
Treasury Wine Estates Limited – Information Memorandum

In relation to the application for admission of Treasury Wine Estates Limited to the official list of ASX

1 Purpose of Information Memorandum

This Information Memorandum has been prepared by Treasury Wine Estates Limited ABN 24 004 373 862 (**Treasury Wine Estates**) in connection with its application for:

- (a) admission to the official list of ASX; and
- (b) Treasury Wine Estates Shares to be granted official quotation on the stock market conducted by ASX.

The Information Memorandum will only apply if the Demerger is approved and implemented.

This Information Memorandum:

- is not a prospectus or disclosure document lodged with ASIC under the Corporations Act; and
- does not constitute or contain any offer of Treasury Wine Estates Shares for subscription or purchase or any invitation to subscribe for or buy Treasury Wine Estates Shares.

2 Incorporation of Demerger Scheme Booklet

- (a) Capitalised terms defined in the Booklet prepared by Foster's Group Limited ABN 49 007 620 886 (**Foster's**) dated 17 March 2011 (a copy of which is included as Appendix 1 to this Information Memorandum) have the same meaning where used in this Information Memorandum (unless the context requires otherwise).
 - (b) The following parts of the Booklet, and any supplementary booklets issued in connection with the Demerger Scheme, are taken to be included in this Information Memorandum:
 - Important notices and disclaimers, to the extent that it relates to Treasury Wine Estates;
 - Key dates, to the extent that it relates to Treasury Wine Estates;
 - What Foster's Shareholders need to do, to the extent that it relates to Treasury Wine Estates;
 - Chairman's letter, to the extent that it relates to Treasury Wine Estates;
 - Demerger overview, to the extent that it relates to Treasury Wine Estates;
 - Frequently asked questions, to the extent that it relates to Treasury Wine Estates;
 - Section 1.1 (Key attributes of Treasury Wine Estates);
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- Section 2 (Advantages, disadvantages and risks of the Demerger) to the extent that it relates to Treasury Wine Estates;
- Section 3 (Details of the Demerger), to the extent that it relates to Treasury Wine Estates;
- Section 4 (Description of Treasury Wine Estates);
- Section 5 (Financial information on Treasury Wine Estates);
- Section 8 (Business risks in relation to Treasury Wine Estates and Foster's), to the extent that it relates to Treasury Wine Estates;
- Section 9 (Australian taxation implications of the Demerger), to the extent that it relates to Treasury Wine Estates;
- Section 10 (Investigating Accountant's Report), to the extent that it relates to Treasury Wine Estates;
- Section 11 (Concise Independent Expert's Report), to the extent that it relates to Treasury Wine Estates;
- Section 12 (Additional information), to the extent that it relates to Treasury Wine Estates;
- Section 14 (Deed Poll);
- Section 16 (Glossary of terms); and
- Corporate directory, to the extent that it relates to Treasury Wine Estates.

3 ASX Listing

3.1 Information Memorandum contents

The Treasury Wine Estates Directors believe that this Information Memorandum contains all the information which would have been required under section 710 of the Corporations Act if the Information Memorandum were a prospectus in respect of an offering by Treasury Wine Estates of the same number of Treasury Wine Estates Shares as will be transferred to Scheme Participants (other than Small Shareholders electing to sell their Treasury Wine Estates Shares under the Sale Facility and Ineligible Overseas Shareholders) under the Scheme.

3.2 ASX takes no responsibility for the Information Memorandum

Neither ASX nor any of its officers take any responsibility for the contents of this Information Memorandum. The fact that ASX may admit Treasury Wine Estates to the official list of ASX should not be taken in any way as an indication of the merits of an investment in Treasury Wine Estates.

3.3 Capital raisings

On 21 December 2010, Treasury Wine Estates issued 3.5 billion Treasury Wine Estates Shares to Foster's Australia Limited (which was and as at the

date of this document remains Treasury Wine Estates' sole shareholder) for an amount of \$1 for each share. The issue price was applied towards a partial repayment of an intercompany receivable owed by Treasury Wine Estates to Foster's Australia Limited.

No further issues of securities are proposed by Treasury Wine Estates prior to the Demerger.

Treasury Wine Estates will not need to raise any capital for three months after the date of this Information Memorandum.

However, Treasury Wine Estates may, if the Demerger proceeds, issue Treasury Wine Estates Shares to officers and employees in the three months after the date of this Information Memorandum under its proposed employee incentive schemes as described in Sections 4.7(b) and 4.8(c) of the Booklet.

4 Disclosure of interests

4.1 Directors

Other than as set out in this Information Memorandum, no director or proposed director of Treasury Wine Estates, or any entity in which the director or proposed director is member or partner, has at the date of this Information Memorandum, or has had within two years before the date of this Information Memorandum, any interest in the promotion of Treasury Wine Estates or in any property acquired or proposed to be acquired by Treasury Wine Estates and no amounts, whether in cash or securities or otherwise, have been paid or agreed to be paid by any person to any director or proposed director, or to any entity in which a director or proposed director is a member or partner, either to induce them to become, or to qualify them as, a director, or otherwise for services rendered by them or by the entity in connection with the promotion or formation of Treasury Wine Estates.

4.2 Experts

Except as set out in this Information Memorandum, no expert named in this Information Memorandum or entity in which any such expert is a partner or member has any interest in the promotion of Treasury Wine Estates or in any property acquired or proposed to be acquired by Treasury Wine Estates and no amounts, whether in cash or securities or otherwise, have been paid or agreed to be paid by any person to any such expert or to any entity in which any such expert is a partner or member for services rendered by him or her or the entity in connection with the promotion or formation of Treasury Wine Estates.

5 Consents

Each of the parties named in this section as consenting parties:

- has given and has not, before the date of this Information Memorandum, withdrawn its written consent to be named in this Information Memorandum in the form and context in which it is named;
-

- has given and has not, before the date of this Information Memorandum, withdrawn its written consent to the inclusion of their respective statements and reports (where applicable) noted next to their names in this Section, and the references to those statements and reports in the form and context in which they are included in this Information Memorandum;
- does not make, or purport to make, any statement in this Information Memorandum other than those statements referred to in this section in respect of that person's name (and as consented to by that person); and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Information Memorandum.

Mr Paul Rayner, Mr Peter Hearl and Mr Warwick Every-Burns have consented to be named in this Information Memorandum as future Treasury Wine Estates Directors, but have not been involved or engaged in the preparation of this Information Memorandum and its contents.

The term "consent", as used in this Information Memorandum, is used solely in the context of this Information Memorandum and as that term is used in Australia. It is different from, and therefore not to be used as that term is or would be used in the United States, including as defined under securities law in the United States, in particular the Securities Act.

Role	Consenting Party
Share Registry	Computershare Investor Services Pty Limited
Australian legal and taxation adviser	Corrs Chambers Westgarth
Independent Expert	Grant Samuel, in relation to the Independent Expert's Report and any statements based on that report
Investigating Accountant	PwC Securities
Auditor	PricewaterhouseCoopers
Treasury Wine Estates' new Non-Executive Directors	Mr Paul Rayner, Mr Peter Hearl and Mr Warwick Every-Burns

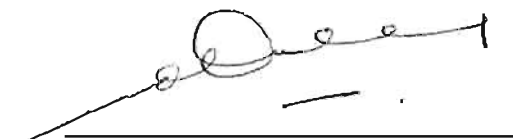
6 Supplementary information

Treasury Wine Estates and/or Foster's will issue a supplementary Information Memorandum if either of them becomes aware of any of the following between the date of this Information Memorandum and the date the Treasury Wine Estates Shares are quoted on ASX:

- a material statement in this Information Memorandum being misleading or deceptive;
- a material omission from this Information Memorandum;
- a significant change affecting a matter included in this Information memorandum; or
- a significant new matter arising that would have been required to be included in this Information Memorandum if it had arisen before the date of this Information Memorandum.

7 Authorisation

Signed by, or (with written authorisation) on behalf of, each director and proposed director of Treasury Wine Estates:




Max G Ould, Director




David Dearie, Director




M Lyndsey Cattermole AM, Director



Paul Rayner, proposed Director



Peter Hearl, proposed Director

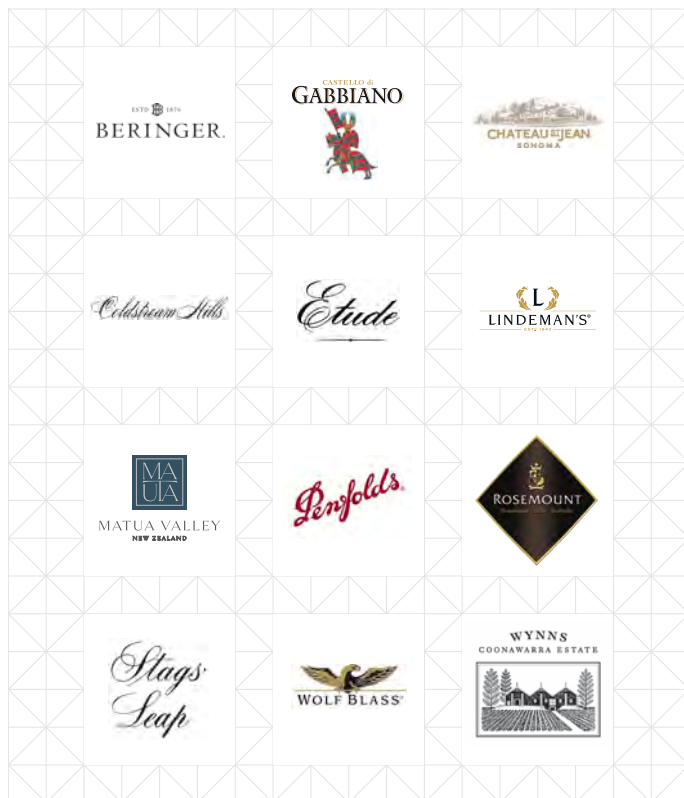
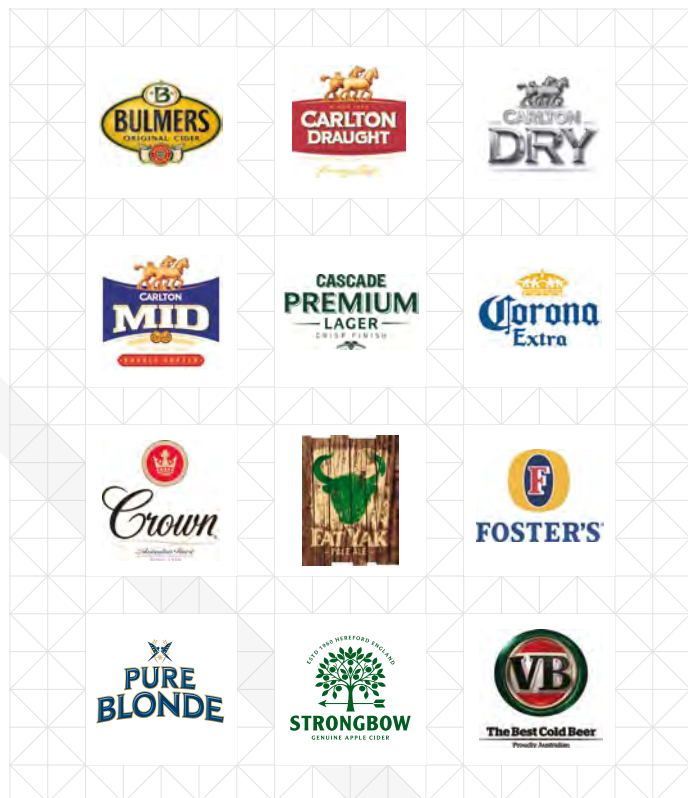


Warwick Every-Burns, proposed Director

Dated: 17 - 3 - 11

Appendix 1

Booklet



DEMERGER

of Treasury Wine Estates Limited
by Foster's Group Limited (ABN 49 007 620 886)

VOTE IN FAVOUR

Each Foster's Director recommends that Foster's Shareholders vote in favour of the resolutions to approve the Demerger. The Independent Expert has concluded that the Demerger is, on balance, in the best interests of Foster's Shareholders. This Booklet is important and requires immediate attention. Foster's Shareholders should read this Booklet in its entirety, taking particular notice of the advantages, disadvantages and risks of the Demerger (see Section 2) and the business risks in relation to Treasury Wine Estates and New Foster's (see Section 8) before deciding whether or not to vote in favour of the resolutions to approve the Demerger. Foster's Shareholders who are in any doubt as to what they should do, should seek independent legal, financial, taxation or other professional advice before voting on the Demerger.

Foster's Shareholders who have any questions in relation to this Booklet or the Demerger should call the Foster's Shareholder Information Line on 1300 048 608 (within Australia) or +61 3 9415 4812 (international) on Business Days between 9.00am and 5.00pm (Melbourne time).

Important notices and disclaimers

Purpose of this Booklet

This Booklet is important. Foster's Shareholders should carefully read this Booklet in its entirety before deciding whether or not to vote in favour of the resolutions to approve the Demerger. Foster's Shareholders who are in any doubt as to what they should do, should seek independent legal, financial, taxation or other professional advice before voting on the Demerger.

This Booklet sets out the effects of the Demerger, certain information required by law and all other information known to the Foster's Directors which is material to the decision of Foster's Shareholders to vote in favour of, or against, the resolutions to effect the Demerger (other than information previously disclosed to Foster's Shareholders) and includes:

- the Explanatory Statement, as required by part 5.1 of the Corporations Act, in relation to the Scheme; and
- a statement of all the information known to Foster's that is material to Foster's Shareholders in deciding how to vote on the Capital Reduction Resolution, as required by section 256C(4) of the Corporations Act.

Responsibility for information

- (a) Except as set out in paragraphs (b), (c) and (d), the information in this Booklet has been provided by Foster's and is the responsibility of Foster's.
- (b) Corrs Chambers Westgarth has prepared the letter regarding the Australian taxation implications of the Demerger and takes responsibility for that letter. A copy of that letter is set out in Section 9.
- (c) PwC Securities has prepared the Investigating Accountant's Report and takes responsibility for that report. A copy of that report is set out in Section 10.
- (d) Grant Samuel has prepared the Independent Expert's Report and takes responsibility for that report. A concise version of that report is set out in Section 11.
- (e) Paula Dwyer, Judith Swales and Michael Wesslink have consented to being named in this Booklet as future Foster's Directors, but have not been involved or engaged in the preparation of this Booklet and its contents.
- (f) Warwick Every-Burns, Peter Hearl and Paul Rayner have consented to being named in this Booklet as future Treasury Wine Estates Directors, but have not been involved or engaged in the preparation of this Booklet and its contents.

Role of ASIC and ASX

A copy of this Booklet has been lodged with ASIC in accordance with section 256C(5) of the Corporations Act and registered by ASIC pursuant to section 412(6) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides the statement, the statement will be produced to the Court at the time of the Second Court Hearing. Neither ASIC nor any of its officers takes any responsibility for the contents of this Booklet.

Treasury Wine Estates will apply for admission to the Official List and for official quotation of all Treasury Wine Estates Shares on ASX. A copy of this Booklet has been lodged with ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Booklet.

IMPORTANT NOTICE ASSOCIATED WITH COURT ORDER UNDER SECTION 411(1) OF THE CORPORATIONS ACT 2001

The fact that under section 411(1) of the Corporations Act 2001 the Court has ordered that a meeting be convened and has approved the explanatory statement required to accompany the notices of the meeting does not mean that the Court:

- (a) has formed any view as to the merits of the proposed scheme or as to how members should vote (on this matter members must reach their own decision); or
- (b) has prepared, or is responsible for, the content of the explanatory statement.

Investment decisions

This Booklet does not take into account the individual investment objectives, financial situation or needs of Foster's Shareholders. The information in this Booklet should not be relied upon as the sole basis for any investment decision. Foster's Shareholders should seek independent legal, financial, taxation and other professional advice before making any investment decision.

Forward looking statements

Certain statements in this Booklet are about the future. Foster's Shareholders should be aware that there are risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of Foster's, New Foster's and/or Treasury Wine Estates to be materially different from the future conduct, results, performance or achievements expressed or implied by such statements or that could cause the future conduct to be materially different from historical conduct. Such risks, uncertainties, assumptions and other important factors include, among other things, the risks described in Sections 2.5 and 8. Deviations as to future conduct, results, performance and achievements are both normal and to be expected.

None of Foster's, the Foster's Directors or the officers and advisers of Foster's or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Booklet will actually occur. Foster's Shareholders are cautioned about relying on any such forward looking statements.

The forward looking statements in this Booklet reflect views held only as at the date of this Booklet. Additionally, statements of the intentions of the Foster's Board or the Treasury Wine Estates Board reflect the present intentions of the Foster's Directors and Treasury Wine Estates Directors respectively as at the date of this Booklet and may be subject to change as the composition of the Foster's Board and Treasury Wine Estates Board alters, or as circumstances require. Subject to the Corporations Act and any other applicable laws or regulations, Foster's and Treasury Wine Estates disclaim any duty to update any forward looking statements other than with respect to information that they become aware of prior to the Scheme Meeting which is material to the making of a decision regarding whether or not to vote in favour of the Scheme.

Status of this Booklet

This Booklet is not a prospectus lodged under chapter 6D of the Corporations Act. Section 708(17) of the Corporations Act provides that disclosure to investors under Part 6D.2 of the Corporations Act is not required for any offer of securities if it is made under a compromise or arrangement under part 5.1 of the Corporations Act, approved at a meeting held as a result of an order made by the court under section 411(1) or (1A) of the Corporations Act.

Notice to Foster's Shareholders in jurisdictions outside Australia

Foster's Shareholders who are Ineligible Overseas Shareholders will not receive Treasury Wine Estates Shares under the Scheme. Treasury Wine Estates Shares that would otherwise be transferred to these shareholders under the Scheme will be transferred to the Sale Agent to be sold on ASX, with the proceeds of such sale to be paid to Ineligible Overseas Shareholders, free of any brokerage costs or stamp duty. See Sections 3.5 and 3.8 for further information.

This Booklet does not in any way constitute an offer of securities in any place in which, or to any person to whom, it would be unlawful to make such an offer.

Financial information

Other than as noted in this Booklet, the financial information in this Booklet has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board, which comply with the recognition and measurement principles of International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board and in accordance with the accounting policies consistent with those set out in Foster's half year report to 31 December 2010 and annual report for the year ended 30 June 2010.

This Booklet contains pro forma historical financial information. In preparing the pro forma historical financial information, certain adjustments were made to the historical financial information of Foster's and Treasury Wine Estates that Foster's and Treasury Wine Estates considered appropriate to reflect the effect of the Demerger, as described in this Booklet.

The financial information contained in this Booklet is historical only. Past financial performance is not necessarily a guide to future financial performance.

Privacy and personal information

Foster's may need to collect personal information to effect the Scheme. The personal information may include the names, contact details and details of holdings of Foster's Shareholders, together with contact details of individuals appointed as proxies, attorneys or corporate representatives for the Meetings. The collection of some of this information is required or authorised by the Corporations Act.

Foster's Shareholders who are individuals, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected about them. Foster's Shareholders may contact the Share Registry if they wish to exercise these rights.

The information may be disclosed to Foster's and Treasury Wine Estates and their respective related bodies corporate and advisers, print and mail service providers, share registries, securities brokers and any other service provider to the extent necessary to effect the Scheme.

If the information outlined above is not collected, Foster's may be hindered in, or prevented from, conducting the Meetings or effecting the Scheme.

Foster's Shareholders who appoint an individual as their proxy, attorney or corporate representative to vote at the Meetings should inform that individual of the matters outlined above.

Entitlement to inspect Foster's Share Register

Under section 173 of the Corporations Act, persons are entitled to inspect and copy Foster's Share Register. Foster's Share Register contains personal information about Foster's Shareholders.

References to market position or market share

Unless otherwise stated, all references in this Booklet in Sections 1, 4 and 6 to the size or ranking, market share or market position of Foster's, New Foster's, Treasury Wine Estates, or their respective business units or products (such as being the "largest supplier"), are references to their size or ranking, market share or market position by dollar value of retail sales, calculated over a particular period for the relevant market. The relevant period and category vary by market as follows:

• Australia – wine	off-premise bottled wine for the 12 months ended 31 December 2010;
• Australia – beer and/or cider	off-premise packaged for the 12 months ended 31 December 2010;
• Canada	1 September 2009 to 31 August 2010;
• Finland	off-premise for the 12 months ended 31 December 2010;
• Hong Kong	off-premise still wine for the 12 months ended 31 December 2009;
• Ireland	52 weeks ended November 2010;
• Malaysia	off-premise still wine for the 12 months ended 31 December 2009;
• Netherlands	off-premise for the 52 weeks ended 26 December 2010;
• New Zealand	off-premise bottled wine for the 12 months ended 5 December 2010;
• Norway	off-premise for the 12 months ended 31 December 2010;
• Singapore	off-premise still wine for the 12 months ended 31 December 2009;
• Sweden	off-premise for the 12 months ended 31 December 2010;
• Taiwan	off-premise still wine for the 12 months ended 31 December 2009;
• Thailand	off-premise still wine for the 12 months ended 31 December 2009;
• United Kingdom	off-premise 52 weeks ended 25 December 2010; and
• United States	off-premise 52 weeks ended 8 January 2011, US\$4+ table wine.

These references have been sourced from independent market information providers and/or publicly available information.

References to luxury, premium and commercial wines

References to luxury, premium and commercial wines refer to the relative price points at which a particular wine product (or group of wine products) is sold. The distinction between luxury, premium and commercial wines differs in each market. In this Booklet Foster's has used the following classifications of luxury, premium and commercial wines in Australia and the United States:

	Australia	United States
• Luxury	More than \$35 per bottle	More than US\$20 per bottle
• Premium	\$11-35 per bottle	US\$8-20 per bottle
• Commercial	Less than \$11 per bottle	US\$4-8 per bottle

Interpretation

Capitalised terms used in this Booklet are defined in the glossary in Section 16.

In this Booklet, the term "New Foster's" is used to describe Foster's as it will exist after the Scheme to effect the Demerger has become Effective. The term "New Foster's" is used in this Booklet for simplicity of explanation only, to distinguish between that entity during the period prior to, and the period after, the Effective Date. However, Foster's and New Foster's are and will remain the same legal entity and corporate group, which is Foster's Group Limited and, where the context requires, its subsidiaries from time to time.

Figures, amounts, percentages, estimates, calculations of value and fractions in this Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Booklet.

All references to times in this Booklet are references to the time in Melbourne, Australia. All dates following the date of the Scheme Meeting are indicative only and are subject to Court approval, Foster's Shareholder approval, ASX approval and the satisfaction or, where applicable, waiver of the other Conditions Precedent to the implementation of the Scheme.

All references to "\$", "A\$", "dollar" and "cent" are references to Australian currency, unless otherwise stated.

Date of this Booklet

This Booklet is dated 17 March 2011.

Supplementary information

See Section 12.13 for information about the steps that Foster's will take if information about the Scheme needs to be updated.

Foster's Shareholders who have any questions or require further information should contact the Foster's Shareholder Information Line on 1300 048 608 (within Australia) or +61 3 9415 4812 (international) on Business Days between 9.00am and 5.00pm (Melbourne time). Foster's Shareholders should seek independent legal, financial, taxation or other professional advice.

