent, negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action.

Advance drafts of this report were provided to Foster's and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

8.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Booklet to be sent to shareholders of Foster's. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

8.6 Other

The accompanying concise report dated 17 March 2011 and the Appendix form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED
17 March 2011

Grant Samuel & Associates

Appendix
Market Evidence - Comparable Listed Companies

The sharemarket ratings of selected Australian and international listed companies, with activities in beer and wine production, wholesaling, marketing and distribution, are set out below. The multiples shown below are based on sharemarket prices as at 3 March 2011 and do not reflect a premium for control.

The data presented for each company is the most recent historical annual result plus the subsequent two forecast years. The majority of companies selected have 30 June and 31 December year ends, with the exception of Constellation Brands Inc ("Constellation"), which has a 28 February year end, SABMiller plc ("SABMiller") and Andrew Peller Limited ("Andrew Peller") which have a 31 March year ends and Asia Pacific Breweries Limited ("Asia Pacific Breweries"), which has a 30 September year end.

As at the date of this report, Tsingtao Brewery Company Limited ("Tsingtao") Compania Cervecerias Unidas SA ("CCU"), Anheuser-Busch In Bev NV ("AB InBev"), Companhia de Bebidas das Americas ("AmBev") and Vina Concha y Toro S.A ("Vina Concha") have not reported full year results for the year ended 31 December 2010. For the purposes of this analysis, the 2010 forecasts for Tsingtao, CCU, In Bev, Am Bev and Vina Concha are treated as the actual results for the year ended 31 December 2010 to ensure consistency with the other comparable companies.

1 Beer

The sharemarket ratings of selected comparable listed beer companies are set out below:

Sharemarket Ratings of Selected Listed Beer Companies

Company	Market Capital-isation[1] (millions)	EBITDA Multiple[2] (times)			EBIT Multiple[3] (times)			Gearing[4]
		2010 Historical	2011 Forecast	2012 Forecast	2010 Historical	2011 Forecast	2012 Forecast	
Beer								
Global Beer								
AB InBev	US$92,132.2	10.1	9.2	8.6	12.5	11.1	10.3	31.5%
Heineken	€21,813.2	9.7	8.2	7.8	15.0	11.5	10.9	28.0%
SAB Miller	US$33,773.5	10.5	9.0	8.0	14.3	11.8	10.5	19.5%
Australia, Asia & Pacific								
Asahi	JPY755,361.2	7.5	5.0	4.9	8.9	7.0	6.8	19.6%
Sapporo	JPY151,679.0	8.1	8.2	7.9	19.1	19.9	18.4	52.5%
Kirin	JPY1,113,610.0	7.6	6.8	6.6	12.6	13.6	12.9	39.1%
Tsingtao	CNY43,269.0	14.3	12.5	10.9	18.0	15.5	13.5	na
Coca Cola Amatil	AU$8,933.7	10.4	9.3	8.6	12.5	11.5	10.6	15.0%
Asia Pacific Breweries	SGD5,653.3	10.5	na	na	11.9	na	na	2.8%
Americas								
Molson Coors	US$8,597.6	8.1	7.3	6.7	9.9	8.3	7.8	5.6%
Grupo Modelo	MXN233,028.3	9.0	8.7	8.0	10.7	10.4	9.5	na
Compania Cervecerias	CLP1,680,134.6	9.5	8.4	8.5	12.2	10.8	9.6	5.9%
Am Bev	BRL130,538.6	11.3	9.9	8.8	12.9	11.2	10.0	na
Europe								
Carlsberg	DKK90,260.4	9.4	8.4	7.7	12.9	11.2	10.0	27.3%

Source: Grant Samuel analysis[5]

1 Market capitalisation based on sharemarket prices as at 3 March 2011.

2 Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items.

3 Represents gross capitalisation divided by EBIT. EBIT is earnings before net interest, tax, investment income and significant and non-recurring items.

