Demerger of Treasury Wine Estates

15 February 2011

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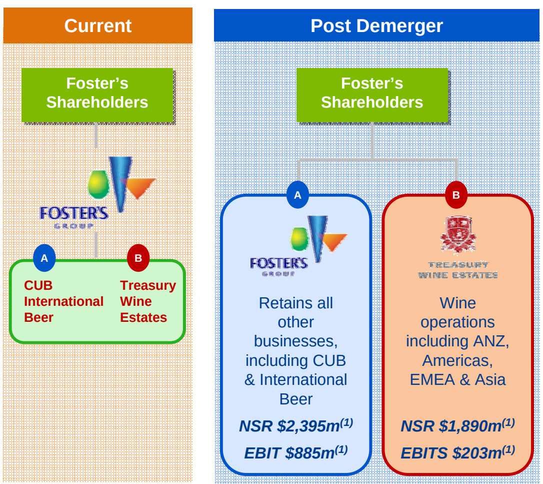
DEMERGER OVERVIEW

- Detailed evaluation has resulted in the Foster's Board concluding a demerger of Treasury Wine Estates (the "Demerger") represents the best path forward and is in the best interests of shareholders
- The Demerger will create two independent ASX-listed entities:
  - Treasury Wine Estates – a leading international wine business with a portfolio of luxury, premium and commercial wines; and
  - Foster's (post Demerger) – Australia's leading brewer, incorporating Carlton & United Breweries and International Beer
- Foster's will retain all assets, rights and liabilities which are not transferred with Treasury Wine Estates pursuant to the Demerger
- To be effected by a capital reduction and court approved scheme of arrangement
- Eligible shareholders to retain their existing Foster's shares and receive 1 Treasury Wine Estates share for every 3 Foster's shares (subject to rounding)
- Following the Demerger, Foster's is expected to remain in the S&P/ASX50. It is anticipated that Treasury Wine Estates will qualify for inclusion in the S&P/ASX100
- Shareholders expected to vote on the Demerger in late April[1]
  - Aim to complete the Demerger in May, subject to shareholder and court approvals[1]
  - Further detailed information in scheme booklet expected to be released in late March 2011[1]

(1) Dates are indicative only and may be subject to change

DEMERGER OF TREASURY WINE ESTATES



- Treasury Wine Estates shares to be distributed to Eligible Shareholders[2]
- 1 Treasury Wine Estates share for every 3 Foster's shares (subject to rounding)
- Foster's shareholders to retain existing shares in Foster's
- Demerger distribution expected to qualify for demerger tax relief[3], with draft ruling received
- Share sale facility available for shareholders who hold 1,000 or fewer Foster's shares

(1) Pro forma financial information relating to the year ended 30 June 2010, excludes individually material items
(2) Eligible Shareholders are Foster's shareholders who are not Ineligible Overseas Shareholders. Ineligible Overseas Shareholders are anticipated to be Foster's shareholders whose registered address is not within Australia, Canada, Germany, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Singapore, Switzerland, the United Kingdom or the United States, or not within any other jurisdiction in which Foster's reasonably believes the Demerger and transfer of Treasury Wine Estates Shares to Foster's shareholders is not prohibited, not unduly onerous and not impracticable
(3) For Australian resident shareholders who hold their Foster's shares on capital account

DEMERGER RATIONALE AND BENEFITS

- Enhanced focus for each entity on their core businesses and strategic objectives
  - Separate boards and management
  - Greater flexibility to respond to challenges and opportunities
  - Recognises different business characteristics and industry dynamics faced by the wine and beer, cider and spirits businesses
- Independent capital structures and financial policies appropriate for each entity's operational requirements and strategic objectives
- Greater investment choice for shareholders, with direct participation in the future performance of Treasury Wine Estates
- Increased transparency allowing investors to more independently and appropriately value each company
- Increased flexibility to determine compensation and incentive plans enabling closer alignment with business performance and shareholder value creation

The Foster's Board believes that the Demerger will maximise long term value for Foster's shareholders

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EXPERIENCED BOARDS AND MANAGEMENT(1)