**THIS
BOOKLET IS
IMPORTANT**



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Key dates

Event	Indicative date
First Court Hearing (on which the Court convened the Scheme Meeting)	Thursday, 17 March 2011
Latest time and date by which the Scheme Meeting Proxy Form and General Meeting Proxy Form must be received by the Share Registry	12.00 noon on Wednesday, 27 April 2011
Latest time and date for determining eligibility to vote at the Scheme Meeting and General Meeting	7.00pm on Wednesday, 27 April 2011
Scheme Meeting	9.00am on Friday, 29 April 2011
General Meeting	The later of 9.15am on Friday, 29 April 2011 or the adjournment or conclusion of the Scheme Meeting
Second Court Hearing Court hearing for approval of the Scheme	Wednesday, 4 May 2011
Effective Date Last date Foster's Shares will trade on ASX with an entitlement to participate in the Demerger	Monday, 9 May 2011
Treasury Wine Estates Shares commence trading on ASX on deferred settlement basis Foster's Shares trade without an entitlement to participate in the Demerger	Tuesday, 10 May 2011
Latest time and date by which Sale Facility Forms must be received by the Share Registry (for Eligible Shareholders with a registered address in Australia or New Zealand who individually hold 1,000 Foster's Shares or fewer as at the Record Date)	5.00pm on Friday, 13 May 2011
Record Date All Eligible Shareholders who hold Foster's Shares at this time and date will be entitled to receive Treasury Wine Estates Shares ⁽¹⁾	7.00pm on Monday, 16 May 2011
Implementation Date Capital Reduction and transfer of Treasury Wine Estates Shares to Scheme Participants ⁽¹⁾	Friday, 20 May 2011
Dispatch of holding statements to Eligible Shareholders ⁽¹⁾	Monday, 23 May 2011
Normal trading of Treasury Wine Estates Shares commences	Tuesday, 24 May 2011
Treasury Wine Estates Shares sold under the Sale Facility	Monday, 23 May 2011 to Friday, 10 June 2011
Estimated date of dispatch of payment to Selling Shareholders	Monday, 20 June 2011

All dates and times are references to the time in Melbourne, Australia, and are indicative only. The actual timetable will depend on many factors outside the control of Foster's, including approvals from the Court and other regulatory authorities. Any changes to the above timetable will be announced to ASX and published on Foster's website, www.fostersgroup.com.

⁽¹⁾ Note that if you are either a Small Shareholder who elects to have all the Treasury Wine Estates Shares that you would otherwise receive under the Demerger sold using the Sale Facility or an Ineligible Overseas Shareholder, then the Treasury Wine Estates Shares which you would otherwise have received will be transferred to and sold by the Sale Agent, with the proceeds of sale remitted to you.

Carefully read this Booklet

Foster's Shareholders (being the holders of Foster's Fully Paid Shares and Foster's Partly Paid Shares) should read this Booklet in full, including the advantages, disadvantages and risks of the Demerger and the risks of an investment in Treasury Wine Estates and New Foster's as set out in Sections 2 and 8 before making any decision on how to vote on the Demerger Resolutions.

Answers to various frequently asked questions about the Demerger are set out on pages 10 to 18. Foster's Shareholders who have any additional questions in relation to this Booklet or the Demerger should call the Foster's Shareholder Information Line on 1300 048 608 (within Australia) or +61 3 9415 4812 (international) on Business Days between 9.00am and 5.00pm (Melbourne time).

Vote on the Scheme and Capital Reduction

(a) Scheme Meeting – Scheme of arrangement

Foster's Shareholders who are registered on the Foster's Share Register at 7.00pm (Melbourne time) on Wednesday, 27 April 2011 are entitled to vote to determine whether or not the Scheme proceeds, subject to certain other conditions. Foster's Shareholders can vote:

- in person, by attending the Scheme Meeting;
- by lodging a proxy online either via www.investorvote.com.au or www.fostersgroup.com or (for custodian subscribers only) www.intermediaryonline.com;
- by mailing the enclosed yellow Scheme Meeting Proxy Form to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001, Australia (using the reply paid envelope provided) or the registered office of Foster's;
- by faxing the enclosed yellow Scheme Meeting Proxy Form to 1800 783 447 (within Australia) or +61 3 9473 2555 (international); or
- by hand delivering the enclosed yellow Scheme Meeting Proxy Form to the Share Registry at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067, Australia.

To be valid, a proxy must be received by the Share Registry by 12.00 noon (Melbourne time) on Wednesday, 27 April 2011.

(b) General Meeting – Capital Reduction

Foster's Shareholders who are registered on the Foster's Share Register at 7.00pm (Melbourne time) on Wednesday, 27 April 2011 are entitled to vote to determine whether or not the Capital Reduction proceeds, subject to certain other conditions. Foster's Shareholders can vote:

- in person, by attending the General Meeting;
- by lodging a proxy online either via www.investorvote.com.au or www.fostersgroup.com or (for custodian subscribers only) www.intermediaryonline.com;
- by mailing the enclosed blue General Meeting Proxy Form to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001, Australia (using the reply paid envelope provided) or the registered office of Foster's;
- by faxing the enclosed blue General Meeting Proxy Form to 1800 783 447 (within Australia) or +61 3 9473 2555 (international); or
- by hand delivering the enclosed blue General Meeting Proxy Form to the Share Registry at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067, Australia.

To be valid, a proxy must be received by the Share Registry by 12.00 noon (Melbourne time) on Wednesday, 27 April 2011.

Foster's ADS holders and Foster's Partly Paid Shareholders should see Sections 3.6 and 3.7 respectively for further information on their entitlement to vote.

Choose whether to keep or sell the Treasury Wine Estates Shares

A Small Shareholder, being an Eligible Shareholder with a registered address in Australia or New Zealand who individually holds 1,000 Foster's Shares or fewer as at the Record Date, may elect to have all the Treasury Wine Estates Shares which they would otherwise receive under the Demerger sold on ASX by the Sale Agent and the proceeds remitted to them, free of any brokerage costs or stamp duty.

To make this election, a Small Shareholder must complete and return the pink Sale Facility Form using the enclosed reply paid envelope, or by fax on +61 3 9473 2136, so that it is received by the Share Registry by 5.00pm (Melbourne time) on Friday, 13 May 2011.

Ineligible Overseas Shareholders do not need to decide whether to keep or sell Treasury Wine Estates Shares if the Demerger proceeds, they will not receive Treasury Wine Estates Shares but will instead receive the proceeds from the sale of the Treasury Wine Estates Shares which they would otherwise have received, free of any brokerage costs or stamp duty.

Ineligible Overseas Shareholders should see Section 3.5(c) for further information.



Left: David Crawford, Chairman

Right: Cascade Brewery, Hobart, Tasmania Far Right: Beringer Rhine House, Napa Valley, California

Dear Foster's Shareholder

On behalf of the Foster's Board, I am delighted to present you with this Booklet and invite you to support the Demerger of Foster's Group which will result in the separation and securities exchange listing of our wine business, Treasury Wine Estates.

*We invite you
to support the
Demerger*

Under the Demerger you will retain your existing Foster's shares, allowing you to continue to participate in the future of our beer, cider and spirits business, including Carlton & United Breweries, Australia's largest brewer. You will also receive one share in Treasury Wine Estates for every three Foster's shares you own, allowing you to continue to participate in any value creation within our international wine business. If the Demerger is approved, no payment or further action will be required from you.

Background to the Demerger

When the Board completed the wine strategic review in early 2009, a number of initiatives were undertaken to improve operational performance in the short to medium term. They included rationalising our vineyard and wine brand portfolio, appointing new operational leadership, separating our wine and beer sales force, marketing and supply functions, and pursuing a company-wide cost reduction and efficiency programme.

Having delivered on the wine strategic review outcomes and transformation agenda, and achieved our target of \$100 million of efficiency benefits by the end of fiscal 2011, the Board announced in February 2011 that it would pursue a demerger. This recognised the different business characteristics and industry dynamics faced by each business and the benefits already delivered by organisational separation.

Your Board is unanimously of the view that, having undertaken a review of the issues, costs and benefits, a Demerger represents the best path forward and is in the best interests of Foster's shareholders.



Rationale for the Demerger

The Foster's Board believes the Demerger will maximise aggregate long term value for Foster's shareholders as compared to the status quo or a possible sale or an initial public offering of the wine business and that the advantages of the Demerger outweigh any disadvantages of the Demerger. Some of the factors that the Foster's Directors have taken into consideration in arriving at this view along with the advantages, disadvantages and risks of the Demerger are described in Section 2 and I encourage you to review them.

The advantages of the Demerger include greater flexibility and enhanced focus on each business, the ability to adopt independent capital structures and financial policies, greater investment choice, increased transparency for investors and increased flexibility for New Foster's and Treasury Wine Estates to determine their respective compensation and incentive plans. The disadvantages of the Demerger include reduced size and diversification of the businesses, one-off transaction costs, additional corporate and operating costs, and higher interest costs and increased counterparty credit risk for New Foster's. You should also consider the risks of the Demerger, described in Section 2, when deciding whether or not to vote in favour of the Demerger.

The Independent Expert, Grant Samuel, has also concluded that the Demerger is, on balance, in the best interests of Foster's shareholders. A concise version of the Independent Expert's Report is included in Section 11.

Further information

The Demerger, which is being effected by a scheme of arrangement, requires the approval of Foster's Shareholders and the Supreme Court of Victoria.

I encourage you to read this Booklet carefully as it contains important information to assist you to make your decision on how to vote at the Scheme Meeting, to be held at 9.00am (Melbourne time) on Friday, 29 April 2011 at Melbourne Recital Centre, 31 Sturt Street, Southbank, Victoria 3006. You can also vote by proxy by completing and returning the proxy forms included with this Booklet by 12.00 noon (Melbourne time) on Wednesday, 27 April 2011.

If you have any questions about the proposed Demerger or this Booklet, please call the Foster's Shareholder Information Line on 1300 048 608 (within Australia) or +61 3 9415 4812 (international) on Business Days between 9.00am and 5.00pm (Melbourne time), go to Foster's website at www.fostersgroup.com or consult your stockbroker, solicitor, accountant or other professional adviser.

On behalf of the Board of Foster's I urge you to vote on this proposal and look forward to your continuing involvement with Foster's and Treasury Wine Estates.

David A Crawford
Chairman



What is New Foster's?

- Retains all existing Foster's businesses other than Treasury Wine Estates
- Sells approximately 114 million 9LE cases of alcohol beverages annually and generates net sales revenue approaching \$2.4 billion per annum
- Australia's largest brewer, with seven of the nation's top 10 beer brands
- Australia's largest cider producer
- Services over 17,000 customers



TREASURY
WINE ESTATES


What is Treasury Wine Estates?

- International wine business with a portfolio of luxury, premium and commercial wines
- Sells approximately 35 million 9LE cases of wine, with net sales revenue of approximately \$1.9 billion annually
- More than 3,000 employees across more than 16 countries
- Largest supplier of bottled wine in Australia, with four of the top 10 wine brands
- 3rd largest supplier of wine in the US and 2nd largest supplier of Australian wine⁽¹⁾
- Leadership positions in other new world wine markets

ESTD 1876
BERINGER.



(1) Table wine US\$4+.



Key points of the Demerger

What is the Demerger?

The Demerger involves the structural separation and separate ASX listing of Foster's global wine business, Treasury Wine Estates, from Foster's beer business.

The Demerger will be effected through the Capital Reduction and Scheme.

What am I entitled to?

If the Demerger proceeds, Eligible Shareholders will receive one Treasury Wine Estates Share for every three Foster's Shares held at the Record Date⁽¹⁾.

Shareholders will also retain their existing Foster's Shares.

What are the key steps to implement the Demerger?

Key steps are:

- Foster's Shareholder approval of the Demerger Resolutions;
- Court approval of the Scheme and ASX approval of admission of Treasury Wine Estates and quotation of Treasury Wine Estates Shares; and
- satisfaction or waiver of all other conditions precedent to the Demerger.

What do I need to do?

You should read this Booklet carefully and in full to help you decide how to vote on the Demerger Resolutions.

You may vote on the Demerger Resolutions by attending the Meetings in person, or by lodging a proxy form online at the Foster's website, www.fostersgroup.com, or completing and returning a proxy form in accordance with the instructions set out in Section 15.

What if I have questions?

If you have any questions, you can call the Foster's Shareholder Information Line on 1300 048 608 (within Australia) or +61 3 9415 4812 (international) on Business Days between 9.00am and 5.00pm (Melbourne time) or visit Foster's website at www.fostersgroup.com.

(1) Rounded up or down to the nearest whole Treasury Wine Estates Share.

Frequently asked questions

Question	Answer	Section(s)
Information on the Demerger		
What is the Demerger?	<p>The Demerger is the proposed restructure of Foster's, involving the separation of its beer, cider and spirit business and its wine business into two corporate groups. The result of the Demerger will be that the beer, cider and spirit business will continue to operate within the existing Foster's entity listed on ASX (referred to in this Booklet as New Foster's from the Effective Date of the Demerger) while the wine business will operate under a newly listed entity on ASX, Treasury Wine Estates Limited. Foster's Shareholders will retain their Foster's Shares and Eligible Shareholders will be entitled to receive one share in Treasury Wine Estates for every three Foster's Shares held at the Record Date (rounded up or down to the nearest whole Treasury Wine Estates Share).</p> <p>The Demerger does not require any Foster's Shareholder to pay cash for Treasury Wine Estates Shares.</p> <p>Following the Demerger, New Foster's is expected to remain in the S&P/ASX 50 and it is anticipated that Treasury Wine Estates will qualify for inclusion in the S&P/ASX 100 meaning that a wide range of institutional investors can invest in both companies.</p>	3
Why has the Demerger been proposed by the Foster's Board?	<p>The Foster's Directors believe that the Demerger will enable Foster's and Treasury Wine Estates to maximise long term value for Foster's Shareholders, taking into account the alternatives to the Demerger (set out in Section 2.2), as well as the advantages, disadvantages and risks of the Demerger (set out in Sections 2.3, 2.4 and 2.5).</p> <p>The Foster's Directors unanimously consider that the Demerger is in the best interests of Foster's Shareholders.</p>	2.3
What are the advantages of the Demerger?	<p>The advantages of the Demerger include the following:</p> <ul style="list-style-type: none"> • each of New Foster's and Treasury Wine Estates will be able to focus solely on its own business and its own strategic objectives; • New Foster's and Treasury Wine Estates will be able to adopt independent capital structures and financial policies appropriate for their respective operational and strategic objectives; • Eligible Shareholders will be entitled to separate investments in both New Foster's and Treasury Wine Estates, giving them the flexibility to determine their investment levels in each company; • the Demerger will allow investors to independently and appropriately value each of New Foster's and Treasury Wine Estates to reflect their respective underlying performance; and • New Foster's and Treasury Wine Estates will have increased flexibility to determine their respective compensation and incentive plans, enabling closer alignment between these plans and the business performance and shareholder value generation of each company. <p>Advantages of the Demerger are discussed in more detail in Section 2.3.</p>	2.3

Question	Answer	Section(s)
Information on the Demerger		
What are the disadvantages and risks of the Demerger?	<p>The disadvantages of the Demerger include the following:</p> <ul style="list-style-type: none"> the Demerger will create two separate ASX-listed companies, each of which will be smaller and less diversified than Foster's prior to the Demerger; New Foster's interest expense will increase; New Foster's counterparty credit risk will increase; following the Demerger, Foster's and Treasury Wine Estates will incur additional corporate and operating costs as against those incurred by Foster's prior to the Demerger. It is estimated that, if the Demerger had been effected for the full year ended 30 June 2010, the aggregate annual corporate and operating costs for New Foster's and Treasury Wine Estates in that year would have been approximately \$21.6 million higher than those incurred by Foster's under its existing structure; and Demerger transaction costs of approximately \$151.4 million on a pre-tax basis (\$107.5 million after tax) will be incurred by Foster's in implementing the Demerger. Of this amount, approximately \$74.1 million will be incurred whether or not the Demerger proceeds. <p>The risks of the Demerger include:</p> <ul style="list-style-type: none"> uncertainty regarding the combined market value of New Foster's and Treasury Wine Estates following the Demerger; the potential for delays, unexpected costs or other issues in establishing Treasury Wine Estates as a stand-alone entity; the potential inability to obtain third party consents to restructure certain contracts, so as to align them to Treasury Wine Estates' and New Foster's respective businesses; and the possibility that the ATO might conclude that demerger tax relief is not available, or seek to apply the anti-avoidance rules applicable to demergers. <p>The disadvantages and risks associated with the Demerger are discussed in more detail in Sections 2.4 and 2.5. Foster's Shareholders should review these Sections carefully before deciding whether or not to vote in favour of the Demerger Resolutions.</p>	2.4 and 2.5
What are the risks in relation to Treasury Wine Estates and New Foster's?	<p>Treasury Wine Estates and New Foster's will be subject to business risks which may adversely affect the future operating or financial performance, prospects, investment returns or value of Treasury Wine Estates Shares and Foster's Shares. Many of these risks are risks to which the businesses (and, therefore, Foster's Shareholders) are already exposed, while others arise out of, or increase (in respect of either or both of Treasury Wine Estates and New Foster's) as a result of, the Demerger.</p> <p>These risks are set out in Section 8. Foster's Shareholders should review these risks carefully before deciding whether or not to vote in favour of the Demerger Resolutions.</p>	8
What is the recommendation of the Foster's Directors?	<p>The Foster's Directors unanimously recommend that Foster's Shareholders vote in favour of the Demerger Resolutions to be considered at the Scheme Meeting and the General Meeting.</p> <p>Each Foster's Director intends to vote any Foster's Shares held or controlled by him or her in favour of the Demerger Resolutions.</p>	2.1

Frequently asked questions continued

Question	Answer	Section(s)
Information on the Demerger		
What is the Independent Expert's opinion on the Demerger?	<p>The Independent Expert believes that the Demerger is, on balance, in the best interests of Foster's Shareholders.</p> <p>In the Independent Expert's opinion, Foster's Shareholders are ultimately likely to be better off if the Demerger is implemented than if it is not, notwithstanding the costs, disadvantages and risks. Additionally, in the opinion of the Independent Expert, existing Foster's creditors will not be materially prejudiced by the Capital Reduction.</p> <p>A concise version of the Independent Expert's Report is contained in Section 11 of this Booklet. A copy of the full version of the Independent Expert's Report can be obtained free of charge by calling the Foster's Shareholder Information Line on 1300 048 608 (within Australia) or +61 3 9415 4812 (international) on Business Days between 9.00am and 5.00pm (Melbourne time) or from Foster's website, www.fostersgroup.com.</p>	11
Am I eligible to participate in the Demerger?	<p>Foster's Shareholders whose registered address at the Record Date is in Australia, Canada, Germany, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Singapore, Switzerland, the United Kingdom or the United States or any other jurisdiction determined by Foster's (see Section 3.5(b)) are Eligible Shareholders and will be eligible to receive Treasury Wine Estates Shares.</p> <p>Ineligible Overseas Shareholders will not receive Treasury Wine Estates Shares but will instead receive the proceeds from the sale of the Treasury Wine Estates Shares which they would otherwise have received. Ineligible Overseas Shareholders should see Section 3.5(c) for further information.</p>	3.5
Are Foster's ADS holders eligible to participate in the Demerger?	<p>If the Demerger proceeds, Treasury Wine Estates will establish an American depositary shares (ADS) programme. Foster's will instruct the depositary for Foster's ADSs to deposit those Treasury Wine Estates Shares received pursuant to the Scheme in accordance with the deposit agreement for Treasury Wine Estates ADSs and, upon receipt from the depositary for the Treasury Wine Estates ADS programme of Treasury Wine Estates ADSs representing those Treasury Wine Estates Shares, distribute those Treasury Wine Estates ADSs to the Foster's ADS holders entitled to them. In connection with receiving Treasury Wine Estates ADSs, Foster's ADS holders will be charged, have deducted or be required to pay, as applicable, any applicable fees and expenses of the depositaries and any applicable taxes or other governmental charges.</p> <p>Foster's ADS holders should see Section 3.6 for further information.</p>	3.6
Are Foster's Partly Paid Shareholders eligible to participate in the Demerger?	<p>The Foster's Board has determined that Foster's Partly Paid Shareholders registered on the Foster's Share Register as the holders of Foster's Partly Paid Shares at the Record Date are eligible to participate in the Demerger on the same basis as Foster's Fully Paid Shareholders. Accordingly, Foster's Partly Paid Shareholders will be entitled to receive one Treasury Wine Estates Share for every three Foster's Partly Paid Shares held (rounded up or down to the nearest whole Treasury Wine Estates Share). Foster's Partly Paid Shareholders will also be entitled to vote on the Demerger Resolutions in proportion to the amount paid up on their Partly Paid Shares.</p> <p>Foster's Partly Paid Shareholders should see Section 3.7 for further information, including the additional considerations in relation to the Demerger that may be relevant to Foster's Partly Paid Shareholders.</p> <p>The Independent Expert, Grant Samuel, has also noted that the Demerger may provide additional potential benefits to Foster's Partly Paid Shareholders and concluded that the Demerger is in the best interests of Foster's Partly Paid Shareholders. A concise version of the Independent Expert's Report is included in Section 11.</p>	3.7

Question	Answer	Section(s)
Information on the Demerger		
Are Foster's DRP participants eligible to participate in the Demerger?	Foster's currently intends to satisfy its dividend reinvestment plan (Foster's DRP) entitlements associated with its interim 2011 dividend through the issue of Foster's Shares. Foster's DRP participants who are issued Foster's Shares under Foster's DRP associated with its interim 2011 dividend will be able to vote on the Demerger Resolutions in respect of those Foster's Shares so long as they are registered as the holder of those Foster's Shares on the Foster's Share Register as at 7.00pm (Melbourne time) on 27 April 2011, and will be eligible to participate in the Demerger in respect of those Foster's Shares so long as they are registered as the holder of those Foster's Shares on the Foster's Share Register as at 7.00pm (Melbourne time) on 16 May 2011.	None
If the Demerger proceeds, what will Foster's Shareholders receive?	<p>Eligible Shareholders will be entitled to receive one Treasury Wine Estates Share for every three Foster's Shares held at the Record Date which is expected to be at 7.00pm (Melbourne time) on 16 May 2011 (rounded up or down to the nearest whole Treasury Wine Estates Share).</p> <p>Small Shareholders electing to participate in the Sale Facility and Ineligible Overseas Shareholders (Selling Shareholders) will not receive Treasury Wine Estates Shares and should see Sections 3.8(a) and 3.5(c) and 3.8(b) respectively for further information.</p> <p>The number of Foster's Shares held by Foster's Shareholders will not change as a result of the Demerger.</p>	3.4(a), 3.5(b) and 3.8
What is the Sale Facility?	<p>Small Shareholders can elect to have all the Treasury Wine Estates Shares that they would receive under the Demerger sold on ASX by the Sale Agent. Small Shareholders should see Section 3.8 for further information if this is of interest.</p> <p>The Sale Facility will also be used to sell Treasury Wine Estates Shares that otherwise would have been received by Ineligible Overseas Shareholders.</p> <p>Under the Sale Facility, the Sale Agent will, as soon as reasonably practicable (and in any event not more than 15 Business Days following the Implementation Date or, subject to obtaining any necessary ASIC exemptions or modifications, such longer period of time which the Sale Agent and Foster's determine), sell these Treasury Wine Estates Shares on ASX.</p> <p>The proceeds will, as soon as practicable, be distributed to Selling Shareholders, free of any brokerage costs or stamp duty. The estimated date of dispatch of payment to Selling Shareholders is currently expected to be around Monday, 20 June 2011.</p>	3.8
What is the impact of the Demerger on my Foster's Shareholding?	<p>The number of Foster's Shares held by Foster's Shareholders will not change as a result of the Demerger. Foster's will, however, no longer own the Treasury Wine Estates business after the Demerger.</p> <p>Foster's Shareholders as at the Record Date will receive either Treasury Wine Estates Shares or, in the case of Small Shareholders electing to participate in the Sale Facility and Ineligible Overseas Shareholders, cash from the sale of Treasury Wine Estates Shares.</p> <p>There is no guarantee that the combined market value after the Demerger of a Foster's Share held by a Foster's Shareholder and Treasury Wine Estates Shares received by that Foster's Shareholder (or the corresponding cash proceeds received from sales of Treasury Wine Estates Shares through the Sale Facility) will be greater than or equal to the value of the Foster's Shares held by that Foster's Shareholder prior to the Demerger.</p>	3.4