4 Gearing is net borrowings divided by net assets plus net borrowings as at latest balance sheet date.

5 Grant Samuel analysis based on data obtained from IRESS, Bloomberg, Capital IQ, company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

A brief description of each company is set out below:

Anheuser-Busch InBev

AB InBev is a Belgium-based company engaged in the business of brewer and consumer products. In November 2008, InBev and Anheuser-Busch merged to become AB InBev. The combined business has four of the top selling beers in the world and number one or two positions in 19 key markets. This portfolio includes global brands Budweiser, Stella Artois and Beck's, smaller multi-country brands such as Labatt, Leffe and Hoegaarden, and regional brands such as Bud Light, Skol, Brahma, Quilmes, Staropramen, Michelob, Harbin, Sedrin, Cass, Klinskoye, Sibirskaya Korona, Chernigivske and Jupiler. The company owns a 50% share in Grupo Modelo, Mexico's leading brewer and owner of the Corona brand.

Heineken NV

Heineken NV ("Heineken") is a global brewing company with more than 200 international, regional, local and specialty beers and ciders, including Amstel, Birra Moretti, Cruzcampo, Foster's, Maes, Murphy's, Newcastle Brown Ale, Ochota, Primus, Sagres, Star, Strongbow, Tiger and Zywiec. In early 2008, Heineken with Carlsberg acquired Scottish & Southern Newcastle plc for approximately £7.8 billion, with Heineken acquiring the United Kingdom, Ireland, Portuguese, Finish, Belguim, United States and Indian operations. Only 50% of Heineken is free float. The remainder is held by Heineken Holding NV which is approximately 40% free float and 60% owned by L'Arche Green NV, which is controlled by the Heineken family. On 11 January 2010, Heineken announced the acquisition of the beer operations of Formento Economico Mexicano S.A.B. de C.V. ("Femsa"), Mexico's largest beverage company. In June 2010, Heineken sold its British beverage distributor Waverley TBS to Manfield Partners.

SABMiller plc

SABMiller is one of the world's largest brewers, with brewing and beverage interests across six continents. The principal activities of SABMiller and its subsidiaries are the manufacture, distribution and sale of beverages. Its brands include international beers, such as Pilsner Urquell, Peroni Nastro Azzurro, Miller Genuine Draft and Grolsch along with local brands, such as Aguila, Castle, Miller Lite, Snow and Tyskie. SABMiller is one of the largest bottlers of Coca-Cola products. SABMiller's markets range from developed economies such as United States to emerging markets including China and India. In August 2006, SABMiller entered into a joint venture with Coca Cola Amatil Limited ("Coca Cola Amatil") to import, sell and distribute their beer brands into Australia. In November 2010, SABMiller announced its entry into the Argentine market, with the acquisition of Cerveceria Argentina S.A. Isenbeck, the third largest brewer in Argentina, from the Warsteiner Group.

Asahi Breweries Limited

Asahi Breweries Limited ("Asahi") is a leading brewery and soft drink company based in Tokyo, Japan. The company has a 40% share of the Japanese beer market. Asahi operates in four business segments. The "Alcohol" segment is involved in the manufacture and sale of beer, as well as the sale of western liquor, wine and distilled spirits. It is also engaged in the manufacture and repair of alcohol storage barrels, the manufacture, sale and maintenance of alcohol sales facilities, as well as the overseas sale of beer. The "Beverage" segment manufactures and sells various drinks, such as coffee, tea, carbonated drinks, health drinks, fruit juice and mineral water. The "Food and Medical Product" segment manufactures and sells pharmaceuticals, quasi-drugs, supplement products, health food and diet food products. The "Others" segment includes the processing of malts, the management of buildings, and a restaurant business. In 2009, Asahi acquired the Australian beverages unit of Cadbury Schweppes. In the year ended 31 December 2010, Alcoholic Beverages accounted for 67% of sales and 95% of operating income. In August 2010, Asahi acquired P&N Beverages Australia Pty Ltd, the third largest soft drink company in Australia.