TREASURY WINE ESTATES

- **Non-Executive Directors**
  - Max Ould (Chairman)
  - Lyndsey Cattermole
  - Warwick Every-Burns (new)
  - Peter Hearl (new)
  - Paul Rayner (new)
- **Executives**
  - David Dearie (Executive Director and Chief Executive Officer)
  - Tony Reeves (Chief Financial Officer)(2)
  - Paul Conroy (General Counsel and Company Secretary)
  - Stephen Brauer (MD Americas)
  - Peter Jackson (MD EMEA)
  - Anthony Davie (MD Asia)
  - Boyd Williams (Chief HR Officer)

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- **Non-Executive Directors**
  - David Crawford (Chairman)
  - Paul Clinton
  - Paula Dwyer (new)
  - Judith Swales (new)
  - Michael Ullmer
  - Michael Wesslink (new)
- **Executives**
  - John Pollaers (Executive Director and Chief Executive Officer)
  - Stephen Matthews (Chief Financial Officer)
  - Dan Last (General Counsel and Company Secretary)
  - Peter Cantwell (MD Sales)
  - Paul Donaldson (Acting MD Marketing)
  - Grant Peck (MD Supply)
  - Katea Downie (Chief HR Officer)

(1) Board and management teams if the Demerger proceeds
(2) Tony Reeves will fill the CFO role until the selection process for a permanent CFO is concluded and the new CFO commences employment with Treasury Wine Estates.

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CAPITAL STRUCTURES AND DIVIDEND POLICIES

TREASURY WINE ESTATES

- New $500m syndicated multi-currency facility
  - Revolving 3 and 5 year tranches
  - Underwritten by Westpac
- Conservative balance sheet with net debt of $140m at Demerger
  - $200m of gross debt (drawn in USD from new facility); cash of approximately $60m
  - Gross debt <0.7 x pro forma FY10 EBITDAS
- Target dividend payout ratio of 55% to 70% of consolidated NPAT(1)(2)
  - Expected to be franked to less than 100% due to offshore earnings

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- Foster's will retain all its existing US$144A notes and bank facilities
- Foster's intends to enter into cross currency swaps to convert US$ denominated debt into A$
- Strong credit profile with net borrowings of approximately $1,884m had the Demerger been effected on 31 December 2010
- No change is expected to Foster's current investment grade BBB / Baa2 ratings
- Target dividend payout ratio of not less than 80% of consolidated NPAT(1)(2)

It is anticipated that, taken together, the final dividends declared by Treasury Wine Estates and Foster's (post Demerger) for FY11 will be equivalent to the final dividend that Foster's would otherwise have declared if the Demerger did not proceed

(1) Excluding individually material items and subject to the Corporations Act
(2) Dividend policies will be determined by the Treasury Wine Estates' and Foster's Boards respectively and may change over time

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DEMERGER COSTS

Transaction costs

- One-off transaction costs associated with the Demerger of approximately $151 million on a pre tax basis ($108 million after tax), all of which will be incurred by Foster's
  - $30 million incurred prior to 31 December 2010
  - Further $44 million to be incurred even if the Demerger does not proceed

Breakdown of one-off demerger costs	($M)
Transfer costs and advisory fees	66
Foreign exchange derivatives	26
Information technology expenditure	41
Other restructuring costs	18
Total one-off demerger costs (before tax)	**151**
Total one-off demerger costs (after tax)	**108**

- Foreign exchange derivative costs arise from a progressive foreign currency bought options hedging program relating to US$ denominated debt
  - Provides downside protection against A$ depreciation with Foster's fully participating in recent A$ strength (which has reduced Foster's reported debt position by over $300 million in 6 months to 31 December 2010)
- IT expenditure of $41 million is associated with changes to the current IT upgrade program

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DEMERGER COSTS (CONT'D)

Additional corporate and operating costs	▪ Additional corporate and operating costs of approximately $21.6 million if the Demerger had been effected for the full year ended 30 June 2010 – $9.9 million relates to separation of the existing IT systems and services – $11.7 million relates to ASX listing fees, share registry costs, audit fees and insurance, costs of maintaining separate boards and management and other costs arising from the separation of existing shared services – Does not include allowance for cost reduction measures with annualised benefit of $3.5 million already achieved at 31 December 2010
Higher interest costs on US$144A notes retained by Foster's	▪ Foster's intends to enter into cross currency swaps to convert future US$ interest and principal obligations into A$ in respect of US$144A notes with a total face value of US$1,600m[(1)]. Based on prevailing rates: – Debt swapped at favourable exchange rate compared to historical averages; and – Average cost of borrowings on the swapped notes will be approximately 4.0% per annum (pre tax) higher[(2)]