Frequently asked questions continued

Question	Answer	Section(s)
Information on the Demerger		
Can I receive cash instead of Treasury Wine Estates Shares?	<p>Under the Demerger, Eligible Shareholders will be entitled to receive one Treasury Wine Estates Share for every three Foster's Shares held as at the Record Date (rounded up or down to the nearest whole Treasury Wine Estates Share).</p> <p>When Treasury Wine Estates Shares commence trading on ASX following the Demerger, they may be sold in the normal course.</p> <p>Small Shareholders can elect to have all the Treasury Wine Estates Shares that they would otherwise receive under the Demerger sold through the Sale Facility, the proceeds of which will be distributed to them, free of any brokerage costs or stamp duty. The Sale Facility will also be used to sell Treasury Wine Estates Shares that otherwise would have been received by Ineligible Overseas Shareholders.</p>	None
What are the main conditions to the Demerger proceeding?	<p>In order to implement the Demerger, a number of key conditions must be fulfilled, including Court approval, Foster's Shareholder approval of the Demerger Resolutions and ASX approval.</p> <p>Sections 3.2, 3.3 and 3.4 contain further details of the Demerger, including a description of the approval thresholds and the other conditions that must be satisfied or waived prior to the Second Court Hearing for the Demerger to proceed.</p>	3.2 and 3.3
What happens if the Demerger does not proceed?	<p>If the Demerger does not proceed:</p> <ul style="list-style-type: none"> • Eligible Shareholders will not receive Treasury Wine Estates Shares; • Small Shareholders electing to participate in the Sale Facility and Ineligible Overseas Shareholders will not receive the proceeds from the sale of their Treasury Wine Estates Shares; • Foster's will continue to own and manage the Treasury Wine Estates business, and any management changes which would have taken effect on the Demerger will not occur; • the advantages of the Demerger described in Section 2.3 may not be realised; • the disadvantages and risks of the Demerger described in Sections 2.4 and 2.5 respectively may not arise; • the new or increased risks specific to either or both of Treasury Wine Estates and New Foster's described in Sections 8.2(a) and 8.2(b) may not arise; • Foster's will incur transaction costs even if the Demerger does not proceed, of which \$29.9 million were incurred prior to 31 December 2010 and a further \$44.2 million is expected to be incurred whether or not the Demerger proceeds; • Foster's Board and management may consider alternatives for the Treasury Wine Estates business; and • there is no assurance that Foster's Shares will continue to trade at prices in line with recent levels. 	None
What ongoing arrangements will New Foster's and Treasury Wine Estates have with each other following the Demerger?	<p>Foster's and Treasury Wine Estates or their related bodies corporate will enter into transition service arrangements for a period after the Demerger. Under those arrangements, each party will provide the other with, or procure third parties to provide, certain services at the corporate and operational levels which are impossible, impracticable or commercially undesirable to replicate within New Foster's or Treasury Wine Estates at the time of the Demerger.</p> <p>The transition services to be provided include:</p> <ul style="list-style-type: none"> • finance services, call centre services and payroll services; • logistical, warehousing and distribution services; and • information technology services. <p>See Section 3.10 for further details of these arrangements.</p>	3.10

Question	Answer	Section(s)
Treasury Wine Estates after the Demerger		
What is Treasury Wine Estates?	<p>Treasury Wine Estates is an international wine business with a portfolio of luxury, premium and commercial wines. Sections 1.1 and 4 contain further information on Treasury Wine Estates.</p> <p>Treasury Wine Estates is currently a wholly-owned indirect subsidiary of Foster's. Following the Demerger, Treasury Wine Estates will be a separate legal entity and listed on ASX.</p>	1.1 and 4
When will Treasury Wine Estates Shares commence trading separately on ASX?	<p>It is expected that Treasury Wine Estates Shares will commence trading on ASX on 10 May 2011, initially on a deferred settlement basis.</p> <p>It is the responsibility of Eligible Shareholders to determine their entitlement to Treasury Wine Estates Shares before trading in Treasury Wine Estates Shares. Trading on ASX of Treasury Wine Estates Shares on a normal settlement basis is expected to commence on 24 May 2011.</p>	12.8
Who will be on the Treasury Wine Estates Board after the Demerger?	<p>As at the date of this Booklet, the Treasury Wine Estates Board comprises:</p> <ul style="list-style-type: none"> • Maxwell Ould (Chairman, Non-Executive Director); • David Dearie (Executive Director, Chief Executive Officer); and • Margaret Lyndsey Cattermole, AM (Non-Executive Director). <p>The following persons have also been conditionally appointed as additional Non-Executive Directors of Treasury Wine Estates, and their appointments will take effect from the Effective Date if the Demerger proceeds:</p> <ul style="list-style-type: none"> • Warwick Every-Burns (Non-Executive Director); • Peter Hearl (Non-Executive Director); and • Paul Rayner (Non-Executive Director). 	4.6(a)
What will be Treasury Wine Estates' strategic priorities after the Demerger?	<p>Treasury Wine Estates' current strategic priorities are set out in Section 4.1(e). The current Treasury Wine Estates Board has confirmed that it intends to continue to focus on these strategic priorities following the Demerger.</p> <p>The future strategy of Treasury Wine Estates will, however, ultimately be a matter for the Treasury Wine Estates Board and senior management to develop over time, and is subject to change or alteration as circumstances require.</p>	4.1(e)
What will be Treasury Wine Estates' dividend policy?	<p>Treasury Wine Estates' dividend policy will be determined by the Treasury Wine Estates Board at its discretion and may change over time.</p> <p>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 (excluding individually material items and subject to the Corporations Act) as dividends to Treasury Wine Estates Shareholders.</p> <p>It is anticipated that, taken together, the final dividends declared by Treasury Wine Estates and New Foster's for the year ending 30 June 2011 will be equivalent (excluding franking) to the final dividend that Foster's would otherwise have declared if the Demerger did not proceed.</p> <p>The current Treasury Wine Estates Board has also confirmed that it intends to frank its dividends to the extent practicable, although this is expected to be less than 100%. Whether any given dividend can be franked will depend on Treasury Wine Estates' franking account balance which, upon Demerger, will be nil and will depend on the amount of Australian income tax paid by Treasury Wine Estates after the Demerger. See Section 5.10 for further details.</p>	5.10

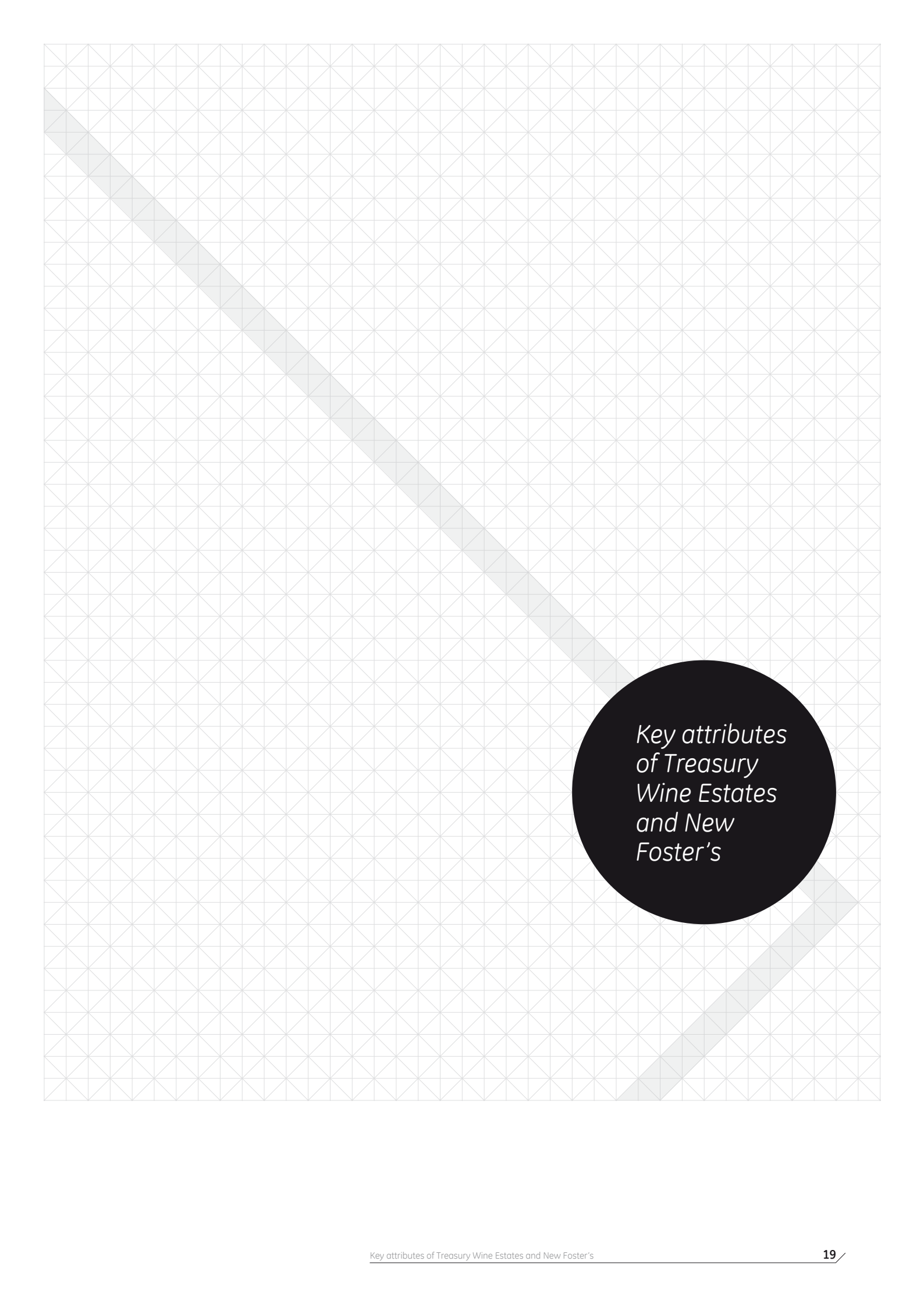
Frequently asked questions continued

Question	Answer	Section(s)
New Foster's after the Demerger		
What will New Foster's own after the Demerger?	<p>Following the Demerger, New Foster's will be primarily focused on brewing activities through:</p> <ul style="list-style-type: none"> • Carlton & United Breweries, a producer and distributor of beer, cider, spirits, ready-to-drink and non-alcohol beverages in Australia and the Pacific; and • International Beer, comprising earnings from the sale, licensing and distribution of New Foster's Australian beer brands in markets outside of Australia and the Pacific and earnings from a distribution joint venture serving the Middle East. 	1.2 and 6
What will be New Foster's strategy after the Demerger?	<p>New Foster's current strategic priorities are set out in Section 6.1(d). The current Foster's Board has confirmed that New Foster's intends to continue to focus on these strategic priorities following the Demerger.</p> <p>The future strategy of New Foster's will, however, ultimately be a matter for the New Foster's Board and senior management to develop over time, and is subject to change or alteration as circumstances require.</p>	6.1(d)
Who will be on the New Foster's Board after the Demerger?	<p>As at the date of this Booklet, the Foster's Board comprises:</p> <ul style="list-style-type: none"> • David Crawford, AO (Chairman, Non-Executive Director); • Ian Johnston (Executive Director, Chief Executive Officer); • Margaret Lyndsey Cattermole, AM (Non-Executive Director); • Paul Clinton (Non-Executive Director); • Maxwell Ould (Non-Executive Director); and • Michael Ullmer (Non-Executive Director). <p>The following persons have also been conditionally appointed as additional Non-Executive Directors of New Foster's, and their appointments will take effect from the Effective Date if the Demerger proceeds:</p> <ul style="list-style-type: none"> • Paula Dwyer (Non-Executive Director) • Judith Swales (Non-Executive Director); and • Michael Wesslink (Non-Executive Director). <p>Margaret Lyndsey Cattermole and Maxwell Ould will retire from the Foster's Board with effect from the Effective Date if the Demerger proceeds and assume positions on the Treasury Wine Estates Board.</p> <p>Ian Johnston will also retire from the Foster's Board and cease to be Chief Executive Officer with effect from the Effective Date if the Demerger proceeds. Mr Johnston's last day at Foster's is expected to be on 4 July 2011. John Pollaers will become Chief Executive Officer and an Executive Director of New Foster's with effect from the Effective Date if the Demerger proceeds.</p>	6.4
What will be New Foster's dividend policy?	<p>The dividend policy of New Foster's will be determined by the New Foster's Board at its discretion and may change over time.</p> <p>The current Foster's Board has confirmed that New Foster's intends to target a dividend payout ratio of not less than 80% of New Foster's consolidated net profit after tax (excluding individually material items and subject to the Corporations Act) as dividends to New Foster's shareholders.</p> <p>It is anticipated that, taken together, the final dividends declared by Treasury Wine Estates and New Foster's for the year ending 30 June 2011 will be equivalent (excluding franking) to the final dividend that Foster's would otherwise have declared if the Demerger did not proceed.</p> <p>The current Foster's Board has confirmed that New Foster's intends to frank its dividends to the extent practicable. Whether any given dividend can be franked will be affected by New Foster's franking account balance. Upon Demerger, New Foster's franking account balance is expected to be \$116.3 million (excluding the impact of the Ashwick litigation referred to in Section 7.10).</p>	7.13

Question	Answer	Section(s)
New Foster's after the Demerger		
What is the expected impact of the Demerger on New Foster's dividends?	<p>Following the Demerger, the earnings of New Foster's will not include earnings from Treasury Wine Estates. The absolute value of dividends paid on Foster's Shares following the Demerger is therefore likely to be lower than the absolute value of dividends which have been paid historically on Foster's Shares. However, to the extent that Foster's Shareholders retain the shares they receive in Treasury Wine Estates, they will also receive any dividends paid on Treasury Wine Estates Shares.</p> <p>It is anticipated that, taken together, the final dividends declared by Treasury Wine Estates and New Foster's for the year ending 30 June 2011 will be equivalent (excluding franking) to the final dividend that Foster's would otherwise have declared if the Demerger did not proceed.</p>	7.13
Voting on the Demerger		
What are the voting thresholds?	<p>Scheme</p> <p>The Scheme Resolution must be passed by a majority in number (more than 50%) of Foster's Shareholders voting (in person or by proxy) at the Scheme Meeting (unless the Court orders otherwise) who must together hold at least 75% of the votes cast on the Scheme Resolution.</p> <p>Capital Reduction</p> <p>The Capital Reduction Resolution must be approved by a majority of votes cast (more than 50%) by Foster's Shareholders on the resolution.</p>	3.3(a) and 3.3(b)
Who can vote at the Meetings?	<p>Foster's Shareholders who are registered on the Foster's Share Register at 7.00pm (Melbourne time) on 27 April 2011 may vote on the Demerger Resolutions.</p> <p>Foster's Partly Paid Shareholders and Foster's ADS holders should see Sections 3.6 and 3.7 respectively for further information on their entitlement to vote.</p>	3.3(a), 3.3(b), 3.6 and 3.7
When are the Meetings?	<p>The Scheme Meeting of Foster's Shareholders will be held at 9.00am (Melbourne time) on 29 April 2011 at Melbourne Recital Centre, 31 Sturt Street, Southbank, Victoria 3006.</p> <p>The General Meeting of Foster's Shareholders will be held at the later of 9.15am (Melbourne time) on 29 April 2011 or the adjournment or conclusion of the Scheme Meeting at Melbourne Recital Centre, 31 Sturt Street, Southbank, Victoria 3006.</p>	3.3(a), 3.3(b) and 15
How do I vote?	Foster's Shareholders who are entitled to vote may do so by attending the Scheme Meeting and the General Meeting in person, or by lodging a proxy form online either via www.investorvote.com.au or www.fostersgroup.com or (for custodian subscribers only) www.intermediaryonline.com , or completing and returning a proxy form in accordance with the instructions set out in the notices of meeting in Section 15.	15
What if I do not vote at the Meetings or if I vote against the Demerger Resolutions?	If the Demerger Resolutions are approved by the requisite majorities of Foster's Shareholders, then, subject to the other conditions to the Demerger being satisfied or waived, and Court approval, the Demerger will be implemented and binding on all Scheme Participants, including those who did not vote or voted against the Demerger Resolutions.	None

Frequently asked questions continued

Question	Answer	Section(s)
Taxation		
What are the taxation implications of the Demerger for Australian resident Foster's Shareholders who hold their Foster's Shares on capital account (and are not subject to the TOFA Rules in respect of their Foster's Shares)?	<p>Foster's has received a draft class ruling from the ATO which sets out the Australian Commissioner of Taxation's preliminary but considered view that demerger tax relief is available for Australian resident Foster's Shareholders who hold their Foster's Shares on capital account (and are not subject to the TOFA Rules in respect of their Foster's Shares).</p> <p>Where demerger tax relief is available and Australian resident Foster's Shareholders make the choice to apply such relief, they will not realise any capital gain or loss from the Demerger and the cost base in respect of their Foster's Shares will be allocated between their Foster's Shares and their Treasury Wine Estates Shares. A further consequence is that the transfer of shares in Treasury Wine Estates to Foster's Shareholders under the Demerger will not be regarded as a dividend which is assessable to Australian resident Foster's Shareholders.</p> <p>Foster's expects the final class ruling to be consistent with the draft class ruling discussed above and confirm the above taxation treatment for Australian resident Foster's Shareholders who hold their Foster's Shares on capital account (and are not subject to the TOFA Rules in respect of their Foster's Shares).</p> <p>Section 9 provides further information on the general income tax implications for Foster's Shareholders who are Australian resident individuals or companies, including information on the implications if the class ruling is not issued consistent with the above expectations.</p> <p>This Booklet does not take into account Foster's Shareholders' individual investment objectives, financial situation or needs. The information in this Booklet should not be relied upon as the sole basis for any investment decision. Foster's Shareholders should seek independent legal, financial, taxation and other professional advice before making any investment decision.</p>	9
What are the taxation implications of the Demerger for Foster's Shareholders who do not hold their Foster's Shares on capital account, are subject to the TOFA Rules in respect of their Foster's Shares or who are not residents of Australia for taxation purposes?	Foster's Shareholders who do not hold their Foster's Shares on capital account, are subject to the TOFA Rules in respect of their Foster's Shares or who are not residents of Australia for taxation purposes will not be covered by the class ruling referred to above and should obtain independent professional taxation advice applicable to their own individual circumstances.	9
Further questions		
Who can I contact if I have further questions in relation to the Demerger?	<p>Foster's Shareholders who have any further questions, should seek independent legal, financial, taxation or other professional advice.</p> <p>Foster's Shareholders may also call the Foster's Shareholder Information Line on 1300 048 608 (within Australia) or +61 3 9415 4812 (international) on Business Days between 9.00am and 5.00pm (Melbourne time).</p>	None



*Key attributes
of Treasury
Wine Estates
and New
Foster's*

1. Key attributes of Treasury Wine Estates and New Foster's

1.1 Key attributes of Treasury Wine Estates

Treasury Wine Estates is a leading international wine business with a portfolio of luxury, premium and commercial wines, selling approximately 35 million 9LE cases of wine and generating net sales revenue of approximately \$1.9 billion in the year ended 30 June 2010. Currently a wholly-owned indirect subsidiary of Foster's, following the Demerger, Treasury Wine Estates will be a separate legal entity listed on ASX.

Treasury Wine Estates' business is structured into four regions: Australia and New Zealand (**ANZ**); Americas; Europe, Middle East and Africa (**EMEA**); and Asia. Key features of these regions are summarised in the diagram below, with further details on the business summarised in the remainder of this Section 1.1.

A more detailed description of Treasury Wine Estates' business is provided in Section 4.



ANZ		Americas		EMEA		Asia	
Production volume (million 9LE cases) ⁽¹⁾	23.4	Production volume (million 9LE cases) ⁽¹⁾	11.4	Production volume (million 9LE cases) ⁽¹⁾	0.8	Production volume (million 9LE cases) ⁽¹⁾	Nil
Sales volume (million 9LE cases)	7.9	Sales volume (million 9LE cases)	17.9	Sales volume (million 9LE cases)	8.9	Sales volume (million 9LE cases)	0.9
NSR (A\$ million) ⁽²⁾	554.5	NSR (A\$ million) ⁽²⁾	933.0	NSR (A\$ million) ⁽²⁾	336.4	NSR (A\$ million) ⁽²⁾	66.3
EBITS (A\$ million) ⁽³⁾	84.1	EBITS (A\$ million) ⁽³⁾	107.4	EBITS (A\$ million) ⁽³⁾	15.0	EBITS (A\$ million) ⁽³⁾	23.1
<ul style="list-style-type: none"> Key markets are Australia and New Zealand Sells Australian, New Zealand, Californian and European wines Production facilities located in Australia and New Zealand 		<ul style="list-style-type: none"> Key markets are the United States and Canada Sells Californian, Australian, European, New Zealand and South American wines Production facilities located in California, United States 		<ul style="list-style-type: none"> Key markets are the Nordics, Continental Europe and UK/Ireland Sells Australian, Californian, New Zealand, Italian, South African and South American wines Production facilities located in Tuscany, Italy 		<ul style="list-style-type: none"> Key markets are China, Japan, Hong Kong, Malaysia, Singapore, South Korea, Thailand and Taiwan Sells Australian, Californian, New Zealand and European wines 	

(1) Wine volume sold globally for the year ended 30 June 2010 which was produced within the region.

(2) Pro forma net sales revenue for the year ended 30 June 2010.

(3) Pro forma EBITs before unallocated corporate costs and individually material items for the year ended 30 June 2010.



(a) Global scale and diversity

Treasury Wine Estates has more than 3,000 employees across more than 16 countries with production facilities in Australia, the United States, New Zealand and Italy and over 12,000 hectares of owned and leased vineyard holdings located in internationally recognised wine regions including the Barossa Valley and Coonawarra in Australia, the Napa Valley and Sonoma Valley in California, Marlborough in New Zealand and Tuscany in Italy.

Treasury Wine Estates holds significant market shares in key markets for new world wines including Australia and New Zealand, North America, Europe and Asia. Treasury Wine Estates is:

- the largest supplier of bottled wine in Australia with 22% share and four of the top ten wine brands sold, including the second and third largest brands Yellowglen and Wolf Blass;
- the largest supplier of Australian wine in Sweden (39% share) and Norway (52% share), the second largest supplier of Australian wine in the United Kingdom (20% share), and a leading supplier of Australian wine in the Netherlands (36% share), Ireland (27% share) and Finland (26% volume share);
- the second largest supplier of Australian wine in the United States (26% share), the third largest supplier of wine in the United States⁽¹⁾ (driven by Beringer⁽²⁾, the largest brand in the US\$4+ table wine segment) and a leading supplier of Australian wine in Canada (36% share); and
- a supplier of luxury and premium Australian wine to Asian markets and the supplier of the highest selling brand of Australian wine in Hong Kong, Malaysia, Singapore and Thailand.

(b) Long term demand trends for wine

The current Treasury Wine Estates Board believes that Treasury Wine Estates is well placed to benefit from the long term growth trends in wine consumption in its key markets, including:

- favourable demographic trends, including population growth, an increasing number of people in key markets moving into the key wine consuming demographic age groups (particularly in the 55+ year age bracket);
- per capita consumption of wine category growing faster than other alcohol beverage categories in key markets for new world wines;
- longer term trends favouring higher priced products in developed markets; and
- strong growth in wine consumption in emerging markets, such as China, due to changing demographics and increased economic prosperity.

Factors negatively impacting sales revenues for wine in Treasury Wine Estates' key markets include:

- economic conditions in key markets affected by the global financial crisis which impacted discretionary consumer spend and wine demand;
- surplus wine production in Australia and other wine producing regions impacting on pricing in export markets;
- increased competition from private label wine, particularly at lower price points; and
- foreign exchange rates impacting the competitiveness of the Australian category in offshore markets.

(1) Table wine US\$4+.

(2) Includes Stone Cellars by Beringer.

Key attributes of Treasury Wine Estates and New Foster's continued

(c) Strong brand portfolio

Treasury Wine Estates has a portfolio of over 50 wine brands, comprising five global foundation brands – Beringer, Lindemans, Penfolds, Rosemount and Wolf Blass – and a complementary range of regional brands.

FOUNDATION BRANDS



SELECTED REGIONAL BRANDS



Treasury Wine Estates believes brands are important drivers of customer traffic for retailers and enable wine producers to diversify sources of grapes and production, facilitating improved margins and reduced reliance on any single product.

A key strategic focus of Treasury Wine Estates is new product development activity targeted towards growth varieties and higher priced products. Recent brand innovation successes include:

- **Yellowglen:** new range launches including Yellowglen Pink, Yellowglen Perle/Bella and Yellowglen Jewel which have supported Yellowglen's brand share of sparkling wine in Australia; and
- **Lindemans:** the release of Lindemans Early Harvest Semillon Sauvignon Blanc in 2008 which has stabilised Lindemans brand share and realises a higher net margin for Treasury Wine Estates and retailers compared to Lindemans Bin 65.