Sapporo Holdings Limited

Sapporo Holdings Limited ("Sapporo") is a Japanese-based holding company that is active in four business segments. The "Alcoholic Beverages" segment is engaged in the manufacture and sale of beer, sparkling liquor, domestic wine, brandy, distilled spirit and other alcoholic beverages. The "Soft Drinks" segment manufactures and sells beverages, and sells drinking water through vending machines. The "Restaurant" segment is involved in the operation of beer halls and restaurants. The "Real Estate" segment is engaged in the operation and management of Yebisu Garden Palace, a complex facility that consists of offices, housing, restaurants, and commercial and cultural facilities, as well as a commercial and amusement complex facility under the name Sapporo Factory. This segment also operates sports facilities. The company has 46 subsidiaries and 14 associated companies. In the year ended 31 December 2010, the "Alcoholic Beverages" segment accounted for 80% of sales and 64% of operating income. In the same period, the "Real Estate" segment accounted for 6% of sales and 58% of operating income, reflecting the high margins of this business. The high EBIT multiples are the result of significant depreciation expense which relates to the "Real Estate" segment. In March 2010, Sapporo completed the acquisition of an equity interest in Vietnamese joint venture company Kronenbourg Vietnam Limited, as a mechanism to enter the beer market in Vietnam.

Kirin Holdings Company Limited

Kirin Holdings Company Limited ("Kirin") is a Japanese-based holding company engaged in the manufacture and sale of alcoholic beverages and soft drinks. Kirin sells two of the most popular beers in Japan, Kirin Lager and Ichiban Shibori. Kirin handles domestic distribution for several foreign brands, including Budweiser and Heineken. The brewery operations of Kirin also extend overseas, through strategic alliances, subsidiaries, and affiliates, to China, Taiwan, Australia, the Philippines, Europe and the United States. Kirin holds a 100% interest in Lion Nathan, a subsidiary that is based in Australia but has particularly important operations in China. Kirin has a 100% interest in San Miguel Corporation, the dominant brewer in the Philippines. Although brewing and related businesses comprise Kirin's core activities, the company is also involved in several other sectors: hard liquor, wine, soft drinks, food products and pharmaceuticals. In the year ended 31 December 2010, the "Alcohol Beverages" segment accounted for 75% of operating income, followed by the "Pharmaceutical" segment which accounted for 26% of operating income.

Tsingtao Brewery Company Limited

Tsingtao is China's largest brewery. Tsingtao owns 53 breweries and a malting plant in 18 provinces, cities and regions all over China. Its primary product, Tsingtao Beer, is distributed to more than 60 countries and regions around the world. In April 2009, Tsingtao entered into a production distribution agreement with Yantai Beer Tsingtao Asahi Company Limited ("Yantai Beer"), whereby Tsingtao obtained the rights for the distribution of all products of Yantai Beer. As at 31 December 2009, Tsingtao owned a 39% interest in Yantai Beer.

Coca Cola Amatil Limited

Coca Cola Amatil Limited ("Coca Cola Amatil") is an Australian company which manufactures, distributes and markets The Coca Cola Company's carbonated soft drinks and other beverages, principally in Australia, New Zealand, Fiji, Indonesia and Papua New Guinea. It is the largest non-alcoholic beverage company in the Pacific Rim. Coca Cola Amatil has diversified and expanded in the past decade to include water, sports and energy drinks, fruit juices, coffee, ready-to-drink teas and packaged ready-to-eat fruit and vegetable products. In August 2006, Coca Cola Amatil entered into a joint venture with SABMiller to distribute their beer brands into Australia, and from April 2007, began selling and distributing the products of spirits distributor Maxxium. Coca Cola Amatil's "Australian Beverages" segment includes carbonated, non-carbonated and alcoholic beverages and accounted for 63% of trading revenues and 70% of group EBIT for the year ended 31 December 2010.

Asia Pacific Breweries Limited

Asia Pacific Breweries is a Singapore-listed brewery company founded as Malayan Breweries Limited in 1931, in a joint venture between Heineken, and Fraser and Neave, and given its present name in 1990. It currently operates 37 breweries in 13 countries in the Asia Pacific region, selling over 120 brands of beer and beer variants. Heineken is the majority shareholder with a 42.5% stake. Its main brands are Tiger Beer, Heineken, Anchor, Baron's, Strong Brew and ABC Extra Stout.