(1) Foster's 2014, 2015, 2016 and 2035 series US$ 144A notes
(2) As at 24 January 2011. Actual change in cost of borrowings is a function of financial markets and therefore may vary significantly

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COST BASE REDUCTION PROGRAMS

- The increase in corporate and operating costs arising from the Demerger does not include the benefit of any cost reduction initiatives to be undertaken by Foster's and Treasury Wine Estates following the Demerger
- Management of Foster's and Treasury Wine Estates are undertaking a detailed review of their respective stand-alone cost bases
- The current Boards of Foster's and Treasury Wine Estates are confident that the stand-alone cost bases will be reduced below those which existed under the Foster's Group structure
  - Total cost savings to materially exceed the additional corporate and operating costs arising from the Demerger within 24 months
  - Cost savings in excess of additional corporate and operating costs will increase profit. A portion of this may be reinvested in the businesses
- Areas identified for reducing costs include:
  - **Foster's (post Demerger)**: Acceleration of supply efficiency initiatives; streamlining core processes; business simplification; and benefits arising from the implementation of new IT systems
  - **Treasury Wine Estates:** Acceleration of wine making and vineyard operations efficiencies; optimisation of marketing and promotional spend; continued process improvements; reduction in global administrative and selling costs; and benefits arising from the implementation of new IT systems

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TRANSITIONAL ARRANGEMENTS

- Foster's and Treasury Wine Estates will enter into a series of Transition Service Agreements
- Transition services to include:
  - Finance services and call centre services
  - Logistics services including distribution and warehousing in Australia
  - IT services (including in relation to core operations and IT separation)
- Treasury Wine Estates will provide human resources services (including back office, administration and accounting for these services), supply services and payroll and other finance services to Foster's in various locations, with all other services to be provided by Foster's to Treasury Wine Estates
- Foster's will be responsible for the completion of the core operations project and delivery to Treasury Wine Estates of a stand-alone IT environment
  - Anticipated to be finalised by first half of calendar 2013

DEMERGER ACCOUNTING

- Under AASB137, Foster's will be required to report a profit or loss on the Demerger in FY11, being the difference between the demerger distribution and the carrying value of wine net assets
  - Wine assets are currently recorded by reference to recoverable amounts under AASB136, being the discounted value of estimated future cash flows (i.e. a control basis)
  - The value of the demerger distribution recorded in the accounts of Foster's will be based on the price at which individual parcels of shares (or portfolio interests) in Treasury Wine Estates trade on ASX
  - The fundamentally different basis for assessment may result in a non-cash loss on Demerger being reported in Foster's consolidated income statement for FY11
- Foster's (post Demerger) is likely to have consolidated negative net assets
  - Consolidated negative net assets of approximately $200 million on a pro forma basis at 31 December 2010
  - Due to existing debt being allocated to Foster's which exceeds the historical cost of CUB's beer brands and goodwill assets, which in some instances are carried at nil
  - No adverse consequences under Foster's financing facilities
- Demerger accounting will not prevent Foster's from declaring and paying a final dividend for FY11

INDICATIVE TIMETABLE AND CONDITIONS OF DEMERGER

Indicative timetable[1]

February 2011	Announcement of Demerger
Late March 2011	Despatch of scheme booklet to Foster's shareholders
Late April 2011	Shareholder meeting held
May 2011	Final court approvals
May 2011	Trading of Treasury Wine Estates shares on ASX commences

Key conditions of Demerger

- Court approval to convene scheme meeting and to despatch of scheme booklet to Foster's shareholders
- Foster's shareholder approval of Demerger resolutions
- Court approval for Demerger implementation
- ASX approval for listing of Treasury Wine Estates

(1) Dates and times are indicative only and are subject to change. The timing of the Demerger may vary subject to regulatory approvals

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QUESTIONS AND ANSWERS

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