(d) Sales and marketing capability

Treasury Wine Estates sells wine in more than 70 countries worldwide, has sales employees in more than 16 countries and a sales and marketing team in excess of 1,000 around the world. Treasury Wine Estates continues to invest in sales and marketing capability and adopts tailored sales and distribution models in its key markets that reflect market and regulatory structures and customer requirements. Specific initiatives undertaken by region include the following:

- in ANZ, sales and marketing functions in Australia have been separated from Foster's Australian beer business and a dedicated wine sales force established;
- in the Americas, sales and marketing functions in the United States have been restructured and include dedicated key account, luxury and distributor management teams aligned to key distributor groups;
- in EMEA, sales and marketing functions have been restructured and separate teams established to service key Nordic, Continental European and United Kingdom and Irish markets; and
- in Asia, Treasury Wine Estates continues to expand its in-market sales and marketing capability and coverage.

(e) Flexible and efficient production model

Treasury Wine Estates has production facilities in internationally recognised regions in Australia, the United States, New Zealand and Italy, with approximately 66% of products sold in the year ended 30 June 2010 produced in Australia and New Zealand, 32% in California and the remaining 2% in Italy.

Treasury Wine Estates sources wine through a combination of owned and third party arrangements, with owned vineyards primarily used in the production of luxury and premium wines. Wine sourcing arrangements have been designed to provide flexibility in response to changes in vintage yields, grape supply and consumer preferences.

In Australia and California, packaging activities have been largely consolidated and are now carried out at high speed bottling lines at the Wolf Blass Packaging Centre and Napa Bottling Centres respectively, supplemented by two smaller bottling sites in Australia and minor amounts of external bottling capacity.



(f) Improving financial performance

Treasury Wine Estates' financial performance is benefiting from the implementation of a performance improvement programme which arose from the wine strategic review, the outcomes of which were announced in February 2009. The benefits of this programme began to emerge in the year ended 30 June 2010, with pro forma EBITs, adjusting for the impact of exchange rate movements, increasing by 23.6%. On the same basis, pro forma EBITs increased by 29.9% in the six months ended 31 December 2010 as compared to the six months ended 31 December 2009.

Treasury Wine Estates has a track record of positive cash flow generation. On a pro forma basis, Cash Conversion exceeded 120% in both fiscal 2009 and fiscal 2010. For the six months ended 31 December 2010, Cash Conversion was 99%.

Upon the Demerger, Treasury Wine Estates is expected to have pro forma net debt of approximately \$140 million, comprised of \$200 million of external debt under a new syndicated loan facility and approximately \$60 million of cash. Treasury Wine Estates will also have access to long term committed undrawn bank facilities of \$300 million.

The dividend policy of Treasury Wine Estates 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 (excluding individually material items and subject to the Corporations Act) as dividends to Treasury Wine Estates Shareholders.

It is anticipated that, taken together, the final dividends declared by Treasury Wine Estates and New Foster's for the year ending 30 June 2011 will be equivalent (excluding franking) to the final dividend that Foster's would otherwise have declared if the Demerger did not proceed.

The current Treasury Wine Estates Board has confirmed that Treasury Wine Estates intends to frank its dividends to the extent practicable. Whether any given dividend can be franked will depend on Treasury Wine Estates' franking account balance which, upon the Demerger, will be nil and will depend on the amount of Australian income tax paid by Treasury Wine Estates after the Demerger.

It is expected that dividends paid by Treasury Wine Estates, including the final dividend for the year ending 30 June 2011, will be franked to less than 100%.

(g) Strategic priorities

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 focused 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 focused 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 focused on financial outcomes.

Treasury Wine Estates' shorter term and longer term strategic priorities are described in more detail in Section 4.1(e).

The current Treasury Wine Estates Board has confirmed that it intends to continue to focus on these strategic priorities following the Demerger. The future strategy of Treasury Wine Estates will, however, ultimately be a matter for the Treasury Wine Estates Board and senior management to develop over time, and is subject to change or alteration as circumstances require.

(h) Experienced board and management team

Treasury Wine Estates will be led by an experienced management team, which has a deep understanding of Treasury Wine Estates' business.

If the Demerger proceeds, David Dearie, who is currently Managing Director of Australia and New Zealand Wine for Treasury Wine Estates and an Executive Director of Treasury Wine Estates, will become Chief Executive Officer of Treasury Wine Estates from the Effective Date. Mr Dearie joined Foster's in July 2009. This will be Mr Dearie's first appointment as the Chief Executive Officer of a listed company although he has extensive experience in the alcohol beverage industry.

Treasury Wine Estates' Board of Directors will have substantial managerial, financial and consumer goods industry experience. From the Effective Date, the Treasury Wine Estates Board will comprise:

- Maxwell Ould (Chairman, Non-Executive Director);
- David Dearie (Chief Executive Officer, 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).

Warwick Every-Burns, Peter Hearl and Paul Rayner have been conditionally appointed as additional Non-Executive Directors of Treasury Wine Estates and their appointments will take effect from the Effective Date if the Demerger proceeds. See Section 4.6(a) for further details of the Treasury Wine Estates Directors.



Left: Maxwell Ould
Right: David Dearie



1.2 Key attributes of New Foster's

New Foster's will retain all assets, rights and liabilities which are not transferred with Treasury Wine Estates pursuant to the Demerger.

Following the Demerger, New Foster's will be primarily focused on brewing activities through the following two divisions:

- **Carlton & United Breweries** – the largest brewer in Australia with a portfolio of brands produced by or licensed to Carlton & United Breweries that includes the leaders in the traditional regular, premium domestic and premium international segments. Carlton & United Breweries is also the largest cider producer in Australia, the largest brewer in Fiji and has a portfolio of spirits, ready-to-drink and non-alcohol brands; and
- **International Beer** – generates earnings from the sale, licensing or distribution of its Australian beer brands in markets outside of Australia and the Pacific and from a distribution joint venture serving the Middle East.

A summary of New Foster's key attributes is set out below.

(a) Leading market positions in Australia and the Pacific

Carlton & United Breweries is the largest brewer in Australia, with 50% volume share of the off-premise beer market. In the six months ended 31 December 2010, Carlton & United Breweries' volume share increased by 0.5 percentage points.

Carlton & United Breweries is also the largest brewer in Fiji, and the largest producer of cider in Australia with 71% value share of the off-premise cider market.

(b) Stable market dynamics

Beer and cider production in Australia is relatively concentrated with the two largest brewers holding approximately 90% combined share of the Australian off-premise beer market and the two largest cider producers holding approximately 85% combined share of the Australian off-premise cider market.

The Australian beer market has demonstrated long term volume stability with population growth offsetting declines in per capita consumption over the past five years. Value growth has exceeded volume growth throughout that period with price increases and premiumisation combining to increase average unit pricing.

In 2008 and 2009 volume growth was above the long term rate, with the beer category benefiting from changes in the taxation arrangements of ready-to-drink spirits, economic stimulus payments and lower interest rates. However, Australian beer market volumes are estimated by Foster's to have declined by approximately 5% in 2010 (or approximately 7% in the six months ended 31 December 2010), driven primarily by one time factors, including abnormal weather and a more subdued consumer environment, and compared to unusually high beer market volumes in the prior comparable periods.

(c) Strong brand portfolio

Carlton & United Breweries has a portfolio of 30 beer, three cider, 13 spirits / ready-to-drink and eight non-alcohol beverage brands, including seven of the ten largest beer brands in Australia and three of the four fastest growing off-premise beer brands in Australia by retail sales value. Carlton & United Breweries also produces and distributes some of Australia's largest cider brands, including Strongbow, Bulmers and Mercury.

Carlton & United Breweries has a strong track record of product innovation that has included the first Australian beer in clear glass (Carlton Cold), the first Australian premium low-carbohydrate beer (Pure Blonde) and the first Australian luxury beer (Crown Ambassador). Carlton & United Breweries' innovation activities continue to focus on the fastest growing market segments, including craft beer, new style regular beer and cider. Recent new products include Carlton Natural, Carlton Dry Fusion Black, Pure Blonde White and the Great Northern Brewing Co.





(d) Established sales and marketing capability

Carlton & United Breweries has an alcohol beverage sales team of significant scale servicing over 17,000 customers across the on-premise and off-premise channels, and making more than 250,000 sales calls annually.

Carlton & United Breweries markets its products using a combination of promotions and advertising campaigns and is increasing advertising and promotion investment to support new and recently released products such as Fat Yak, as well as existing products such as VB and Carlton Draught.

(e) Flexible production and distribution networks

Carlton & United Breweries operates large scale, strategically positioned production facilities in Australia and the Pacific. Carlton & United Breweries has a distribution and logistic model which services an average of 3,200 customers daily and is viewed by nine out of 10 customers as “the same as or better than” the logistics services of Carlton & United Breweries’ competitors.

New Foster’s continues to invest to increase flexibility and enhance production capability, drive efficiency and to reduce waste.

(f) Attractive financial profile

In the years ended 30 June 2009 and 30 June 2010, New Foster’s delivered consistent growth in earnings and strong cash flows:

- on a pro forma basis New Foster’s achieved a compound annual growth rate in net sales revenue and EBIT (before individually material items) of 2.3% and 4.3% respectively, over the two year period ended 30 June 2010;

- New Foster’s pro forma EBIT/net sales revenue margin has increased by approximately 138 basis points over the two year period ended 30 June 2010; and
- Cash Conversion for New Foster’s has consistently been greater than 90%.

For the six month period ended 31 December 2010, New Foster’s pro forma net sales revenue and EBIT were 5.3% and 7.3% respectively below the prior period. The key contributor to lower pro forma net sales revenue and EBIT was a decline in Australian beer market volumes during the period due to abnormal weather and a more subdued consumer environment, and compared to unusually high beer market volumes in the prior comparable period.

Had the Demerger been effected on 31 December 2010, New Foster’s would have had \$1,883.3 million of net borrowings. No immediate change to New Foster’s investment grade BBB/Baa2 credit rating is expected following the Demerger. If the Demerger is implemented, New Foster’s intends to implement cross currency swaps in relation to its non-current US\$144A notes debt to mitigate foreign exchange risk. However, this is also expected, at prevailing exchange and interest rates, to result in an increase in New Foster’s interest expense. See Sections 2.4(b) and 7.8 for further information.

The dividend policy of New Foster’s will be determined by the New Foster’s Board at its discretion and may change over time. The current Foster’s Board has confirmed that New Foster’s will target a dividend payout ratio of not less than 80% of New Foster’s consolidated net profit after tax (excluding individually material items and subject to the Corporations Act) as dividends to New Foster’s shareholders. It is anticipated that, taken together, the final dividends declared by Treasury Wine Estates and New Foster’s for the year ending 30 June 2011

will be equivalent (excluding franking) to the final dividend that Foster's would otherwise have declared if the Demerger did not proceed. The current Foster's Board has confirmed that New Foster's intends to frank its dividends to the extent practicable. Whether any given dividend can be franked will be affected by New Foster's franking account balance. Upon Demerger, New Foster's franking account balance is expected to be \$116.3 million excluding the impact of the Ashwick litigation referred to in Section 7.10.

(g) Clear strategic priorities and financial objectives

New Foster's strategic agenda is a multi-stage programme based on the key principles of cost leadership, excellence in execution, being consumer led, and making measured strategic investments to extend New Foster's market leading positions.

The strategic agenda involves 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**).

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 the following strategic imperatives:

- 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.

New Foster's Urgent Agenda and Full Potential Strategy are described in more detail in Section 6.1(d).

The current Foster's Board has confirmed that New Foster's intends to continue to focus on these strategic priorities following the Demerger. The future strategy of New Foster's will, however, ultimately be a matter for the New Foster's Board and senior management to develop over time, and is subject to change or alteration as circumstances require.

(h) Experienced board and management team

New Foster's will be led by an experienced management team, which has a deep understanding of New Foster's businesses.

If the Demerger proceeds, John Pollaers, who is currently the Managing Director of Carlton & United Breweries, will become an Executive Director and Chief Executive Officer of New Foster's from the Effective Date. Mr Pollaers joined Foster's in April 2010. This will be Mr Pollaers' first appointment as the Chief Executive Officer of a listed company although he has extensive experience in the international drink sector.

New Foster's Board of Directors will have substantial managerial, financial and industry experience. From the Effective Date, New Foster's Board of directors will comprise:

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

Three of the six current Foster's Directors will remain on New Foster's Board following the Demerger.

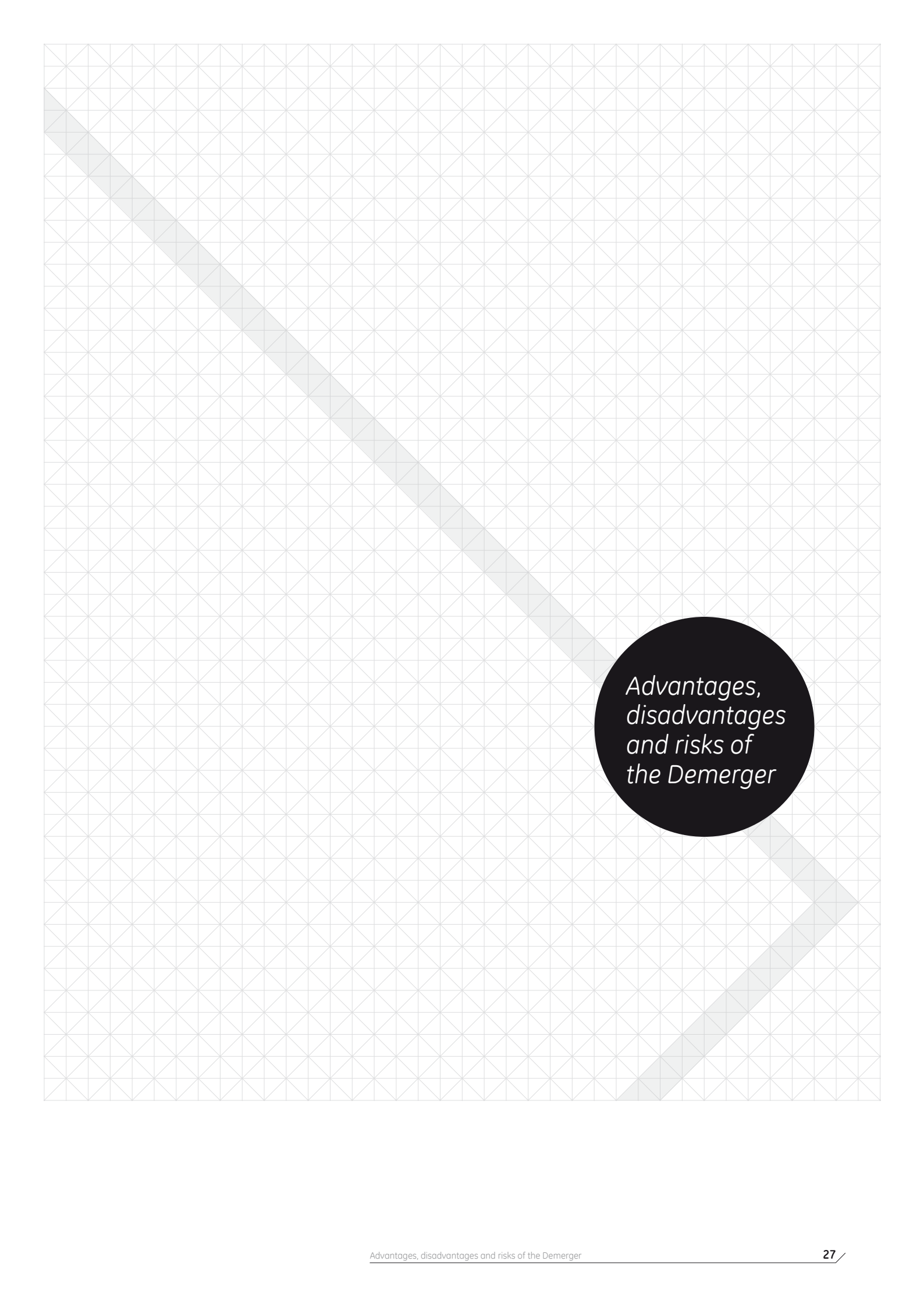
See Section 6.4 for further details of the current Foster's Directors and the New Foster's Directors.



Left: David Crawford



Right: John Pollaers



*Advantages,
disadvantages
and risks of
the Demerger*

2. Advantages, disadvantages and risks of the Demerger

2.1 Introduction

This Section outlines the background to the Demerger and the material advantages, disadvantages and risks Foster's Shareholders should consider when deciding whether or not to vote in favour of the Demerger Resolutions.

After the Demerger, New Foster's and Treasury Wine Estates will also be exposed to a number of business and general risks, many of which they currently face. These risks are described in Section 8.

The Foster's Directors unanimously believe that the advantages of the Demerger outweigh its disadvantages and risks and that the Demerger will create long term value for Foster's Shareholders. Each Foster's Director recommends that Foster's Shareholders vote in favour of the Demerger Resolutions. Each Foster's Director intends to vote any Foster's Shares held or controlled by him or her in favour of the Demerger Resolutions.

The Foster's Directors have commissioned an independent expert, Grant Samuel, to prepare a report on the Demerger. Grant Samuel has concluded that the Demerger is, on balance, in the best interests of shareholders and will not materially prejudice Foster's ability to pay its existing creditors. The concise report is set out in Section 11 of this document. A copy of the full version of the report can be obtained free of charge by calling the Foster's Shareholder Information Line on 1300 048 608 (within Australia) or +61 3 9415 4812 (international) Business Days between 9.00am and 5.00pm (Melbourne time), or from Foster's website, www.fostersgroup.com.

Each Foster's Shareholder should carefully consider this Section, Section 8 and the other information contained in this Booklet in deciding whether or not to vote in favour of the Demerger Resolutions.

2.2 Background to the Demerger

In February 2009, Foster's announced the conclusions of its wine strategic review. As part of that review, Foster's Directors decided to implement a series of organisational initiatives to improve the performance of both its wine and its beer, cider and spirits businesses. These included a new organisational structure which involved separating the sales and marketing activities for wine and beer, cider and spirits in Australia. At the time of the announcement, Foster's concluded that, for a number of reasons (including the poor state of capital markets and deteriorating economic conditions at the time), it was not the right time to restructure ownership of the wine business, whether through a full or partial sale or demerger.

Having observed the benefits delivered since then by the separate organisational structures for beer and wine in Australia, and in particular for the wine business, the Foster's Directors have formed the view that it is now in Foster's Shareholders' interests to pursue a complete structural separation of the wine business from the beer, cider and spirits business.

The Foster's Directors have determined that this full separation is presently best effected through the Demerger and believe this is likely to maximise the aggregate long term value to shareholders of both the wine business and the beer, cider and spirits business, as compared to the status quo or a possible sale or an initial public offering of the wine business. Among the factors that the Foster's Directors have taken into consideration in arriving at this view are the following:

- A sale process would likely involve a high degree of transaction uncertainty and would also likely involve no less transactional complexity or separation costs than the Demerger. A formal sale process might result in the sale of Treasury Wine Estates at a price that does not appropriately reflect its underlying value and future prospects.
- An initial public offering would be unlikely to realise full underlying value for Treasury Wine Estates and would not provide the additional investment choice and flexibility that will be provided to Foster's Shareholders by the Demerger. An initial public offering would also likely involve a high degree of transaction uncertainty and transactional complexity.
- A Demerger does not preclude a third party from acquiring either New Foster's or Treasury Wine Estates in the future and offers Eligible Shareholders the opportunity to make their own decisions regarding their continuing investment in either or both of New Foster's and Treasury Wine Estates.
- On 8 September 2010, Foster's announced that it had received an unsolicited, indicative, non-binding proposal from an international private equity firm to acquire the wine assets of Treasury Wine Estates. After considering the value range of the proposal of \$2.3 billion to \$2.7 billion, the high level of conditionality, the requirement for exclusivity and other terms of the proposal, the Foster's Directors decided that it was not in the interests of Foster's Shareholders to engage with the international private equity firm in relation to that proposal. The Board has noted recent media speculation concerning the potential for a proposal to be received by Foster's in relation to its wine and/or beer, cider and spirits business. The Board is not in a position to determine whether the Demerger will lead to a control proposal being received. Accordingly, the Board has not taken this into consideration in its assessment or evaluation of the Demerger. Foster's will continue to comply with its continuous disclosure obligations in relation to any future proposals received.

Having regard to these factors and the advantages, disadvantages and risks of the Demerger (set out in this Section 2), the Foster's Directors have concluded that, in the current circumstances, the Demerger is more likely to create long term value for Foster's Shareholders than other available alternatives.

2.3 Advantages of the Demerger

(a) Enhanced flexibility and focus on own business and own strategic objectives

New Foster's, a domestically focused brewing company and Treasury Wine Estates, an international wine business, face different industry dynamics and have different business characteristics, financial profiles, strategic priorities and capital requirements.

Following the Demerger, each of New Foster's and Treasury Wine Estates will be able to focus solely on its own business and its own strategic objectives, supported by separate boards of directors and management teams, enabling each to:

- make independent decisions on the basis of its own priorities; and
- have direct access to a range of capital sources to pursue, if appropriate, acquisitions, joint ventures and alliances.

This should enable each of New Foster's and Treasury Wine Estates to respond with greater flexibility to challenges and opportunities as they arise, and to be more focused and better able to pursue overall strategies consistent with its own capabilities and strengths.

(b) Independent capital structures and financial policies

Following the Demerger, New Foster's and Treasury Wine Estates will be able to adopt independent capital structures and financial policies appropriate for their respective operational requirements and strategic objectives.

Details of the proposed capital structures of New Foster's and Treasury Wine Estates upon Demerger are set out in Section 3.1(b). The capital structure and financial policies of New Foster's and Treasury Wine Estates will be at the discretion of their respective boards and are subject to change or alteration as circumstances require.

(c) Eligible Shareholders will have greater investment choice

The business and strategic characteristics, financial profiles and risks of New Foster's and Treasury Wine Estates are different and may appeal to different types of investors. The Demerger will entitle Eligible Shareholders to separate investments in both companies and give them the flexibility to determine their investment levels in each company, having regard to their own financial profiles, investment and risk preferences.

(d) Increased transparency allowing investors to independently and appropriately value each business

The Demerger will enable Foster's Shareholders and other investors to evaluate separately the individual financial performance, strategies and other business characteristics of New Foster's and Treasury Wine Estates.

As a separate company listed on ASX, Treasury Wine Estates will directly make its own market disclosures and is expected to have research analyst coverage with a focus more appropriate to Treasury Wine Estates' business. This should increase investor understanding of Treasury Wine Estates relative to its position within the Foster's Group. The reduced complexity of New Foster's business profile should also improve investor understanding of its business and strategy.

This increased transparency will allow investors to independently and appropriately value New Foster's and Treasury Wine Estates to reflect the underlying performance of, and market appetite for, their respective businesses.

(e) Increased flexibility to align compensation and incentive plans to shareholder value generation

The Demerger will provide New Foster's and Treasury Wine Estates with increased flexibility to determine their respective compensation and incentive plans for employees and management, enabling closer alignment between such plans and the business performance and shareholder value generation of each company. For example, a primary input to Foster's current long term incentive plan for senior executives is the total shareholder return of the combined entity, as measured by reference to changes in Foster's share price and dividends received by shareholders. The Demerger will provide the opportunity to implement separate long term incentive plans for New Foster's and Treasury Wine Estates which are based on the total shareholder return for each company.

2.4 Disadvantages of the Demerger

(a) Reduction in size and diversification

The Demerger will create two separate companies listed on ASX, each of which will be smaller and less diversified than Foster's prior to the Demerger. However:

- New Foster's is expected to remain in the S&P/ASX 50 and it is anticipated that Treasury Wine Estates will qualify for inclusion in the S&P/ASX 100, meaning that a wide range of institutional investors can invest in both companies;
- New Foster's will remain the largest alcohol beverage company in Australia; and
- Treasury Wine Estates will retain its leadership position in key markets and geographic diversification in terms of both production and sales, and remain the largest bottled wine producer in Australia and the third largest in the United States (or better)⁽¹⁾.

Following the Demerger, each entity will have to rely on its own financial performance and cash flows in order to access credit and equity markets and to fund ongoing operations. Treasury Wine Estates in particular will be subject to more stringent terms on its borrowings than those which Foster's currently enjoys.

(b) Increase in New Foster's interest expense

If the Demerger is implemented, the current Foster's Board considers it appropriate that New Foster's should have a predominantly A\$ denominated debt portfolio to match its predominantly Australian asset and revenue base.