Molson Coors Brewing Company

Molson Coors Brewing Company ("Molson Coors") is a company that was created by the merger of two of North America's largest breweries: Molson of Canada, and Coor of the United States, on 9 February 2005. Effective from 1 July 2008, Molson Coors and SABMiller combined the United States and Puerto Rico operations of their respective subsidiaries, in the MillerCoors joint venture, that markets all of their combined products in those territories. Molson Coors' key brands are Coors, Molson and Carling. Effective 1 January 2008, Molson Coors and Grupo Modelo, S.A.B. de C.V. ("Grupo Modelo") established a 50:50 joint venture, Modelo Molson Imports, L.P., to import, distribute, and market the Grupo Modelo beer brand portfolio across all Canadian provinces and territories. In May 2010, Molson Coors signed an agreement to buy a 51% controlling interest in a new joint venture with the Hebei Si'hai Beer Company of China ("Si'hai"), resulting in the joint venture having direct control over the Si'hai brewing operations, including its contract brewing business, and providing opportunities to expand the sales and distribution of a portfolio of emerging brands led by Coors Light and regional Si'hai beers.

Grupo Modelo

Grupo Modelo is a Mexico-based company primarily engaged in the production, distribution and sale of 12 brands of beer: Corona Extra, Modelo Especial, Corona Light, Negra Modelo, Pacifico, Modelo Light, Victoria, Leon, Montejo, Estrella, Barrilito and Tropical Light, with 63% of the Mexican beer market. It also has license to import such international trademark beers as Budweiser, Bud Light, O'Doul's, Tsingtao and Carlsberg. Additionally, it is involved in the production and sale of bottled water under the Santa Maria and Nestle Pureza Vital brands, as well as in the distribution of the San Pellegrino, Perrier and Aqua Panna brands. Grupo Modelo's products are exported to North and Latin America, Europe, Africa, the Middle East, Asia and Oceania. Grupo Modelo's facilities include seven breweries located in Sonora, Coahuila, Sinaloa, Zacatecas, Guadalajara, Mexico DF and Oaxaca. AB InBev has a 50% non-controlling stake in Grupo Modelo.

Compania Cervecerias Unidas SA

CCU is a diversified beverage company operating principally in Chile and Argentina. CCU's beer and soft drink products include a range of licensed and imported brands. CCU operates in five segments: production and sale of beer in Chile, production and sale of beer in Argentina, soft drinks and mineral water, wine and spirits. It is also involved in the production and sale of chocolates and sweets, and the sale of plastic cases and containers to unaffiliated companies. CCU's line of beers in Chile includes a range of super-premium, premium and medium-priced, which are primarily marketed under seven different brands and four brand extensions. CCU is a producer and distributor in Argentina of Heineken and the distributor in Argentina of imported Corona, Negra Modelo, Paulaner and Guinness beer brands. Inversopmes y Rentas SA ("IRSA") owns 61.67% of CCU. A subsidiary of Heineken owns 50% of IRSA, which results in Heineken having a 30.84% interest in CCU.

Companhia de Bebidas das Americas

AmBev is a Brazil-based company, producing, selling and distributing beer, carbonated soft drinks and other non-alcoholic and non-carbonated products in 14 countries across the Americas. AmBev is PepsiCo International, Inc.'s bottler outside the United States. AmBev conducts its operations through three business units: Latin America North, Latin America South and Canada. AmBev is listed on the Sao Paulo Stock Exchange and New York Stock Exchange with a combined free float of 28.9%. AB InBev owns 61.8% and the Fundação Antonio e Helena Zerrenner (a Brazilian charitable foundation providing health benefits to AmBev employees) owns 9.4%.

Carlsberg A/S

Carlsberg A/S ("Carlsberg") is a Denmark-based brewing company. Carlsberg's operations comprise breweries, which have a primary focus on the production, retail and marketing of beer, with secondary activities in soft drink and water production. In countries where Carlsberg has no breweries, it sells its products through exports and licensing agreements. It offers approximately 500 brands, with a core international brand, Carlsberg Pilsner, supported by such international and regional brands as Tuborg, Baltika, 1664, Holsten, Kronenbourg, Falcon, Pripps, Karhu, Okocim, Feldschloesschen, Ringnes, Wusu and others. Carlsberg is operational worldwide, with activities mainly in Northern, Western and Eastern Europe, as well as in Asia. In early 2008, Carlsberg and Heineken acquired Scottish & Newcastle, with Carlsberg acquiring Scottish & Newcastle's share of Baltic Beverages Holding (which takes Carlsberg's share to 100%) as well as acquiring the French, Greek, Chinese and Vietnamese operations.