Accordingly, New Foster's intends to implement cross currency swaps with financial institutions that will effectively convert the future US\$ interest and principal obligations under the 2014, 2015, 2016 and 2035 US\$144A notes with a total face value of US\$1,600 million, and related interest rate swaps, into A\$ obligations.

Although no assurances can be given as to future exchange rates or interest rates, based on the prevailing exchange and interest rates, the implementation of the cross currency swaps, to hedge against US\$/A\$ exchange rate volatility, is expected to result in the US\$ principal and interest obligations being swapped into A\$ obligations at an exchange rate which is relatively more favourable as compared to average historical exchange rates⁽²⁾, but is also expected to result in an increase in New Foster's interest expense, primarily reflecting the differences between current interest rates applicable to borrowing in US\$ and A\$. Based on prevailing interest rates, it is estimated that New Foster's cost of borrowings in relation to the 2014, 2015, 2016 and 2035 US\$144A notes will be approximately 3.8% per annum higher on a pre-tax basis than the cost of borrowings in relation to the 2014, 2015, 2016 and 2035 US\$144A notes if the cross currency swaps were not entered into.⁽³⁾ This is a function of financial markets and

(1) Table wine US\$4+.

(2) Based on the A\$/US\$ exchange rate as at 4 March 2011, which is higher than the average monthly closing exchange rate since December 1983.

(3) Estimate is based on current forward interest rates (as at 4 March 2011) relating to the first full financial year after the implementation of the Demerger (being the year ending 30 June 2012) and assumes that the 2011 US\$144A notes are refinanced with A\$ at maturity regardless of whether or not the Demerger proceeds (see Section 7.6(a)(ii)) and the 2035 US\$144A notes will be swapped to a variable rate exposure.

therefore the actual increase in New Foster's cost of borrowings in relation to the 2014, 2015, 2016 and 2035 US\$144A notes may be significantly higher or lower than estimated. The extent of any additional interest expense for the duration of these notes (see Table 20) will depend on differences in the prevailing interest rates between borrowing in US\$ and A\$ where interest rates remain at variable rates.

The future interest expense of New Foster's and Treasury Wine Estates will also be impacted by the one-off and ongoing costs associated with the Demerger (see Section 7.8) and the new debt facilities for Treasury Wine Estates as described in this Booklet (see Section 5.6).

(c) Increase in New Foster's counterparty credit risk

The cross currency swaps described above will increase New Foster's counterparty credit risk as the cross currency swaps will be entered into with various swap counterparties. Although these will be large financial institutions with strong credit ratings and New Foster's intends to monitor regularly the credit quality of each counterparty and its exposure to these counterparties, there can be no assurance that a counterparty will not default on its financial obligations under the swap, which could adversely affect New Foster's financial position.

(d) Additional corporate and operating costs

Following the Demerger, Treasury Wine Estates will be a separate legal entity, listed on ASX, and will necessarily incur additional costs as compared to its position as part of Foster's. These include costs associated with its ASX listing, its share registry, maintaining a separate board of directors and executive team, information technology and other corporate functions.

It is estimated that, if the Demerger had been effected for the full year ended 30 June 2010, the aggregate annual corporate and operating costs for New Foster's and Treasury Wine Estates in that year would have been approximately \$21.6 million higher than those reported by Foster's under its existing structure.

Based on cost base reviews being undertaken by management (the **Cost Base Reduction Programmes**), the current Boards of Foster's and Treasury Wine Estates are confident that, following the Demerger, the stand-alone cost bases of the businesses will be reduced below those under the current Foster's Group structure and that the total cost savings across both businesses realised from the Cost Base Reduction Programmes will within 24 months materially exceed the additional corporate and operating costs expected to be incurred as a result of the Demerger. Ongoing productivity and cost reduction would continue without the Demerger and it is possible that most, if not all, of the cost savings which would offset these additional corporate and operating costs could be achieved in any event through similar programmes even if the Demerger does not proceed. However, the Demerger creates the opportunity to implement cost savings initiatives which would be more difficult to identify and implement in a larger, combined organisation. The Cost Base Reduction Programmes and the initiatives pursuant to these programmes will be developed taking into account the stand-alone cost bases of New Foster's and Treasury Wine Estates.

For further information on these costs and the Cost Base Reduction Programmes, see Section 7.8.

(e) Demerger transaction costs

The total transaction costs associated with the Demerger are estimated to be approximately \$151.4 million on a pre-tax basis (\$107.5 million after tax). Of this amount, approximately \$74.1 million of these costs will be incurred whether or not the Demerger proceeds.

For further information regarding these transaction costs, see Section 7.8.

2.5 Risks of the Demerger

(a) Uncertainty about market value post-Demerger

The Foster's Directors consider that the Demerger will create long term value for Foster's Shareholders; however, it is not possible to predict the market value of Treasury Wine Estates Shares and Foster's Shares following the Demerger.

There can be no assurance that Treasury Wine Estates Shares will trade on ASX subsequent to listing at any particular price. Following the Demerger, some shareholders may adjust their holdings in Treasury Wine Estates or New Foster's. There is a risk that the combined market value of Treasury Wine Estates and New Foster's after the Demerger will be less than the market value of Foster's immediately before the Demerger, particularly while the shareholder base for each company evolves.

(b) Potential for delays, unexpected costs or other issues in establishing Treasury Wine Estates as a stand-alone legal entity

Treasury Wine Estates is currently supported by Foster's corporate services infrastructure, including group accounting, treasury, taxation, superannuation, legal, insurance administration, information management, certain group purchasing services and general human resources. As part of the implementation of the Demerger, Treasury Wine Estates is replacing these support services with internal capability, third party contracts and transition service agreements as appropriate. Some of these will be implemented at the time of the Demerger, while others will be developed over time following the Demerger. In some cases, this is currently estimated to be for a period of up to two years after the Demerger. During the transition period, Treasury Wine Estates will have limited ability to perform certain services for itself, or to have those services performed by a third party instead of New Foster's. Further details of the transition service agreements are set out in Section 3.10.

It may take some time to ensure that all processes are operating fully and efficiently and there is a risk that the establishment of these capabilities may take longer than expected or may involve greater costs than anticipated. There is also a risk that the services to be provided under the transition service agreements (including those to be provided in relation to the Core Operations Project described in Section 3.10(a)) are not provided to the level required under the IT Transition Services Agreement and this may give rise to loss for Treasury Wine Estates, and that any compensation which is recoverable and in fact recovered may be inadequate to offset that loss.

The risks described above for Treasury Wine Estates will also apply to New Foster's to the extent that any transition services will be provided by Treasury Wine Estates to New Foster's (further details of these services are provided in Section 3.10).

It should also be noted that, if a decision were taken by Treasury Wine Estates to terminate the IT Transition Services Agreement, early exit provisions may be triggered, requiring Treasury Wine Estates to compensate New Foster's for the consequences.

Each of New Foster's and Treasury Wine Estates may be exposed to damages claims from the other (or their related bodies corporate) for the failure to properly perform its obligations under the transition services agreements, for which no insurance cover may be available. Further details are set out Section 3.10 in relation to each transition services agreement.

In addition, Foster's employees who currently work in the Treasury Wine Estates business and certain Foster's employees in corporate roles will be offered employment with the Treasury Wine Estates business. There is a risk that some employees will not accept their offer of employment and, accordingly, that Treasury Wine Estates will be required to seek new employees.

(c) Potential inability to obtain the third party consents

Certain contracts and guarantees that relate to Treasury Wine Estates' business or both Treasury Wine Estates' and New Foster's businesses will need to be restructured to align the contractual relationships to the relevant companies within Treasury Wine Estates and New Foster's. The consent or agreement of third parties to such restructuring is required in certain cases. The consent of a number of key customers and suppliers has been obtained as at the date of this Booklet; however, not all of the third party consents or agreements have been obtained. If the consent or agreement of the third parties is not obtained, the existing contracting entity will continue to have rights and obligations under these contracts until their expiry or termination, even though the contracts do not relate solely to its business. The relevant entity within Treasury Wine Estates or New Foster's seeking to have the benefit of the contract will also rely on the contracting entity being able to pass through that benefit. Under the Demerger Agreement, Treasury Wine Estates and New Foster's will be obliged to observe these requirements, and will cross indemnify each other for any claims made or payments to be made under the contracts or guarantees which relate to their respective businesses.

(d) Leased vineyards

Treasury Wine Estates has entered into leases of certain vineyards under which the consent of landlords may be required in connection with the Demerger. If the consent of the landlord is not provided, the relevant leases may be terminated and certain payments may be required to be made to the landlords. Additionally, Treasury Wine Estates may be required to source grape supply from alternative vineyards.

(e) Risk that the ATO concludes demerger tax relief is not available

Foster's has received a draft class ruling from the ATO which sets out the Australian Commissioner of Taxation's preliminary but considered view that demerger tax relief is available for Australian resident Foster's Shareholders who hold their Foster's Shares on capital account (and are not subject to the TOFA Rules in respect of their Foster's Shares).

Where demerger tax relief is available and Australian resident Foster's Shareholders make the choice to apply such relief, they will not realise any capital gain or loss from the Demerger and the cost base in respect of their Foster's Shares will be allocated between their Foster's Shares and the Treasury Wine Estates

Shares. A further consequence is that the transfer of shares in Treasury Wine Estates to Foster's Shareholders under the Demerger will not be regarded as a dividend which is assessable to Foster's Shareholders.

Foster's anticipates the final class ruling to be consistent with the draft class ruling discussed above and confirm the above taxation treatment for Australian resident Foster's Shareholders who hold their Foster's Shares on capital account (and are not subject to the TOFA Rules in respect of their Foster's Shares). However, if the ATO concludes that demerger tax relief is not available or seeks to apply the anti-avoidance rules applicable to demergers, then Australian resident Foster's Shareholders may have an assessable capital gain and the transfer of Treasury Wine Estates Shares to Foster's Shareholders under the Demerger may be taxable as an unfranked dividend in the hands of Foster's Shareholders.

Section 9 provides further information on the general income tax implications for Foster's Shareholders who are Australian resident individuals or companies, including information on the implications if the class ruling is not issued consistent with the above expectations. This information is not applicable to Foster's Shareholders who are not residents of Australia for taxation purposes. This Booklet also does not take into account Foster's Shareholders' individual investment objectives, financial situation or needs. The information in this Booklet should not be relied upon as the sole basis for any investment decision. Foster's Shareholders should seek independent legal, financial, taxation and other professional advice before making any investment decision.

Foster's has also 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.

*Advantages,
disadvantages
and risks of
the Demerger*



*Details
of the
Demerger*

3. Details of the Demerger

3.1 Internal restructure and separation

The Demerger will result in Treasury Wine Estates being separately listed on ASX, with Treasury Wine Estates and New Foster's operating independently of each other except for certain transitional and operational arrangements.

Foster's has initiated an internal restructure to align the relevant assets and subsidiaries of Foster's with the appropriate entity prior to the Demerger. The restructure documents contemplate that the internal restructure will be completed in all material respects on or before the Effective Date. The general objective of the restructure as contemplated by the Demerger Agreement referred to below is to ensure that Treasury Wine Estates owns or holds all the companies, assets, rights and liabilities relating to the wine business and New Foster's owns all the companies, assets, rights and liabilities relating to all other businesses of Foster's.

A Demerger Agreement has been entered into between Foster's and Treasury Wine Estates and certain key subsidiaries of each of them, and is described in Section 3.9(d). This agreement gives effect to the fundamental separation principle that, following the Demerger, Treasury Wine Estates will have the entire economic benefit, commercial risk and liabilities of the wine business as if Treasury Wine Estates had owned and operated this business at all times. Similarly, New Foster's will have the entire economic benefit, commercial risk and liabilities of all the other businesses of Foster's as if New Foster's had owned and operated these businesses at all times. There are some exceptions to the above separation principle, including in relation to certain taxation risks and liabilities which are dealt with by the Demerger Tax Deed (see Section 3.9(e)) and other legacy liabilities which are dealt with by the Demerger Agreement (see Section 3.9(d)).

Not all the transactions underlying the internal restructuring or transitional or other arrangements described above have been entered into or effected on the same terms as would have been obtained if they had been between unrelated third parties. In particular, certain agreements for the transactions underlying the restructure have not included terms such as certain warranties and indemnities that might have been obtained from third parties. This reflects the nature of the Demerger (which is unlike a sale to a third party) and the desire of the Foster's Board to appropriately allocate the risks and benefits of these arrangements between Treasury Wine Estates and New Foster's.

The restructuring and commercial arrangements to implement the separation are outlined below.

(a) Internal restructure

The key steps to facilitate the internal restructure as contemplated by the Demerger Agreement are as follows:

- certain assets and liabilities relating to the wine business which are currently owned or held by subsidiaries of Foster's, will be aligned to entities that will be subsidiaries of Treasury Wine Estates after the Demerger;
- certain assets and liabilities relating to the other businesses of Foster's, which are currently owned or held by subsidiaries of Treasury Wine Estates, will be aligned to entities that will be subsidiaries of New Foster's after the Demerger; and
- various intercompany loans, receivables and payables will be settled or forgiven (other than ordinary trading receivables and payables which will be settled on normal commercial terms).

(b) Capital structure

As part of the implementation of the Demerger, it is necessary to establish a capital structure for Treasury Wine Estates, separate from Foster's.

Upon Demerger, Treasury Wine Estates is expected to have \$200 million of debt and cash balances of approximately \$60 million. This debt will be drawn under the newly established multi-currency syndicated loan facility, subject to implementation of the Demerger. The newly established loan facility consists of a three year \$200 million tranche and five year \$300 million tranche.

New Foster's will retain all of Foster's existing US\$144A notes and bank debt facilities. Had the Demerger been effected on 31 December 2010, New Foster's would have had \$1,954.6 million of gross borrowings and cash balances of approximately \$71.3 million (after transaction costs).

(c) Treasury Wine Estates and other employees

The majority of the Australian based employees employed by the current Foster's employing entity, Foster's People Pty Ltd, working in the Treasury Wine Estates business and certain employees working in corporate roles with Foster's have been or will be offered employment with an entity within Treasury Wine Estates (which will recognise prior service with Foster's People Pty Ltd). The terms of these offers of employment will take effect on or before the Effective Date to enable Treasury Wine Estates to operate separately from New Foster's from the Implementation Date. For Australian based employees employed under enterprise agreements in the Treasury Wine Estates business there will be no change to their current employment arrangements. Similarly, in most overseas countries where Treasury Wine Estates is located, there will be no change to employment arrangements and employees will be or have been offered continuing employment as required.

Apart from the change in the identity of the entity which employs employees in some locations, their terms and conditions of employment are, so far as practicable, substantially similar to or no less favourable than the terms and conditions of the employees' employment prior to the offer of employment with an entity within Treasury Wine Estates.

(d) Date of separation for accounting purposes

For accounting purposes, the expected effective date of separation of Treasury Wine Estates from Foster's, at which time Foster's will cease to consolidate the results of Treasury Wine Estates, is the Effective Date (from which time, Foster's is referred to in this Booklet as New Foster's).

(e) Ownership of Treasury Wine Estates Shares

Shortly after the Record Date, Treasury Wine Estates Limited will consolidate and convert its ordinary share capital into such number of Treasury Wine Estates Shares as are required to be transferred to Eligible Shareholders and the Sale Agent pursuant to the Scheme.

Following the Demerger, New Foster's will not own any shares in Treasury Wine Estates.

(f) Deed of cross guarantee

Foster's and certain of its subsidiaries are parties to the Foster's Cross Guarantee in accordance with ASIC class order 98/1418.

Steps have been taken to revoke Treasury Wine Estates' participation in Foster's Cross Guarantee. A revocation deed has been lodged with ASIC, which will take effect on 28 April 2011 provided that no party to the Foster's Cross Guarantee is wound up or otherwise becomes insolvent during the six month period following the date of revocation. Following the Second Court Hearing, Treasury Wine Estates will enter into a separate deed of cross guarantee in accordance with ASIC class order 98/1418.

(g) Transition service arrangements

Before the Effective Date, Foster's and Treasury Wine Estates or their related bodies corporate will enter into transition service agreements pursuant to which, for a period following the Demerger, each will provide the other with, or procure the provision of, certain services at the corporate and operational levels which it is impossible, impracticable or commercially undesirable to replicate within either Foster's or Treasury Wine Estates, at the time of the Demerger. Further details of these transitional arrangements are set out in Section 3.10.

3.2 Demerger elements

The Demerger has two key elements: the Capital Reduction and the Scheme. These key elements are described below. For the Demerger to proceed, Foster's Shareholders must vote in favour of the Scheme (by the majorities set out in Section 3.3(a)(iii)) and the Capital Reduction (by the majority set out in Section 3.3(b)(iii)).

A number of other conditions must also either be satisfied or, in some cases, waived by Foster's, before the Demerger can proceed. These conditions include Court approval of the Scheme. The conditions are described in Section 3.3(c).

Following approval of the Scheme by Foster's Shareholders and the Court, there are three important dates: the Effective Date, the Record Date and the Implementation Date.

- The Effective Date is the date on which the Court order approving the Scheme takes effect.
- The Record Date is 7.00pm (Melbourne time) on the fifth Business Day after the Effective Date and is the time and date when the Foster's Share Register is examined to determine who is entitled to participate in the Scheme (see Section 3.5).
- The Implementation Date is four Business Days after the Record Date and is the date on which Treasury Wine Estates Shares are transferred to Eligible Shareholders or, in the case of Small Shareholders who elect to sell their Treasury Wine Estates Shares under the Sale Facility or Ineligible Overseas Shareholders, to the Sale Agent (see Section 3.8).

(a) Capital Reduction

Under the Capital Reduction, Foster's will reduce its share capital on the Implementation Date by approximately \$1.25 billion, which will be satisfied by Foster's agreeing to pay to its wholly-owned indirect subsidiary, Foster's Australia (the current sole shareholder of Treasury Wine Estates Shares), an amount equal to approximately \$1.25 billion, so as to procure the transfer by Foster's Australia of the Treasury Wine Estates Shares to Eligible Shareholders (or to the Sale Agent in the case of Selling Shareholders). The obligations of Foster's Group Limited to pay Foster's Australia the sum of approximately \$1.25 billion, and of Foster's Australia to transfer the Treasury Wine Estates Shares to Eligible Shareholders (or to the Sale Agent in the case of Selling Shareholders), are also set out in the Transfer Agreement which has been entered into between Foster's Group Limited and Foster's Australia (see Section 3.9(b)).

These arrangements have been put in place because the Treasury Wine Estates Shares to be transferred to Eligible Shareholders (or to the Sale Agent in the case of Selling Shareholders) under the Demerger will not be held directly by Foster's Group Limited, but by Foster's Australia. Foster's Australia is likely to subsequently forgive the sum of approximately \$1.25 billion owed to it by Foster's Group Limited. Foster's Australia's shareholder intends to pass capital reduction resolutions authorising any reduction of Foster's Australia's capital arising from the transfer of the Treasury Wine Estates Shares to Eligible Shareholders (or to the Sale Agent in the case of Selling Shareholders) or the forgiveness of the amount owed to Foster's Australia by Foster's Group Limited.

The Capital Reduction is conditional on the Scheme becoming Effective, which in turn requires (among other things) the Demerger Resolutions being passed by Foster's Shareholders and the Scheme being approved by the Court.

(b) Scheme

If the Demerger Resolutions are passed by Foster's Shareholders and the other conditions to the Scheme are fulfilled, including the Scheme being approved by the Court, then:

- the Scheme will become Effective on the Effective Date;
- at the close of trading on the Effective Date, Foster's will cease trading cum the entitlement to participate in the Demerger;
- on the Business Day following the Effective Date, Treasury Wine Estates will be listed on the Official List on a deferred settlement basis and Foster's will trade on ASX ex the entitlement to participate in the Demerger; and
- on the Implementation Date:
 - Foster's will undertake the Capital Reduction (such that Foster's share capital will be reduced in accordance with the Capital Reduction Resolution);
 - in the case of each Eligible Shareholder (other than Small Shareholders electing to sell their Treasury Wine Estates Shares under the Sale Facility), one Treasury Wine Estates Share will be transferred to that Eligible Shareholder for every three Foster's Shares the Eligible Shareholder is registered as holding as at the Record Date (rounded up or down to the nearest whole Treasury Wine Estates Share). Foster's obligation to transfer the Treasury Wine Estates Shares to those Eligible Shareholders will be discharged by Foster's:
 - procuring the execution of and the delivery to Treasury Wine Estates of the transfers of those Treasury Wine Estates Shares described above; and
 - procuring the registration of those transfers by entering in the Treasury Wine Estates Share Register of the names of those Eligible Shareholders;
- on, or as soon as practicable after, the Implementation Date, Foster's will procure the dispatch to each of those Eligible Shareholders by prepaid post to the person's address as shown in the Foster's Share Register as at the Record Date (unless directed otherwise by an Eligible Shareholder), uncertificated holding statements for the Treasury Wine Estates Shares transferred to them under the Scheme. In the case of joint Foster's Shareholders, uncertificated holding statements for Treasury Wine Estates Shares will be sent to the address of the Foster's Shareholder whose name appears first in the Foster's Share Register;

- in the case of each Small Shareholder electing to sell Treasury Wine Estates Shares under the Sale Facility or each Ineligible Overseas Shareholder (each, a Selling Shareholder), the Treasury Wine Estates Shares to which those shareholders would otherwise have received will be transferred to the Sale Agent to be sold as soon as reasonably practicable after the Implementation Date, with the proceeds of sale being remitted to the Selling Shareholder, as set out in Section 3.8. Under the terms of the Scheme, each Selling Shareholder is taken to have agreed to this process; and
- as a result of implementation of the Scheme, Treasury Wine Estates will cease to be owned by Foster's.

Section 3.5 explains who are Eligible Shareholders and who are Ineligible Overseas Shareholders. The terms of the Scheme are set out in full in Section 13.

3.3 Demerger procedure

(a) Scheme Meeting

(i) Date and time of Scheme Meeting

In accordance with an order of the Court dated 17 March 2011, Foster's has convened the Scheme Meeting to be held on 29 April 2011 at Melbourne Recital Centre, 31 Sturt Street, Southbank, Victoria 3006, commencing at 9.00am. The notice convening the Scheme Meeting is set out in Section 15.1 and the terms of the Scheme are contained in Section 13. The purpose of the Scheme Meeting is for Foster's Shareholders to consider whether to approve the Scheme.

(ii) Resolution

At the Scheme Meeting, Foster's Shareholders will be asked to consider and, if thought fit, to pass the Scheme Resolution to approve the Scheme.

(iii) Majorities required to pass resolution

For the Demerger to proceed, the Scheme Resolution must be passed by a majority in number (more than 50%) of Foster's Shareholders voting (in person or by proxy) at the Scheme Meeting (unless the Court orders otherwise) who must together hold at least 75% of the votes cast on the Scheme Resolution.

(iv) Entitlement to vote

Each Foster's Shareholder who is registered on the Foster's Share Register at 7.00pm (Melbourne time) on Wednesday 27 April 2011 is entitled to attend and vote at the Scheme Meeting. Each Foster's Fully Paid Shareholder will be entitled to exercise one vote for each Foster's Fully Paid Share held. Foster's Partly Paid Shareholders and Foster's ADS holders should see Sections 3.6 and 3.7 respectively for further information on their entitlement to vote.

(b) General Meeting

(i) Date and time of General Meeting

The General Meeting will be held on 29 April 2011 at Melbourne Recital Centre, 31 Sturt Street, Southbank, Victoria 3006, commencing at the later of 9.15am (Melbourne time) or the adjournment or conclusion of the Scheme Meeting. The notice convening the General Meeting is contained in Section 15.2.

(ii) Resolution

At the General Meeting, Foster's Shareholders will be asked to consider and, if thought fit, to pass the Capital Reduction Resolution as an ordinary resolution.

(iii) Majority required to pass resolution

For the Demerger to proceed, the Capital Reduction Resolution must be approved by a majority of the votes cast (more than 50%) by Foster's Shareholders on the resolution.

(iv) Entitlement to vote

Each Foster's Shareholder who is registered in the Foster's Share Register at 7.00pm (Melbourne time) on Wednesday 27 April 2011 is entitled to attend and vote at the General Meeting. Each Foster's Fully Paid Shareholder will be entitled to exercise one vote for each Foster's Fully Paid Share held. Foster's Partly Paid Shareholders and Foster's ADS holders should see Sections 3.6 and 3.7 respectively for further information on their entitlement to vote.