2 Wine

The sharemarket ratings of selected comparable listed beer companies are set out below:

Sharemarket Ratings of Selected Listed Wine Companies

Company	Market Capitalisation[6] (millions)	EBITDAS[7] multiple (times)			EBITS[8] multiple (times)			Gearing[9]
		2010 Historical	2011 Forecast	2012 Forecast	2010 Historical	2011 Forecast	2011 Forecast	
Australia, Asia & Pacific								
Australian Vintage	AU$45.6	5.5	6.2	5.8	7.0	8.2	8.1	76.0%
Delegat's Group	NZ$202.3	12.0	7.0	6.9	19.0	9.1	8.9	39.8%
North America								
Constellation	US$4,190.6	15.2	11.9	11.6	16.8	15.1	14.7	47.4%
Andrew Peller	C$132.4	8.0	na	na	11.3	na	na	40.8%
South America								
Vina Concha	CLP836,721.4	14.0	12.3	11.4	18.2	15.4	14.0	6.7%
Europe								
Diageo	GBP30,539.5	12.2	11.7	10.9	13.9	13.1	12.2	18.1%
Pernod Ricard	€18,319.7	13.3	13.0	12.0	15.2	14.3	13.4	12.8%
Baron de Ley	€208.7	7.3	6.1	na	9.4	8.6	na	9.8%

Source: Grant Samuel analysis[10]

6 Market capitalisation based on sharemarket prices as at 3 March 2011.

7 Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDAS. EBITDAS is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items and SGARA, where SGARA is self generating and regenerating assets as defined in AASB 141 Agriculture.

8 Represents gross capitalisation divided by EBITS. EBITS is earnings before net interest, tax, investment income and significant and non-recurring items and SGARA, where SGARA is self generating and regenerating assets as defined in AASB 141 Agriculture.

9 Gearing is net borrowings divided by net assets plus net borrowings as at latest balance sheet date.

10 Grant Samuel analysis based on data obtained from IRESS, Capital IQ, company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

A brief description of each company is set out below:

Australian Vintage Limited

Australian Vintage Limited ("Australian Vintage") is an Australian wine company, formally known as McGuigan Simeon Wines until February 2008, when shareholders voted to change the name and is the second largest vineyard owner and manager in Australia. Australian Vintage owns vineyards in several regions across Australia (primarily the Sunraysia, Riverland, Cowra and Adelaide Hills regions). Its main activities include the sale of branded and private label bottled and cask wine throughout Australia and overseas, the sale of bulk wine within Australia and the provision of contract processing services within Australia and contract management and development of vineyards. Australian Vintage's wholly owned subsidiaries include Simeon Wines Limited, Vintners Australia Pty Limited, Barossa Valley Wine Company Pty Limited and Coldridge Vineyards Pty Limited. During the 2009 financial year, Australian Vintage engaged in discussions with Constellation Brands Inc ("Constellation") regarding a potential merger, however these discussions ceased in April 2010.

Delegat's Group Limited

Delegat's Group Limited ("Delegat's") is the largest listed wine producer in New Zealand. It focuses on the production of super-premium wines, mainly under the Delegat's and Oyster Bay brands. Its segments include Delegat's Wine Estate Limited, which has vineyard leases and interests in freehold land and winery infrastructure; and Oyster Bay Wines Australia Pty Limited, Delegat's Wine Estate (UK) Limited and Oyster Bay Wines USA, Inc., which act as distributors and assist in the marketing of product in their respective geographic regions. In December 2010, Delegat's completed the acquisition of the 49.9% of Oyster Bay Marlborough Vineyards Limited ("Oyster Bay") which it did not already own. Oyster Bay provides an exclusive source of Marlborough region grapes to Delegat's Group.