(c) Conditions Precedent to implementation of the Demerger

The Demerger will become binding on Scheme Participants only if all of the following conditions are satisfied (or, in some cases, waived by Foster's).

(i) Foster's Directors' recommendation

Between the date of this Booklet and the Scheme Meeting, a majority of the Foster's Directors recommend and do not change or withdraw their recommendation to Foster's Shareholders to vote in favour of the Scheme Resolution.

(ii) Shareholder approvals

Foster's Shareholders pass the Scheme Resolution at the Scheme Meeting and the Capital Reduction Resolution at the General Meeting by the required majorities.

(iii) Restraints

No temporary restraining order, preliminary or permanent injunction or other order is issued by any court of competent jurisdiction and no other legal restraining order or prohibition preventing the Demerger is in effect as at 9.00am (Melbourne time) on the date of the Second Court Hearing.

(iv) Regulatory Approvals

All Regulatory Approvals which are necessary or, in the reasonable opinion of Foster's, desirable to implement the Demerger are obtained by 9.00am on the date of the Second Court Hearing, either unconditionally or on conditions reasonably satisfactory to the Foster's Board.

(v) ASX approval and quotation

ASX approves the admission of Treasury Wine Estates to the Official List and grants permission for official quotation of Treasury Wine Estates Shares on ASX, subject only to the Scheme becoming Effective and such other conditions as may be acceptable to the Foster's Board.

(vi) Demerger Agreement

The Demerger Agreement remains in place and has not been terminated as at 9.00am on the date of the Second Court Hearing.

(vii) Court approval

The Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act and an office copy of the order of the Court is lodged with ASIC.

(d) Second Court Hearing

If the Scheme is approved by the requisite majorities of Foster's Shareholders, and all other Conditions Precedent to the Scheme (other than approval by the Court) have been satisfied or waived, then Foster's will apply to the Court for orders approving the Scheme at the Second Court Hearing.

Any Foster's Shareholder or creditor or, with the Court's permission, any other interested person (including Foster's ADS holders) may appear at the Second Court Hearing in person or through counsel to support or oppose approval by the Court of the Scheme or make representations to the Court in relation to the Scheme. The Second Court Hearing is expected to occur on or around Wednesday, 4 May 2011. Any change to this date will be announced through ASX and will be available on Foster's website, www.fostersgroup.com. Further details regarding the Second Court Hearing will be advertised in The Australian newspaper.

(e) Timetable

An indicative timetable for the Demerger appears on page 4. All dates and times following the date of the Scheme Meeting and General Meeting are indicative only and, among other things, are subject to all necessary approvals from the Court and other regulatory authorities. Any changes to the timetable (which may include an earlier or later date for the Second Court Hearing) will be announced through ASX and notified on Foster's website, www.fostersgroup.com.

(f) Expiry date

If the Effective Date does not occur by 31 December 2011 (or such other date determined by Foster's), then the Implementation Deed will lapse and the Demerger will not proceed.

3.4 Effect of the Demerger

(a) Foster's Shareholders

If the Demerger is implemented, Eligible Shareholders (other than Small Shareholders electing to participate in the Sale Facility) on the Foster's Share Register as at the Record Date will receive one Treasury Wine Estates Share for every three Foster's Shares held by the Eligible Shareholder as at the Record Date (rounded up or down to the nearest whole Treasury Wine Estates Share).

If Foster's reasonably believes that a Scheme Participant has been a party to a shareholding splitting or division in an attempt to obtain an advantage by reference to the rounding provided for in the calculation of each Scheme Participant's entitlement to Treasury Wine Estates Shares, then Foster's reserves the right to round the entitlement of such holdings so as to provide only the number of Treasury Wine Estates Shares that would have been received but for the splitting or division.

Small Shareholders may elect to participate in the Sale Facility described in Section 3.8(a) instead of receiving Treasury Wine Estates Shares as described above.

For more information on the operation of the Scheme in relation to Ineligible Overseas Shareholders, see Section 3.5(c).

Following the Demerger, Foster's Shareholders will continue to hold the same number of Foster's Shares as they held prior to the Demerger. No Foster's Shares will be cancelled as a result of the Demerger.

(b) Creditors

The Foster's Directors believe that the Demerger and, in particular, the Capital Reduction, will not materially prejudice Foster's ability to pay its existing creditors. The Independent Expert has concluded that the Demerger will not materially prejudice Foster's ability to pay its existing creditors. A concise version of the Independent Expert's Report is included in Section 11.

3.5 Entitlement to participate

(a) Foster's Shareholders

Foster's Shareholders as at the Record Date will participate in the Demerger. The way in which an individual Foster's Shareholder participates will depend on whether that shareholder is:

- an Ineligible Overseas Shareholder;
- a Small Shareholder electing to participate in the Sale Facility; or
- otherwise, an Eligible Shareholder.

For the purpose of determining which Foster's Shareholders are eligible to participate in the Demerger, subject to the Corporations Act, Listing Rules and Settlement Operating Rules, dealings in Foster's Shares will be recognised only if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered on the Foster's Share Register as the holder of the relevant Foster's Shares as at the Record Date; and
- in all other cases, registrable transmission applications or transfers in respect of those dealings are received by the Share Registry before the Record Date with sufficient time to allow for registration of the transferee on or before the Record Date (and the transferee remains registered as at the Record Date).

For the purpose of determining entitlements under the Scheme, Foster's will not accept for registration or recognise any transfer or transmission application in respect of Foster's Shares received after the Record Date.

(b) Eligible Shareholders

Foster's Shareholders whose addresses are shown in the Foster's Share Register as at the Record Date as being in the following jurisdictions will be Eligible Shareholders and will be entitled to have Treasury Wine Estates Shares transferred to them if the Demerger is implemented:

- Australia, Canada, Germany, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Singapore, Switzerland, the United Kingdom or the United States; and
- any other jurisdiction in relation to which Foster's reasonably believes that the implementation of the Scheme and the transfer of Treasury Wine Estates Shares to the Scheme Participant in that jurisdiction is not prohibited, not unduly onerous and not impracticable.

Small Shareholders may also elect to participate in the Sale Facility (see Section 3.8).

(c) Ineligible Overseas Shareholders

Ineligible Overseas Shareholders are Foster's Shareholders whose registered addresses are shown in the Foster's Share Register as at the Record Date as being in a jurisdiction outside Australia, Canada, Germany, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Singapore, Switzerland, the United Kingdom or the United States and the other countries determined by Foster's under Section 3.5(b).

Ineligible Overseas Shareholders will be entitled to vote on the Capital Reduction Resolution and the Scheme Resolution together with all Eligible Shareholders. However, Treasury Wine Estates Shares will not be transferred to Ineligible Overseas Shareholders. Instead, Treasury Wine Estates Shares which the Ineligible Overseas Shareholders would otherwise have received will be transferred to the Sale Agent to be sold under the Sale Facility and the Ineligible Overseas Shareholders will receive the proceeds from this sale, free of any brokerage costs or stamp duty.

See Section 3.8 for more information on how the Sale Facility will operate.

3.6 Foster's ADS holders

If the Demerger proceeds, Treasury Wine Estates will establish an ADS programme. Foster's will instruct the depository for the Foster's ADS programme to deposit those Treasury Wine Estates Shares received pursuant to the Scheme in accordance with the deposit agreement for Treasury Wine Estates' ADS programme and, upon receipt from the depository for the Treasury Wine Estates' ADS programme of Treasury Wine Estates ADSs representing those Treasury Wine Estates Shares, distribute those Treasury Wine Estates' ADSs to the Foster's ADS holders entitled to them. Foster's ADS holders will therefore acquire a beneficial interest in Treasury Wine Estates Shares through their Treasury Wine Estates ADS holdings. In connection with receiving Treasury Wine Estates ADSs, Foster's ADS holders will be charged, have deducted or be required to pay, as applicable, any applicable fees and expenses of the depositories and any applicable taxes or other governmental charges.

Following the Demerger, Foster's ADS holders will continue to hold the same number of Foster's ADSs as they hold prior to the Demerger. No Foster's ADSs will be cancelled.

Foster's ADS holders will not be sent any voting cards in relation to the Demerger Resolutions. Foster's ADS holders may vote on the Demerger Resolutions and participate directly in the Demerger by surrendering their Foster's ADSs and receiving delivery of the underlying Foster's Fully Paid Shares in order to become Foster's Fully Paid Shareholders. Foster's ADS holders wishing to vote on the Demerger Resolutions must ensure that they are registered on the Foster's Share Register as a Foster's Fully Paid Shareholder by 7.00pm (Melbourne time) on Wednesday 27 April 2011 and must also be registered on the Foster's Share Register as a Foster's Fully Paid Shareholder on the Record Date in order to receive Treasury Wine Estates Shares under the Demerger (see Section 3.5). Foster's ADS holders that surrender their ADSs and become Foster's Fully Paid Shareholders will be entitled to receive only Treasury Wine Estates Shares or (if they are Ineligible Overseas Shareholders) cash pursuant to the Scheme, and not Treasury Wine Estates ADSs.

Foster's will instruct the depository for Foster's ADS programme to separately send to each Foster's ADS holder information on their entitlement to Treasury Wine Estates ADSs if the Demerger proceeds and the manner in which they can vote on

the Demerger Resolutions and participate in the Demerger as Foster's Fully Paid Shareholders, if desired.

3.7 Foster's Partly Paid Shareholders

(a) Background to Foster's Partly Paid Shares

As at 4 March 2011, Foster's had on issue 786,510 Foster's Partly Paid Shares, representing approximately 0.04% of Foster's Shares on issue which are held by current and former Foster's employees.

Under the terms of the trust deeds that governed the issue of those Foster's Partly Paid Shares, holders of Foster's Partly Paid Shares are entitled to participate in reconstructions, amalgamations and mergers of Foster's and schemes or arrangements involving Foster's upon the same basis as the holders of Foster's Fully Paid Shares, after due regard (in the opinion of the Directors of Foster's) has been taken of the unpaid portion of the issue price.

Under the documents governing the terms of the Foster's Partly Paid Shares, a call cannot be made by Foster's on any unpaid amounts unless the daily weighted average share price of a Foster's Fully Paid Share equals or exceeds the issue price of the relevant Foster's Partly Paid Share on the day, and in each of the 40 business days prior to the day, on which the call is made. Foster's Partly Paid Shareholders may, however, choose to pay up the unpaid amounts on their Foster's Partly Paid Shares at any time.

A substantial majority of the Foster's Partly Paid Shares is presently "out-of-the-money", (i.e. their issue price is higher than the share price of Foster's Fully Paid Shares⁽¹⁾).

(b) Terms of participation

The Foster's Board has determined that Foster's Partly Paid Shareholders are entitled to participate in the Demerger on the same basis as Foster's Fully Paid Shareholders and will be entitled to receive one Treasury Wine Estates Share for every three Foster's Partly Paid Shares held at the Record Date (rounded up or down to the nearest whole Treasury Wine Estates Share).

Treasury Wine Estates Shares received by Foster's Partly Paid Shareholders will be fully paid ordinary shares in the capital of Treasury Wine Estates and will rank equally in all respects with Treasury Wine Estates Shares received by Foster's Fully Paid Shareholders including with respect to any entitlement to receive dividends. The Treasury Wine Estates Shares received by Foster's Partly Paid Shareholders will be able to be traded on ASX. See Section 12.8 for details of when Treasury Wine Estates Shares are expected to commence trading on ASX.

While Foster's Partly Paid Shareholders will vote on the Demerger Resolutions in the same class of shareholders as Foster's Fully Paid Shareholders, in accordance with Foster's constitution and the terms of the Foster's Partly Paid Shares, their vote will be proportionate to the amounts paid up on their Foster's Partly Paid Shares.

Following the Demerger, holders of Foster's Partly Paid Shares will continue to hold the same Foster's Partly Paid Shares which they held at the Record Date. The amount paid up on and the issue price of the Foster's Partly Paid Shares will not alter as a result of the Demerger.

(1) Based on the closing share price of Foster's Fully Paid Shares on ASX as at 3 March 2011.

(c) Additional relevant considerations for Foster's Partly Paid Shareholders

The advantages, disadvantages and risks of the Demerger described in Section 2 also apply to, and should be considered by, Foster's Partly Paid Shareholders in determining how they should vote on the Demerger Resolutions. There are also a number of additional considerations that are specific to Foster's Partly Paid Shareholders:

- Under the Demerger, Foster's Partly Paid Shareholders will receive the same number of Treasury Wine Estates Shares per Foster's Share as Foster's Fully Paid Shareholders without having to pay up the unpaid amounts on their Foster's Partly Paid Shares.
- The amount paid up on, and the issue price of, Foster's Partly Paid Shares will not alter as a result of the Demerger, despite the Demerger decreasing the asset base of Foster's.
- Accordingly, Foster's Partly Paid Shares which are "in-the-money" (that is, their issue price is less than the share price of Foster's Fully Paid Shares) may become "out-of-the-money" and those that are already "out-of-the-money" may become even further "out-of-the-money" if, following the Demerger, the share price of Foster's Fully Paid Shares decreases as a result of the reduced asset base of New Foster's.
- However, any perceived disadvantage arising from the above is ameliorated because the Foster's Partly Paid Shareholders will receive fully paid Treasury Wine Estates Shares in accordance with the terms of the Scheme if the Demerger proceeds, without having to pay up the unpaid amounts on their Foster's Partly Paid Shares. In addition, Foster's Partly Paid Shareholders' liability to pay up any unpaid amounts on their Foster's Partly Paid Shares does not increase as a result of the Demerger and Foster's ability to call any unpaid amounts will be constrained in the same manner following the Demerger as it is prior to the Demerger.

The Independent Expert, Grant Samuel, has also noted that the Demerger may provide additional potential benefits to Foster's Partly Paid Shareholders and concluded that the Demerger is in the best interests of Foster's Partly Paid Shareholders. A concise version of the Independent Expert's Report is included in Section 11.

3.8 Sale Facility for Small Shareholders and Ineligible Overseas Shareholders

(a) Small Shareholders

Small Shareholders, being Eligible Shareholders with a registered address in Australia or New Zealand who individually hold 1,000 Foster's Shares or fewer as at the Record Date, may elect to have all the Treasury Wine Estates Shares which they would have otherwise received under the Demerger transferred to the Sale Agent to be sold on ASX and the proceeds distributed to them as soon as practicable, free of any brokerage costs or stamp duty. The estimated date of dispatch of payment is currently expected to be around Monday, 20 June 2011. Small Shareholders who wish to participate in the Sale Facility should complete and return the pink Sale Facility Form using the enclosed reply paid envelope, or by fax on + 61 3 9473 2136, so that it is received by the Share Registry by 5.00pm (Melbourne time) on Friday 13 May 2011.

Small Shareholders should note that they are not obliged to participate in the Sale Facility and that they can choose to keep the Treasury Wine Estates Shares they are entitled to receive under the Demerger or sell those Treasury Wine Estates Shares on ASX, outside the Sale Facility.

Eligible Shareholders who individually hold more than 1,000 Foster's Shares as at the Record Date are not able to participate in the Sale Facility.

(b) Ineligible Overseas Shareholders

Ineligible Overseas Shareholders will continue to be entitled to hold their Foster's Shares. However, the Treasury Wine Estates Shares which they would otherwise have received will be transferred to the Sale Agent to be sold on ASX, with the proceeds distributed to them as soon as practicable, free of any brokerage costs or stamp duty. The estimated date of dispatch of payment is currently expected to be around Monday, 20 June 2011.

The payment of the proceeds from the sale of Treasury Wine Estates Shares will be in full satisfaction of the rights of Ineligible Overseas Shareholders under the Scheme and the Capital Reduction. Full details of this process are contained in clause 3.4 of the Scheme (see Section 13).

(c) Operation of the Sale Facility

Treasury Wine Estates Shares that would otherwise have been transferred to Selling Shareholders, will be transferred to the Sale Agent to be sold under the Sale Facility.

Under the Sale Facility, the Sale Agent will, as soon as reasonably practicable (and in any event not more than 15 Business Days following the Implementation Date or, subject to obtaining any necessary ASIC exemptions or modifications, such longer period of time which the Sale Agent and Foster's determine), sell these Treasury Wine Estates Shares on ASX.

As the market price of Treasury Wine Estates Shares will be subject to change from time to time, the sale price of these Treasury Wine Estates Shares and the proceeds of the sale cannot be guaranteed. Selling Shareholders will be able to obtain information on the market price of Treasury Wine Estates Shares on ASX's website, www.asx.com.au.

The proceeds of the sale will, as soon as practicable, be distributed to Selling Shareholders by making a deposit into an account with an Australian bank nominated by the Selling Shareholder with the Share Registry. The estimated date of dispatch of payment to Selling Shareholders is currently expected to be around Monday, 20 June 2011. If the Selling Shareholder does not have a nominated Australian bank account with the Share Registry at the time of payment, the Selling Shareholder will be sent a cheque drawn on an Australian bank in Australian currency for the proceeds of sale. If the address of an Ineligible Overseas Shareholder is unknown at the time of payment, the proceeds for that Ineligible Overseas Shareholder will be paid into a separate bank account and held until claimed or applied under laws dealing with unclaimed money.

The amount of money received by each Selling Shareholder will be calculated on an averaged basis so that all Selling Shareholders will receive the same price per Treasury Wine Estates Share, subject to rounding to the nearest whole cent. Consequently, the amount received by Selling Shareholders for a Treasury Wine Estates Share may be more or less than the actual price that is received by the Sale Agent for any particular Treasury Wine Estates Share.

Under the Scheme, each Selling Shareholder appoints Foster's as its agent to receive on its behalf any notices which may be issued by the Sale Agent.

3.9 Demerger agreements

(a) Implementation Deed

The Implementation Deed sets out the steps required to be taken by Foster's Group Limited and Treasury Wine Estates Limited to give effect to the Capital Reduction and the Scheme and other steps necessary to give effect to the Demerger.

The key terms of the deed are as follows:

(i) *Obligations of Foster's Group Limited*

Under the Implementation Deed, Foster's Group Limited agrees that it will take certain steps necessary to implement the Demerger, including:

- convening the General Meeting for the purposes of the Capital Reduction Resolution and applying for Court orders to convene the Scheme Meeting;
- lodging this Booklet with ASIC for registration under section 412(6) of the Corporations Act;
- applying for Court orders to approve the Scheme;
- lodging a copy of the Court order approving the Scheme with ASIC;
- procuring that Treasury Wine Estates Shares existing as at the Record Date be consolidated into one share and then split into the number of Treasury Wine Estates Shares required to be transferred to Scheme Participants (other than Selling Shareholders) and the Sale Agent in accordance with the Scheme;
- on the Implementation Date, reducing the issued capital of Foster's in accordance with the Capital Reduction Resolution;
- procuring the transfer of Treasury Wine Estates Shares to Scheme Participants (other than Selling Shareholders) and, in the case of Selling Shareholders, procuring the transfer of Treasury Wine Estates Shares to the Sale Agent; and
- entering into a sale facility agreement with the Sale Agent and procuring the sale of Treasury Wine Estates Shares by the Sale Agent on behalf of Selling Shareholders.

(ii) *Obligations of Treasury Wine Estates Limited*

Under the Implementation Deed, Treasury Wine Estates Limited agrees that it will take certain steps necessary to implement the Demerger including:

- applying to ASX for the admission of Treasury Wine Estates to the Official List and official quotation of all Treasury Wine Estates Shares and taking such action as is required to satisfy any conditions or requirements associated with any conditional ASX listing approval or deferred settlement trading on ASX of Treasury Wine Estates Shares;
- on the Implementation Date, registering in the Treasury Wine Estates Share Register the names and addresses of those Foster's Shareholders to whom Treasury Wine Estates Shares are transferred under the terms of the Scheme; and
- issuing transaction confirmation statements and holding statements within the time required by the Listing Rules.

(iii) *Demerger steps*

The Implementation Deed also contains details of the order in which the obligations of the parties as mentioned are to be performed, and certain other steps to be completed by Foster's and Treasury Wine Estates in order to give effect to the implementation of the Demerger.

(b) Transfer Agreement

Foster's Group Limited and Foster's Australia have entered into the Transfer Agreement, pursuant to which Foster's Group Limited has agreed to pay Foster's Australia the sum of approximately \$1.25 billion in consideration for the transfer by Foster's Australia of Treasury Wine Estates Shares to Scheme Participants (or in the case of Selling Shareholders to the Sale Agent) on implementation of the Demerger.

(c) Deed Poll

Treasury Wine Estates Limited has entered into the Deed Poll in favour of Foster's Shareholders as at the Record Date under which Treasury Wine Estates has undertaken to take the steps to be performed by it under the Scheme, including applying for admission to the Official List and for official quotation of Treasury Wine Estates Shares on ASX, and registering the transfer of Treasury Wine Estates Shares to Scheme Participants (or in the case of Selling Shareholders to the Sale Agent) as contemplated by the Scheme.

(d) Demerger Agreement

The Demerger Agreement sets out the Separation Principle described below, provides an internal restructure to facilitate the separation of the wine and the beer, cider and spirit businesses and allocates risk between the parties in relation to the wine and the beer, cider and spirit businesses.

The key terms of the Demerger Agreement are as follows:

(i) *Separation Principle*

Subject to some limited exceptions, the fundamental principle or Separation Principle underlying the intended economic and legal effect of the Demerger and restructure is that following the Effective Date:

- Treasury Wine Estates will have the entire economic benefit, commercial risk and liabilities of the wine business, as if Treasury Wine Estates had owned and operated that business at all times; and
- New Foster's will have the entire economic benefit, commercial risk and liabilities of all other businesses of Foster's, as if New Foster's had owned and operated those businesses at all times.

The exceptions to the Separation Principles include the rights and liabilities relating to Foster's existing syndicated and bilateral financing facilities and US\$144A notes, as well as the rights and liabilities arising under the sale contracts relating to the disposal of the Cellarmasters business. These rights and liabilities will remain with New Foster's.

(ii) *Separation Principle indemnity*

To support the Separation Principle, New Foster's and Foster's Australia on the one hand and Treasury Wine Estates and Foster's Wine Estates on the other hand will indemnify each other against all claims and losses relating to any claim brought by the other contrary to the Separation Principle or in relation to the beer, cider and spirit and wine businesses respectively.

Details of the Demerger continued

A party is not liable for claims under \$25,000 and not until its total liability exceeds \$250,000.

Consequential and other indirect losses are specifically included within the scope of the indemnity.

To the extent an insurance policy covers a claim, the party holding the policy must take all reasonable action to recover under that policy. A party may not make a claim against the other party if the claim is covered by insurance.

(iii) Rights against the other party

Treasury Wine Estates and New Foster's acknowledge that, once the Demerger is implemented, no group member of New Foster's will have any right to make a claim against a group member of Treasury Wine Estates and no group member of Treasury Wine Estates will have any right to make a claim against a group member of New Foster's arising from the internal restructure, Demerger or the other's business, except as expressly provided in the Demerger Agreement or any agreement entered into between Foster's and Treasury Wine Estates.

(iv) Internal restructure

Treasury Wine Estates and New Foster's confirm the intended corporate structure for both their respective groups which will be in place following the internal restructure. The parties also confirm that the intention of the internal restructure is to reflect the Separation Principle and to ensure that the assets and liabilities relating to the wine business are held by or transferred with Treasury Wine Estates and the remaining assets and liabilities relating to Foster's other businesses are held by or transferred with New Foster's.

The Demerger Agreement imposes obligations on the parties to ensure that their respective group members enter into the relevant restructure documents to give effect to these principles.

(v) Guarantees

Treasury Wine Estates has an obligation to use its best endeavours to ensure the release or refund (as applicable) of all guarantees, indemnities and other forms of financial support provided by a group member of New Foster's in favour of a third party, which exclusively relate to the wine business. New Foster's has an obligation to use its best endeavours to ensure the release or refund (as applicable) of all guarantees, indemnities and other forms of financial support provided by a group member of Treasury Wine Estates in favour of a third party, that exclusively relate to all other businesses of Foster's. Both Treasury Wine Estates and New Foster's have a similar obligation in relation to procuring the release or refund (as applicable) of all guarantees, indemnities and other financial forms of support that relate to both businesses. Treasury Wine Estates and New Foster's indemnify each other in respect of claims and losses under such guarantees, indemnities and other forms of financial support to the extent relating to their respective businesses.