Constellation Brands Inc

Constellation is an international producer and marketer of beverage alcohol with the largest wine portfolio in the world complemented by spirits, imported beers and other alcoholic beverages products. Constellation conducts its business through entities it wholly owns, as well as through a variety of joint ventures with various other entities, both within and outside the United States. It operates in the United States, Canada, United Kingdom, Australia and New Zealand. Constellation operates three divisions: Constellation Wines, Constellation Spirits and Crown Imports. On 31 January 2011, Constellation announced it had completed the sale of its Australian and United Kingdom businesses to CHAMP Private Equity for approximately $290 million. Constellation intends to delist from the Australian Securities Exchange by 28 February 2011.

Andrew Peller Limited

Andrew Peller is a Canadian producer and marketer of a range of premium, ultra-premium and other grade wines. Andrew Peller owns wineries in British Columbia, Ontario and Nova Scotia and markets wines produced from grapes grown in Ontario's Niagara Peninsula, British Columbia's Okanagan and Similkameen Valleys and from vineyards around the world. Its key wine brands include Peller Estates, Trius, Hillebrand, Thirty Bench, Croc Crossing, XOXO, Sandhill, Copper Moon, Calona Vineyards Artist Series VQA wines and Red Rooster. It produces and markets consumer-made wine kit products. It also owns and operates independent wine retailers in Ontario with more than 100 retail locations.

Vina Concha y Toro SA

Based in Chile, Vina Concha is Latin America's largest producer and exporter of wine and one of the ten largest wine companies in the world. In domestic and export markets, Vina Concha's bottled wines are sold through a number of sub-branding lines across the premium, varietal, bi-varietal and sparkling wine categories. Exports accounted for 75% of Vina Concha's bottled wine sales in the 2009 financial year, with its primary markets being Europe, North America and Central and South America. The Concha y Toro brand is the third largest Chilean wine brand in the grocery channel in the United Kingdom by value. Approximately 42% of Vina Concha is owned by the Guilisasti Gana Family.

Diageo Plc

Diageo is the largest multi beverage company in the world. It trades in over 180 markets with North America and Europe accounting for approximately 62% of net sales in the 2010 financial year. Wine represents only a small percentage of Diageo's product portfolio at approximately 5% of net sales in the 2010 financial year. Diageo's principal wineries are in the United States, France and Argentina. Major wine brands include Blossom Hill (the largest United States wine brand in the United Kingdom grocery channel), Sterling Vineyards, Beaulieu Vineyard, Chalone Vineyard, Rosenblum Cellars, Barton & Guestier and Piat d'Or. Diageo owns a number of associate investments (the principal investment being a 34% interest in Moët Hennessy, the spirits and wines subsidiary of LVMH Moët Hennessy-Louis Vuitton S.A) which have been excluded from the calculation of earnings multiples.

Pernod-Ricard SA

Pernod-Ricard manufactures and markets wine and spirits globally. It expanded into high growth markets (North America in particular) through the acquisition of Allied Domecq plc in 2005. It is the second largest spirits producer globally and the fourth largest wine producer. In the 2010 financial year, approximately 41% of sales were sourced from Europe, 27% from the Americas and 32% from the rest of the world. It is the fourth largest wine producer in Australia by value. Key wine brands include Jacobs's Creek (the third largest red wine brand in Australia by value and second largest Australian wine brand in the United Kingdom grocery market by value), Montana (the second largest New Zealand wine brand in the United Kingdom grocery channel by value), Campo Viejo, Graffigna, Mumm and Perrier-Jouët. As a consequence of a number of acquisitions and divestments in the 2010 financial year, the historical multiples are not meaningful.

Barón De Ley SA

Barón De Ley SA ("Barón De Ley") is a Spanish company principally engaged in the production and sale of wines. Established in 1985, the company's production facilities are located in Navarra, Spain, but it also distributes wine throughout Europe, the United States and Japan. Its wine brands include Barón De Ley, Club Privado, Coto De Imaz, Coto Real, El Coto, El Mesón, Finca Monasterio, Jabato, Máximo, and Museum Real brands. The company operates the Barón De Ley, El Coto de Rioja, El Mesón, Finca Monastery, Finca Museum, and Máximo wineries. Barón De Ley's overseas sales account for about 60% its 2009 sales. Seven significant shareholders own approximately 70% of the company.