(vi) Intellectual property

Each of Treasury Wine Estates and New Foster's must cease to use any word, name, sign or logo relating to the trade marks of the other, within 12 months after the Demerger becoming Effective, except to the extent expressly permitted in the various ongoing commercial arrangements. There is a run-off period during which both businesses may use products containing the other's word, name, sign or logo for products manufactured prior to the Effective Date.

(vii) Contracts

Certain contracts that relate to Treasury Wine Estates' and New Foster's businesses will need to be restructured to align the contractual relationships to the relevant companies within Treasury Wine Estates or New Foster's.

Where necessary and appropriate, Treasury Wine Estates and New Foster's agree to use their respective best endeavours to align contracts relating to the wine business to a group member of Treasury Wine Estates. Treasury Wine Estates indemnifies New Foster's in respect of any claim or loss incurred by a group member of New Foster's in respect of such contracts.

The Demerger Agreement also contains obligations in relation to the sharing of certain contracts with third parties that relate to both Treasury Wine Estates' and New Foster's respective businesses.

(viii) Assets

The Demerger Agreement provides for Treasury Wine Estates and New Foster's to transfer to the other any asset which it either owns or holds following the internal restructure, but which exclusively relates to the other's business and was not transferred or otherwise dealt with in a document relating to the Demerger.

The Demerger Agreement also provides for certain arrangements to apply in relation to any assets which are shared between Treasury Wine Estates and New Foster's respective businesses and were not transferred or otherwise dealt with in a document relating to the Demerger.

(ix) Liabilities

New Foster's accepts responsibility for any liabilities that, in accordance with the Separation Principle, should have been assigned to or assumed by a group member of New Foster's, but which have not been so assigned or assumed. New Foster's and Foster's Australia indemnify Treasury Wine Estates and Foster's Wine Estates against all claims and losses incurred by any of them in relation to such liabilities. Reciprocal provisions apply to Treasury Wine Estates and Foster's Wine Estates in respect of liabilities that in accordance with the Separation Principle should have been assigned to or assumed by a group member of Treasury Wine Estates, but which have not been so assigned or assumed.

(x) Liabilities in relation to this Booklet and the Treasury Wine Estates information memorandum

To the extent permitted by law, New Foster's indemnifies Treasury Wine Estates and each group member of Treasury Wine Estates and their respective directors, officers and employees against all losses arising from a claim by a third party as a result of any failure of:

- this Booklet; or
- the information memorandum and any associated documents to be issued by Treasury Wine Estates in connection with its application for admission to the Official List of ASX,

to comply with any applicable law.

(xi) Litigation management

Litigation or claims that relate exclusively to the business of either New Foster's or Treasury Wine Estates will be the responsibility of and managed by New Foster's and Treasury Wine Estates respectively. Each of Treasury Wine Estates and Foster's Wine Estates on the one hand and New Foster's and

Foster's Australia on the other hand indemnify each member of the other's group in respect of any claim or loss in connection with such litigation or claims or which is brought against a member of the other's group in respect of the other's business.

The Demerger Agreement allocates responsibility for the conduct and management of claims.

Each of Treasury Wine Estates and New Foster's will be responsible for conducting certain claims brought against them, irrespective of which business the claim relates to, such as claims relating to fraud or criminal prosecutions.

(xii) Employees

Employees of Foster's People Pty Limited working in the wine business and certain other employees working in corporate roles have been or will be offered employment with an entity within Treasury Wine Estates commencing on or before the Effective Date, on terms and conditions of employment no less favourable, on an overall basis, than those on which the relevant employee is employed immediately prior to the commencement of employment with Treasury Wine Estates. Treasury Wine Estates will be responsible for accrued employee entitlements and the accumulated wages and salaries of these employees from the commencement of employment with Treasury Wine Estates. For Australian based employees employed under enterprise agreements in the Treasury Wine Estates business there will be no change to their employer or current employment arrangements.

(xiii) Business Records

Each party must make available relevant business records to the other party, subject to certain usage restrictions.

(xiv) Working capital

The Demerger Agreement provides that certain wine related receivables and payables will continue to be held by New Foster's on and from the Effective Date. An adjusting payment will be made by New Foster's to Treasury Wine Estates in relation to net wine-related receivables and payables. The adjusting payment will be in addition to the cash balance of approximately \$60 million referred to in Section 5.6(a). Wine inventory held by New Foster's will be transferred to Treasury Wine Estates on or before the Effective Date.

(xv) Intra Group Loan

The Demerger Agreement provides that intra-group loans between New Foster's and Treasury Wine Estates will be settled or forgiven on or before the Effective Date other than intra-group trading indebtedness.

(e) Demerger Tax Deed

The Demerger Tax Deed deals with the allocation of risks and responsibilities in respect of certain tax matters.

The key terms of the Demerger Tax Deed are as follows:

(i) Tax indemnities

New Foster's is generally responsible for and indemnifies Treasury Wine Estates in respect of tax liabilities relating to Foster's Australian tax consolidated group and the businesses of Foster's other than the wine business. Treasury Wine Estates is generally responsible for and indemnifies New Foster's in respect of tax liabilities relating to the wine business. However, the economic benefit, risks and liabilities in respect of certain tax matters have been allocated as between New Foster's and Treasury Wine Estates depending on which party is considered to have the most interest in, and is better placed to manage, the matter. For example, New Foster's is responsible for the Ashwick proceedings (see Section 7.10).

(ii) Tax enquiries, demands and disputes

Any tax enquiry, tax demand or tax dispute that may give rise to a claim under the tax indemnities will be controlled by the party that is liable under the tax indemnities, or as otherwise agreed between New Foster's and Treasury Wine Estates.

(iii) Tax returns and records

New Foster's is generally responsible for the preparation of the tax returns for Foster's Australian tax consolidated group and any other returns that relate in whole or in part to a period before the Demerger. Treasury Wine Estates is generally responsible for the preparation of the tax returns for the new Australian tax consolidated group to be formed after the Demerger and the tax returns for the members of the Treasury Wine Estates group after the Demerger.

3.10 Transition service arrangements

The Demerger Agreement provides that before the Effective Date, Foster's and Treasury Wine Estates or their related bodies corporate will enter into transition service agreements. Under those arrangements, each party will provide the other with, or procure third parties to provide, certain services at the corporate and operational levels which are impossible, impracticable or commercially undesirable to replicate within New Foster's or Treasury Wine Estates at the time of the Demerger.

(a) Background

Foster's is currently undertaking a project with the assistance of specialist external service providers to streamline and upgrade its back end global transactional systems (the **Core Operations Project**). These back end systems support four key process areas within Foster's: financial management; procurement; product manufacturing (beer and wine); and order management (from capture to fulfilment and cash receipting).

The current Foster's Board and the current Treasury Wine Estates Board believe that the Core Operations Project is of benefit to, and a priority for, their respective companies and therefore intend that:

- (i) the Core Operations Project should continue, under the management of New Foster's, so as to deliver separate back end global transactional systems for each of New Foster's and Treasury Wine Estates, with the Core Operations Project and the remaining information technology environment, network and communications landscape to be separated as part of a programme to enable Treasury Wine Estates to move as soon as reasonably practicable to operate on a stand-alone basis;
- (ii) separation of the remaining information technology environment, network and communications landscape which is not part of the Core Operations Project will be carried out as soon as reasonably practicable during, and otherwise following on from, completion of the Core Operations Project; and
- (iii) New Foster's will provide, or procure third parties to provide, services to Treasury Wine Estates covering:
 - (A) the Core Operations Project, the separation of the remaining information technology environment, network and communications landscape and the maintenance and the general support of information technology systems and services; and

- (B) various corporate and operational systems and activities which are reliant on the back end global transactional systems and/or the remaining information technology environment, network and communications landscape, where it is either impossible, impractical or commercially undesirable to replicate those services within New Foster's or Treasury Wine Estates at the time of the Demerger. In certain limited cases, Treasury Wine Estates will also provide such services to New Foster's.

It is currently estimated that the Core Operations Project and the separation of the remaining information technology environment, network and communications landscape will not be completed until approximately two years after the Effective Date. On completion of these processes, New Foster's will deliver to Treasury Wine Estates a stand-alone information technology environment and network and communications landscape. Until these independent information technology systems are established for and operated and maintained by Treasury Wine Estates, it will rely on New Foster's for the provision of these systems and networks and the performance of these functions.

The transition services to be provided include:

- finance services, call centre services and payroll services (including, back office, administration and the accounting for these services) to be provided under a general transition services agreement (**General Transition Shared Services Agreement**);
- logistical, warehousing and distribution services to be provided under a specific transition services agreement (**Logistics Transition Services Agreement**); and
- information technology services to be provided under a specific transition services agreement (**IT Transition Services Agreement**).

Further details of these agreements are set out below.

(b) General Transition Shared Services Agreement

Under the General Transition Shared Services Agreement, New Foster's will provide Treasury Wine Estates with:

- finance services; and
- call centre services.

The finance services and the call centre services are currently estimated to continue to be provided until the end of May 2012 and June 2012 respectively, subject to the delivery of certain components of the Core Operations Project (see Section 3.10(a)). Treasury Wine Estates may elect to extend the term of the call centre services for a further six months.

Treasury Wine Estates will provide New Foster's with payroll and other finance services in various locations for up to two years from the Effective Date.

Services will be generally charged at cost, with the intention that neither business be disadvantaged. The services will be required to be provided in accordance with specific service levels or otherwise with the same level of care, skill and quality as they were provided in the 12 months prior to the Demerger.

Each party may be entitled to recover losses, costs or damages arising in connection with a breach of the General Transition Shared Services Agreement subject to various exceptions and limitations. The maximum aggregate amount recoverable by each party for all claims in connection with the provision of a service will be \$5.0 million for each major service area

(being \$15.0 million in total) subject to various exceptions and limitations, including where the amount is recoverable from a third party. If a service provider fails to meet certain service standards, the other party may be entitled to a reduction in service fees. To the extent that a breach of the General Transition Shares Services Agreement is caused or contributed to by the acts or omissions of a third party service provider, the liability of New Foster's or Treasury Wine Estates (in their role as service providers) will be limited to an amount that is referable to the amount they (as service providers) are entitled to recover from that third party, subject to certain exceptions.

Either party may terminate the agreement for an unremedied breach by the other that has a material adverse effect. A party may also terminate certain services being provided by the other party by three months written notice.

(c) Logistics Services Agreement

Foster's has entered into contracts with various parties who provide it with logistics services (such as distribution, warehousing and delivery services) in respect of both its beer, cider and spirits business and its wine business (**3PL Agreements**). Treasury Wine Estates will require logistics services for wine products following the Demerger.

Under the Logistics Services Agreement, New Foster's will provide Treasury Wine Estates with logistics services within Australia after the Effective Date. New Foster's will pass through to Treasury Wine Estates the benefit of the logistics services it receives from the third parties in relation to the wine business under the 3PL Agreements and will provide certain additional services, including the management of the third party providers and linehaul and distribution planning.

The Logistics Services Agreement is currently estimated to continue until the end of October 2012, subject to the delivery of certain components of the Core Operations Project (see Section 3.10(a)). Treasury Wine Estates has the option to extend the agreement for a further 12 month term.

New Foster's will be responsible for ensuring that the logistics services passed through to Treasury Wine Estates are delivered to the standards required in the relevant 3PL Agreements as if Treasury Wine Estates was the recipient of services under those agreements and New Foster's was the third party service provider. In respect of the services not supported by a 3PL Agreement, New Foster's is required to provide the services in accordance with the principles outlined above in relation to the General Transition Shared Services Agreement (see Section 3.10(b)).

Broadly, Treasury Wine Estates will pay New Foster's a fee which represents the amount which New Foster's incurs in providing logistics services in respect of Treasury Wine Estate's products (including a portion of the amount New Foster's pays the third party service providers under the 3PL Agreements). During the initial term, the fee will also include an allocation of New Foster's head office overhead costs of managing the logistics arrangements of both companies. In the further term (if any), Foster's will be entitled to a 5% margin on the costs allocated to Treasury Wine Estates (but will not be paid its head office overhead management costs). Cost reviews will be conducted half yearly to reconcile charges against the agreed allocation of costs, following which, adjustments will be made to ensure Treasury Wine Estates always pays an agreed allocation of total actual costs.

New Foster's liability will be determined in accordance with the principles described above in relation to the General Transition Shared Services Agreement (see Section 3.10(b)). However, the maximum aggregate amount recoverable by a party for all claims relating to the Logistics Services Agreement will be \$5.0 million (subject to the same exceptions and limitations which apply under the General Transition Shared Services Agreement).

(d) IT Transition Services Agreement

As noted in Section 3.10(a), Foster's is currently undertaking the Core Operations Project, which the current Foster's Directors and the current Treasury Wine Estates Directors believe should continue following the Demerger, under the management of New Foster's, so as to deliver separate back end global transactional systems for each of New Foster's and Treasury Wine Estate. The IT Transition Services Agreement between New Foster's and Treasury Wine Estates is being developed to cover:

- the implementation of the Core Operations Project and separation of the remaining information technology landscape;
- the governance structure to be followed;
- application and infrastructure support;
- architectural and business process support;
- project management and project delivery;
- the charging process and methodology; and
- exit and early exit considerations.

The IT Transition Services Agreement deals with the provision of services during the transition period. The separation and transfer of assets (including hardware, software and intellectual property) and the reallocation of information technology related agreements will be handled under a specific IT Separation Deed.

The separation of the information technology environment (including the Core Operations Project), and network and communications landscape will be delivered via a three-stage programme:

Stage 1: Completion of the Core Operations Project and other initial priorities

This stage has commenced and is targeted for completion mid-2012 at a one-off cost of approximately \$41.3 million, in addition to the current planned expenditure for the Core Operations Project.

Stage 2: Separation of the remaining applications and technical infrastructure

This stage will separate and optimise over 300 applications and infrastructure globally. Some work will commence in the period immediately leading up to the Demerger, to be ready for implementation should the Demerger proceed, and is targeted for completion in early 2013. The cost of this phase will be taken as part of New Foster's and Treasury Wine Estates' annual capital expenditure allocation with support/maintenance costs flowing through to both businesses as operating costs.

Stage 3: Separation of the network and communication landscape

On current estimates, this stage will be completed approximately two years from the Effective Date. Until that time, transitional service agreements will remain in place, under which New Foster's will be responsible for the management and

delivery of the above separation activities and for the provision of Treasury Wine Estates' information technology environment, network and communication landscape, and management of the performance of these systems, networks, and functions.

As with Stage 2 above, the costs for finalisation of the information technology programme by separating the communications backbone have been budgeted as part of New Foster's and Treasury Wine Estates' projected capital expenditure and operating costs. Stage 3 is expected to be completed immediately following Stage 2.

In order to deliver and support this large scale piece of work, a number of key information technology resources will be seconded from Treasury Wine Estates to New Foster's for the term of the agreement to ensure continuity, skills transfer and preparedness for a stand-alone environment.

In addition to the delivery of the information technology separation, New Foster's will be responsible for the delivery of other projects underway and any new initiatives, and ongoing maintenance and support of the information technology environment until full separation has occurred (which is currently anticipated to occur in the first half of 2013).

On completion of the IT Transition Services Agreement in accordance with its terms, New Foster's will have delivered to Treasury Wine Estates its own stand-alone information technology environment, network and communications landscape, for which Treasury Wine Estates will assume responsibility.

New Foster's will not have any liability to Treasury Wine Estates for any failure by a third party contracted service provider to provide services under the IT Transitional Services Agreement, unless New Foster's has failed to adequately manage the performance of the service provider or to replace the service provider in accordance with the requirements of the IT Transitional Services Agreement. Any New Foster's liability will be determined in accordance with the principles described above in relation to the General Transition Shared Services Agreement.

To the extent that New Foster's itself (rather than a third party service provider) is responsible for a delay in completing the three stages of the separation of the information technology environment described above, Treasury Wine Estates may be entitled to recover liquidated damages. Liquidated damages will be payable (subject to certain exceptions) if any stage is delayed more than three weeks after the due date for completion of the relevant Stage. The maximum amount of liquidated damages of \$5 million for each of Stages 1 and 2 and \$2 million for Stage 3 will be payable where New Foster's fails to complete within three months after the relevant due date. If such a delay exceeds three months, Treasury Wine Estates may be entitled to recover direct losses, costs or damages it incurs over and above the liquidated damages amounts up to a cap of \$15 million for each of Stages 1 and 2 and \$5 million for Stage 3 (which cap includes the amount of any liquidated damages).

In relation to services other than the separation of the information technology environment or other projects, New Foster's liability will be determined in accordance with the principles described above in relation to the General Transition Shared Services Agreement. However, the maximum aggregate amount recoverable by a party for all claims relating to such non-project work under the IT Transition Services Agreement will be \$5.0 million (subject to the same exceptions and limitations which apply under the General Transition Shared Services Agreement).



*Description
of Treasury
Wine Estates*

4. Description of Treasury Wine Estates

4.1 Business overview

(a) Introduction

Treasury Wine Estates is a leading international wine business with a portfolio of luxury, premium and commercial wines, selling approximately 35 million 9LE cases of wine and generating net sales revenues of approximately \$1.9 billion in the year ended 30 June 2010. Currently a wholly-owned indirect subsidiary of Foster's, following the Demerger Treasury Wine Estates will be a separate legal entity listed on ASX.

Treasury Wine Estates has:

- a portfolio of over 50 wine brands, including wines from Australia, California, New Zealand, Italy, Argentina, Chile and South Africa;
- significant market positions in key markets for new world wines in Australia and New Zealand, North America, Europe and Asia;
- production facilities in Australia, the United States, New Zealand and Italy;
- over 12,000 hectares of owned and leased vineyard holdings in internationally recognised regions including the Barossa Valley and Coonawarra in Australia, the Napa Valley and Sonoma Valley in California, Marlborough in New Zealand and Tuscany in Italy; and
- more than 3,000 employees across more than 16 countries.

Treasury Wine Estates comprises four regional business units:



ANZ	Americas	EMEA	Asia
<ul style="list-style-type: none"> • Key markets are Australia and New Zealand • Sells Australian, New Zealand, Californian and European wines • Production facilities located in Australia and New Zealand 	<ul style="list-style-type: none"> • Key markets are the United States and Canada • Sells Californian, Australian, European, New Zealand and South American wines • Production facilities located in California, United States 	<ul style="list-style-type: none"> • Key markets are the Nordics, Continental Europe and United Kingdom and Ireland • Sells Australian, Californian, New Zealand, Italian, South African and South American wines • Production facilities located in Tuscany, Italy 	<ul style="list-style-type: none"> • Key markets are China, Japan, Hong Kong, Malaysia, Singapore, South Korea, Thailand and Taiwan • Sells Australian, Californian, New Zealand and European wines

(b) Business history

Treasury Wine Estates' portfolio includes wines which trace their origin to the establishment of Lindemans and Penfolds in Australia in the mid 1840s and Beringer in California in 1876. Through growth and acquisition, Treasury Wine Estates has developed a portfolio of luxury, premium and commercial wine brands with a reputation built on quality and consistency.

Foster's entered the wine industry in 1996 with the purchase of Mildara Blass and subsequently expanded its investment in the industry through acquisitions including Beringer Wine Estates in 2000 and Southcorp in 2005.

The Treasury Wine Estates name was launched in July 2010, bringing together Foster's wine businesses under a new global identity.

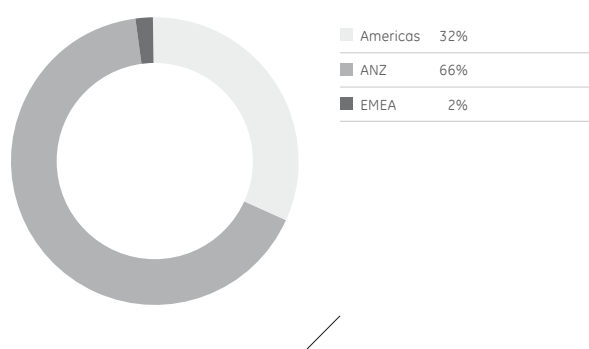
Description of Treasury Wine Estates continued

(c) Financial performance

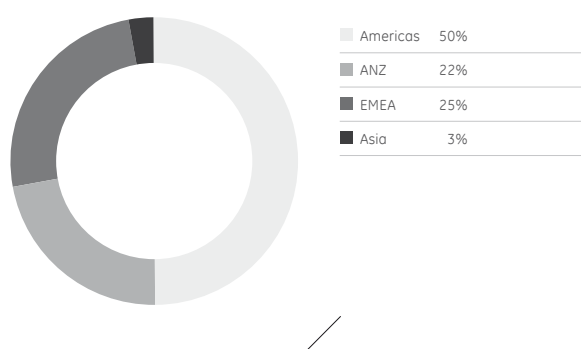
In the year ended 30 June 2010, Treasury Wine Estates generated pro forma net sales revenue of approximately \$1,890 million and pro forma EBITs of approximately \$203 million (before individually material items).

An overview of the proportions of Treasury Wine Estates' production volume, sales volume, pro forma net sales revenue and pro forma EBITs (before corporate EBIT and individually material items) by business unit for the year ended 30 June 2010 is provided below:

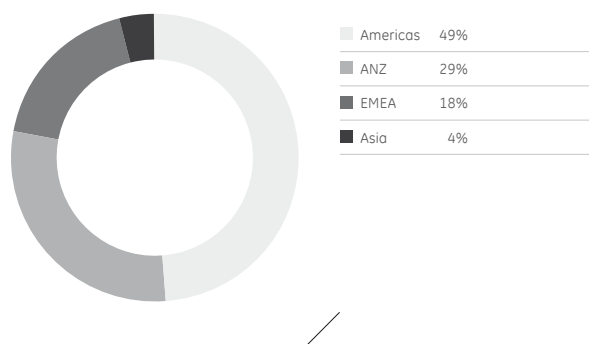
Production volume by business unit for the year ending 30 June 2010⁽¹⁾



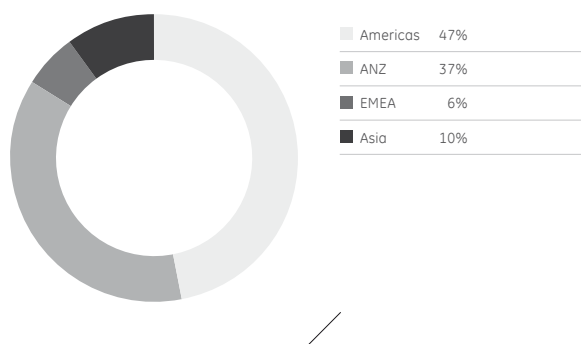
Sales volume by business unit for the year ending 30 June 2010



Pro forma net sales revenue by business unit for the year ending 30 June 2010



Pro forma EBITs by business unit for the year ending 30 June 2010⁽²⁾



(1) Wine volume sold globally for the year ended 30 June 2010 which was produced within each region.

(2) Before corporate EBIT and individually material items.

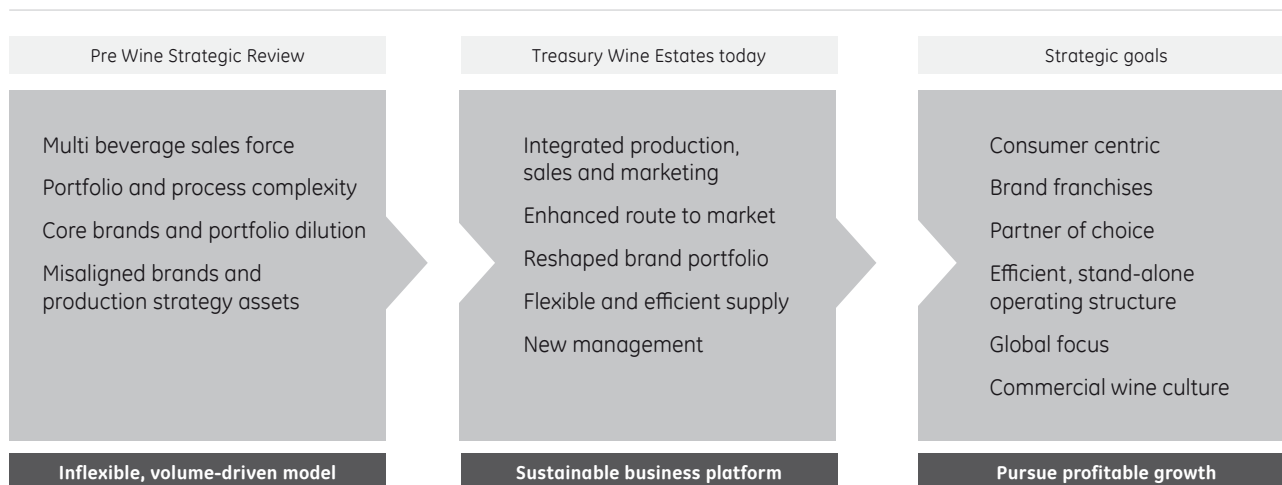
Further information on the historical pro forma financial performance of Treasury Wine Estates is included in Section 5.

(d) Strategic context

In February 2009, Foster's announced the conclusion of a strategic and operational review of its global wine business. Based on the outcomes of the review, Treasury Wine Estates is implementing a comprehensive performance improvement programme, the key aspects of which are:

- a new organisational structure to improve accountability and transparency and reduce complexity. This includes the separation of production, sales and marketing functions of Treasury Wine Estates from the Carlton & United Breweries business and integrating the Treasury Wine Estates production, sales and marketing planning process;
- enhancing route to market capabilities and implementing tailored route to market models in each region. This includes the distributor realignment programme and creation of dedicated account teams in the United States, implementation of a direct distribution model in the Nordics and relocating the Asian head office and leadership team to Singapore;
- increasing investment in sales and marketing capability with a focus on higher growth markets and more profitable segments, channels and markets;
- reshaping the brand and product portfolio with a greater emphasis on premium price points. This includes a global increase in innovation and marketing activity at premium price points as well as the withdrawal from the cask wine category and rationalisation of a number of tail brands in Australia;
- implementing efficiency initiatives to reduce production and overhead costs and increase operational flexibility. This includes consolidation of production and packaging activities in California and Australia to the most efficient facilities and reducing reliance on owned grape sources through the sale of non-core vineyards in Australia and California; and
- enhancing the senior leadership team with external appointments to key roles.

Treasury Wine Estates is benefiting from the implementation of performance improvement programme initiatives providing the opportunity to leverage a sustainable business platform to pursue profitable growth in the future. Treasury Wine Estates strategic context is summarised below.



Description of Treasury Wine Estates continued

(e) Strategic priorities

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 focused on embedding a sustainable business platform for Treasury Wine Estates, and are summarised below.

Drive profitable share growth	<ul style="list-style-type: none"> • Bias towards premium segments in existing markets. • Repositioning of Beringer portfolio. • Line extensions and new product development. • Targeted innovation to drive “trade-up” differentiated opportunities. • Allocation process for Penfolds.
Leverage the flexible and efficient production model	<ul style="list-style-type: none"> • Manage variability in the wine supply cycle. • Best practice integrated planning. • Knowledge sharing between production regions. • Maintain leadership in cutting edge viticulture practices. • Implementation of continuous improvement in production.
Continue performance improvement initiatives	<ul style="list-style-type: none"> • Complete US distributor re-alignment program. • Build scale in China. • Improved production efficiencies including through continued technological innovation. • Preferred business partner across the value chain. • Apply proven fast moving consumer goods practices to lead the wine category.
Realise the benefits of the Demerger	<ul style="list-style-type: none"> • Deliver a more efficient stand-alone operating structure. • Broad areas of focus include: 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 information technology systems. • Expect cost reductions to materially exceed additional costs being incurred by Treasury Wine Estates as a result of the Demerger within 24 months. • Cost reductions in excess of additional costs will directly flow through to increased profit. A portion of this may be reinvested in the business.

Key longer term priorities are focused on pursuing profitable growth, and are summarised below.

Maintain exceptional brand franchises	<ul style="list-style-type: none"> • Focused brand management and innovation programme. • Leverage market position to be the partner of choice with key customers.
Evolve the flexible and efficient production model	<ul style="list-style-type: none"> • Further improvements in viticulture, winery and bottling automation and acceleration of the continuous improvement programme to provide a cost advantage in the wine category. • Focus on inventory and working capital management.
Pursue longer term growth opportunities	<ul style="list-style-type: none"> • Focus on Asia and other core markets. • Support growth through supply of core products (eg, Penfolds into China). • Maintain portfolio strategy.
Explore profitable portfolio expansion opportunities	<ul style="list-style-type: none"> • Use global platform to access new geographic markets. • Consider different brand/market combinations. • Invest in portfolio through new product development, varietal and country of origin.
Embed a dedicated commercial wine culture	<ul style="list-style-type: none"> • Single minded wine ethos focussed on financial outcomes. • Cultivate cultural terroir. • Act as a leader in the industry, being the partner of choice with key customers. • Focus on building people and capability.

The current Treasury Wine Estates Board has confirmed that it intends to continue to focus on these strategic priorities following the Demerger. The future strategy of Treasury Wine Estates will, however, ultimately be a matter for the Treasury Wine Estates Board and senior management to develop over time, and is subject to change or alteration as circumstances require.

4.2 Market overview

(a) Wine category

Treasury Wine Estates' largest markets by volume and sales are the United States and Australia, where it sells both domestically produced and imported wine. In other markets, Treasury Wine Estates is generally a supplier of imported new world wines and accordingly focuses on markets with a high proportion of imports and acceptance of new world wine styles.

Key statistics for Treasury Wine Estates' main markets are summarised in the table below.

	US	Australia	UK	Canada	Cont. Europe ⁽¹⁾	Nordics ⁽²⁾	Asia ⁽³⁾	NZ
Treasury Wine Estates								
Sales volume (million 9LE cases) ⁽⁴⁾	15.9	7.3	4.9	2.0	2.0	1.6	0.9	0.6
Key market statistics								
Total market volume (million 9LE cases)	294	55	152	48	300	35	130	10
CAGR ⁽⁵⁾	2.5%	2.4%	1.7%	5.4%	0.0%	3.9%	13.5%	3.1%
Consumption per capita (Litres/yr) ⁽⁶⁾	8.7	22.6	22.4	13.1	25.8	16.5	0.4	21.5

(1) Continental Europe includes Germany, Netherlands and Denmark only.

(2) Nordics includes Sweden, Norway and Finland.

(3) Asia includes China, Hong Kong, Taiwan, South Korea, Japan, Singapore, Malaysia, Thailand, Philippines, India, Vietnam and Indonesia.

(4) Treasury Wine Estates sales volume for the year ended 30 June 2010, excludes Treasury Wine Estates sales volume in other markets of 0.4 million 9LE cases.

(5) Total market volume in the wine category CAGR, calculated over the five year period from 2004 to 2009 for all regions other than the Nordics⁽²⁾ and Asia⁽³⁾ which are four year CAGRs from 2005 to 2009.

(6) Calculated using total population.

In each of Treasury Wine Estates' major markets, per capita wine consumption reflects different levels of total consumption of alcohol beverages and cultural, lifestyle and socio-economic factors. For example:

- per capita annual consumption in old world wine markets such as France (53.0 litres/person) and Italy (48.0 litres/person) are materially higher than in Australia (22.6 litres/person) and the United States (8.7 litres/person) indicating that there may be scope for further increases in per capita consumption in these markets; and
- per capita annual consumption in emerging wine markets, such as China, is very low compared to more mature wine markets. However, emerging wine markets have experienced strong growth due to changing demographics and increased economic prosperity.

(b) Distribution channels

Distribution channels vary by market, but can broadly be characterised as off-premise (retailers), on-premise (hospitality and dining venues) and smaller consumer direct channels (for example, cellar door and mailing lists). The consumer direct channel is more meaningful in countries with substantial domestic production.

Wine producers rely on retailers and hospitality and dining venues to sell their products to end consumers in the off-premise and on-premise channels. Experienced account management is important in ensuring that the supplier's brand values and strategies are implemented at the point of sale.

In certain markets with lower levels of regulation, such as Australia and the United Kingdom, the off-premise channel is relatively concentrated with national grocery chains representing a significant share. In certain Nordic countries, some states in the United States and some provinces in Canada, the off-premise retail sale of wine is restricted to government controlled monopoly outlets. In other markets, regulation of the off-premise channel imposes limits on concentration.

There is a high concentration of wine sales throughout the off-premise channel in many of Treasury Wine Estates' key markets. In Australia, for example, nearly two-thirds of volume is sold through the off-premise channel.

(c) Long term demand trends for wine

The Treasury Wine Estates Directors believe that Treasury Wine Estates is well placed to benefit from long term growth trends in wine consumption in key markets, including:

- favourable demographic trends, including population growth, an increasing number of people in key markets moving into the key wine consuming demographic age groups (particularly in the 55+ year age bracket);
- per capita consumption of wine category growing faster than other alcohol beverage categories in key markets for new world wines;
- longer term trends favouring higher priced products in developed markets; and
- strong growth in wine consumption in emerging markets, such as China, due to changing demographics and increased economic prosperity.

Factors negatively impacting sales revenues for wine in Treasury Wine Estates' key markets include:

- economic conditions in key markets affected by the global financial crisis which impacted discretionary consumer spend and wine demand;
- surplus wine production in Australia and other wine producing regions impacting on pricing in export markets;
- increased competition from private label wine, particularly at lower price points; and
- foreign exchange rates impacting the competitiveness of the Australian category in offshore markets.

(d) Market position and competitive environment

Treasury Wine Estates' market position and the general competitive environment in each of its key regions are discussed below.

(i) ANZ

Treasury Wine Estates is the largest supplier of bottled wine in Australia with approximately 22% share and four of the top ten bottled wine brands sold including the second and third largest brands, Yellowglen and Wolf Blass. Treasury Wine Estates is also the largest supplier of Australian wine with approximately 27% share.

Treasury Wine Estates is the second largest supplier of Australian wine in New Zealand with approximately 23% of the total Australian bottled wine market.

Key competitors to Treasury Wine Estates in this region include producers such as Pernod Ricard, Accolade Wines (formerly part of Constellation Brands), McWilliam's Wines and Brown Brothers.

The ongoing oversupply of grapes in Australia has resulted in increased competition, particularly at lower price points, and in recent years national grocery retailers have begun establishing private label brands.

There are signs that the Australian wine industry has reacted to recent oversupply with total annual grape crush reducing each year since 2008 and the total bearing area of vines reducing by approximately 4% from 2007/08 to 2009/10.

(ii) Americas

Treasury Wine Estates is the second largest supplier of Australian wine in the United States with 26% share and is the third largest wine supplier in the United States with 8% share (driven by Beringer, the premium wine brand)⁽¹⁾.

Treasury Wine Estates is a leading supplier of Australian wine in Canada with 36% share.

Key competitors to Treasury Wine Estates in this region are Constellation Brands, E&J Gallo, W.J. Deutsch, Kendall Jackson, Trinchero Family Estates and Diageo.

Grape supply in the key Californian production region is broadly aligned with demand contributing to a relatively stable domestic market. Imported Australian wines face continuing competition from other new world wine regions with the higher A\$ impacting the competitiveness of Australian wine, particularly at lower price points.

(iii) EMEA

Treasury Wine Estates primarily focuses on non-wine producing European markets such as the United Kingdom, Ireland, Nordic countries and the Netherlands. Treasury Wine Estates has established leadership positions in these markets including being:

- the largest supplier of Australian wine in Sweden (39% share) and Norway (52% share);
- the second largest supplier of Australian wine in the United Kingdom (20% share); and
- a leading supplier of Australian wine in the Netherlands (36% share), Ireland (27% share) and Finland (26% share by retail sales volume).

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

In the United Kingdom, the off-premise grocery channel is consolidated and highly competitive which places significant pressure on supplier's margins. The Nordic markets are subject to a higher level of regulation, with control by state-owned monopoly retailers providing a stable retail environment.

(iv) Asia

Treasury Wine Estates is a supplier of luxury and premium bottled wine to Asian markets, and is the supplier of the largest brand in Australian category wines in Hong Kong, Malaysia, Singapore and Thailand.

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

(1) Table wine US\$4+.

4.3 Brands and products

(a) Overview

Treasury Wine Estates owns a portfolio of over 50 wine brands comprising five global foundation brands – Beringer, Lindemans, Penfolds, Rosemount and Wolf Blass – and a complementary range of regional brands. In the year ended 30 June 2010, Treasury Wine Estates' foundation brands represented approximately 72% of total volume and 65% of total net sales revenue.



Treasury Wine Estates believes brands are important drivers of customer traffic for retailers and enable wine producers to diversify sources of grapes and production, facilitating improved margins and reduced reliance on any single product.

Treasury Wine Estates brand strategy is to build and accelerate growth in foundation brands and develop and leverage regional brands.

In 2010, Treasury Wine Estates' wines were awarded 33 trophies and 138 gold medals in Australia.

(b) Foundation brands

A summary of Treasury Wine Estates' foundation brands, their key markets and brand highlights is set out below.

Brand	Key markets	Description and brand highlights
	Americas EMEA Asia	<ul style="list-style-type: none"> The number one selling wine brand⁽¹⁾ in the United States⁽²⁾. A leading brand across multiple price and consumer segments (US\$5 to US\$100+ per bottle range). Only winery to have won <i>Wine Spectator</i> "Wine of the Year" award for both a red and a white wine. Included in <i>Wine Spectator</i>'s annual top 100 wines a number of times since list inception in 1988.
	EMEA ANZ Americas	<ul style="list-style-type: none"> A leading brand in the grocery market in the Netherlands. The largest brand in the Australian category in Sweden and Norway. One of the top ten selling wines in the Australian category in the United Kingdom. Second largest brand of wine in the Australian category in Canada.
	ANZ Americas EMEA Asia	<ul style="list-style-type: none"> Winner of <i>Wine & Spirits</i> "International Winery of the Year" in 1989 after 19 of Penfolds' 22 entries won major awards in that year's competition. Widely regarded as Australia's pre-eminent red wine producer with nine of its wines included in the 2010 Langton's Fine Wine Classification. Famous for its Grange and Bin releases.
	EMEA ANZ Americas Asia	<ul style="list-style-type: none"> Exported to approximately 50 countries. An innovative brand in the Australian wine category, with new wine styles such as Rosemount 'O' and the new Botanical Series.
	ANZ Americas EMEA Asia	<ul style="list-style-type: none"> Third largest wine brand in Australia. Third largest Australian wine brand in the United Kingdom. Third largest Australian wine brand in Canada. Both Wolf Blass Black and Platinum labels included in the 2010 Langton's Fine Wine Classification.

(1) Includes Stone Cellars by Beringer.

(2) Table wine US\$4+.

Description of Treasury Wine Estates continued

(c) Regional brands

Treasury Wine Estates' foundation brands are complemented by a range of regional brands that together allow a differentiated portfolio of wines to be offered to customers in different channels and regional markets.

Treasury Wine Estate's regional brand portfolio includes:

Australia



United States



EMEA



Asia



Treasury Wine Estates' regional brands include high value and leading brands in key markets. Yellowglen is the largest selling sparkling wine and the second largest single wine brand in Australia in value terms. Chateau St Jean is the only Sonoma winery to be named by Wine Spectator in its "best wine in the world" category.

Treasury Wine Estates' brand portfolio is well positioned for growth with significant market shares in key markets for new world wines and strategic brand opportunities within each region.

(d) New product development

A key strategic focus of Treasury Wine Estates is new product development activity targeted towards growth varieties and higher priced products.

Innovation assists in growing brand franchises and reshaping product and brand portfolios, and can result in higher profit margins for both producers and their customers.

Recent brand innovation successes include:

- **Yellowglen:** new range launches including Yellowglen Pink, Yellowglen Perle/Bella and Yellowglen Jewel which have supported Yellowglen's brand share of sparkling wine in Australia; and

- **Lindemans:** the release of Lindemans Early Harvest Semillon Sauvignon Blanc in 2008 which has stabilised Lindemans brand share and realises a higher net margin for Treasury Wine Estates and retailers compared to Lindemans Bin 65.

4.4 Sales and marketing

Treasury Wine Estates sells wine in more than 70 countries worldwide, has sales employees in more than 16 countries and a sales and marketing team in excess of 1,000 around the world. Treasury Wine Estates markets its wine through a combination of promotions, sponsorships and advertising campaigns.

Treasury Wine Estates' sales and marketing programmes focus on building strong brand equity through brand awareness and positioning, enhancing consumer experiences, influencing shopper behaviour during the path to purchase and driving performance through customer partnerships.

Treasury Wine Estates continues to invest in sales and marketing capability and adopts tailored sales and distribution models in its key markets that reflect market and regulatory structures and customer requirements. A description of the regional approaches is set out below.

(a) ANZ

In Australia, sales and marketing functions have been separated from Foster's Australian beer business and a dedicated wine sales force has been established.

Treasury Wine Estates operates a direct sales, marketing and distribution model in Australia and New Zealand. Approximately 73% of Treasury Wine Estates' sales in Australia are made through its direct sales function with 27% sold through various other distributor relationships.

The ANZ sales team comprises field sales operatives and executives, organised by channel, with large grocery retailers assigned dedicated relationship managers. The sales team is supported by extended brand and product innovation teams.

In ANZ, recent sales and marketing initiatives have focused on building a partnership sales model with retailers and tailoring promotional activity to increase effectiveness.

(b) Americas

In the United States, the regulation of the sale of wine in most states requires suppliers to sell their products to distributors who are in turn 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 markets in the United States is sold via distributors.

In the United States, Treasury Wine Estates has successfully completed the first phase of its distributor alignment programme with new long-term agreements in place in many states. The new distributor arrangements create a shared ambition with aligned performance metrics to drive growth in Treasury Wine Estates products, and to support new product development. This programme will progressively be extended to other states.

Treasury Wine Estates' sales and marketing functions in the United States have been restructured and include dedicated key account teams, luxury and distributor management teams aligned to key distributor groups.

In Canada, regulation in nearly all provinces requires alcohol beverages to be distributed and sold to consumers through provincial Liquor Control Boards or Commissions, with sales to major retailers permitted in only 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.

(c) EMEA

In EMEA, separate sales and marketing teams have been established to service key Nordic, Continental European and United Kingdom and Irish markets.

Treasury Wine Estates directly services the state controlled off-premise retail channel in key Nordic markets and major retailers in Denmark, the Netherlands and the United Kingdom through its primary sales offices in London and Stockholm.

Distributors are also used to supply other off-premise retailers, the on-premise channel and other market channels.

In EMEA, recent marketing activities have focused on building brand awareness of Treasury Wine Estates wines in the Nordics and Continental Europe and investing in the Wolf Blass brand in the United Kingdom.

(d) Asia

Treasury Wine Estates' sales and marketing effort in Asia is supported by operations in three sub-regions: Greater China (with a focus on China, Hong Kong, Taiwan and Korea), South East Asia (with a focus on Singapore, Malaysia, and Thailand) and Japan. Regional offices are located in Shanghai, Singapore and Tokyo, supported by offices in Hong Kong and Taipei.

In 2010, Treasury Wine Estates relocated its Asian head office and business leadership team to Singapore and is expanding its in-market sales and marketing capability. It also appointed additional new distribution partners in China, South Korea and Taiwan.

While Treasury Wine Estates sells to distributors in most Asian markets, management estimate that approximately half of the regional volume is destined for the on-premise channel, focusing on premium hotels and restaurants.

Treasury Wine Estates tailors its route to market model by country to capitalise on regional opportunities and uses exclusive distribution partners to execute brand and channel strategies for premium and luxury wine, and non-exclusive regional distributors.

In Asia, recent marketing activities have focused on investing in Treasury Wine Estates foundation brands to enhance consumer awareness, with a particular focus on Penfolds and Wolf Blass.

4.5 Supply and production

(a) Overview

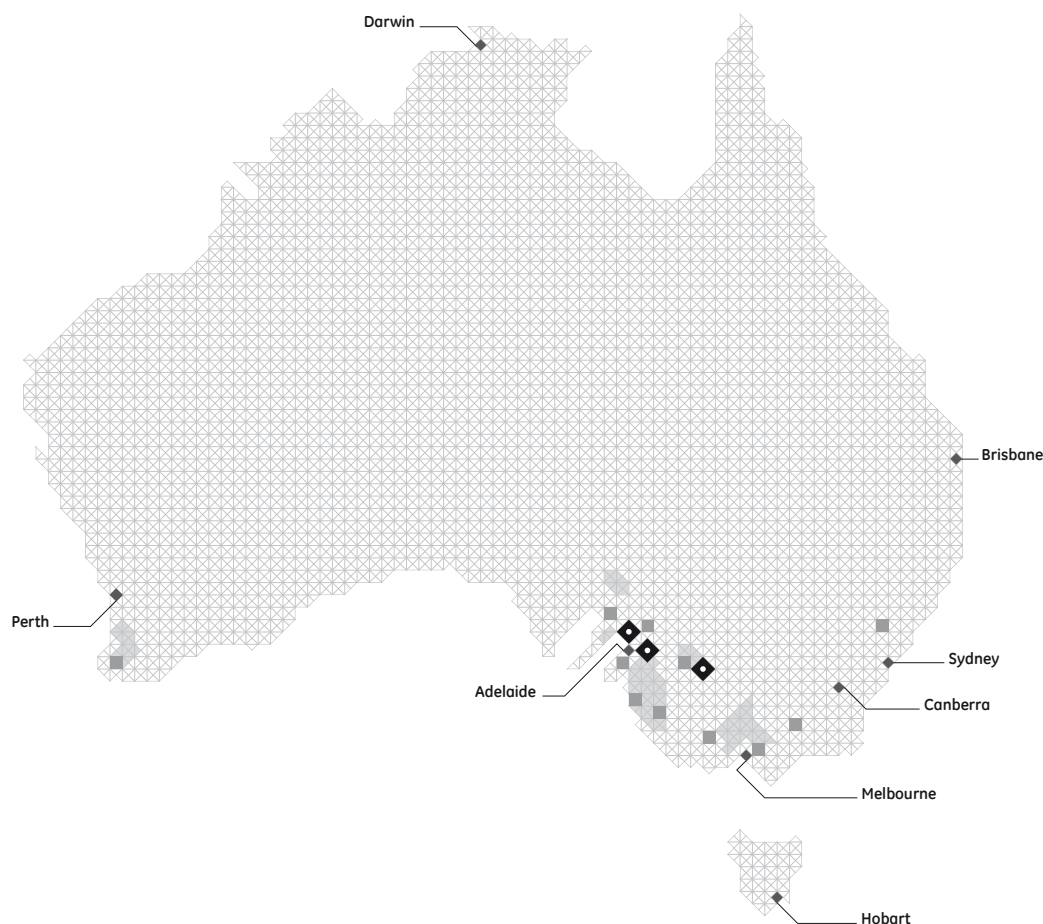
Treasury Wine Estates has production facilities in internationally recognised regions in Australia, the United States, New Zealand and Italy, with approximately 66% of product sold in the year ended 30 June 2010 produced in Australia and New Zealand, 32% in California and the remaining 2% sourced from Italy, South America and South Africa.

Treasury Wine Estates has restructured its supply and production footprint by divesting non-core vineyards, consolidating production to the most efficient facilities, reducing bulk wine inventories and increasing third party grape supply arrangements, and increasing the use of technology in viticulture and winemaking. Treasury Wine Estates has over 12,000 hectares of owned and leased vineyards in Australia, the United States, New Zealand and Italy, with grapes from these vineyards primarily used in the production of luxury and premium wines. Grapes and bulk wine are also sourced from third party producers. Sourcing wine through a combination of owned and third party arrangements provides Treasury Wine Estates with flexibility to respond to changes in vintage yields, grape supply and consumer preferences, while centralised bottling and packaging facilities in Australia and the United States provide scale and cost efficiencies.

Description of Treasury Wine Estates continued

Further details of Treasury Wine Estates' principal production facilities in Australia and the United States are set out below.

(b) Australia



Legend

Vineyards	■
Wineries	■
Packaging and bottling	◆

VINEYARDS

Number	31
Planted (Ha)	9,404
Owned (Ha)	8,586
Leased (Ha)	818

WINERIES

Number	11
Annual crush (KT)	210

BOTTLING AND PACKAGING

Number of facilities	3
9LE cases per annum (m)	19

In the year ended 30 June 2010, Treasury Wine Estates sold approximately 22.8 million 9LE cases of wine produced in Australia, which represented approximately 64% of Treasury Wine Estates' total wine volume.

Treasury Wine Estates owns or leases 9,404 hectares of vineyards in Australia, including some of Australia's most sought after viticultural assets in the Barossa Valley and Coonawarra regions.

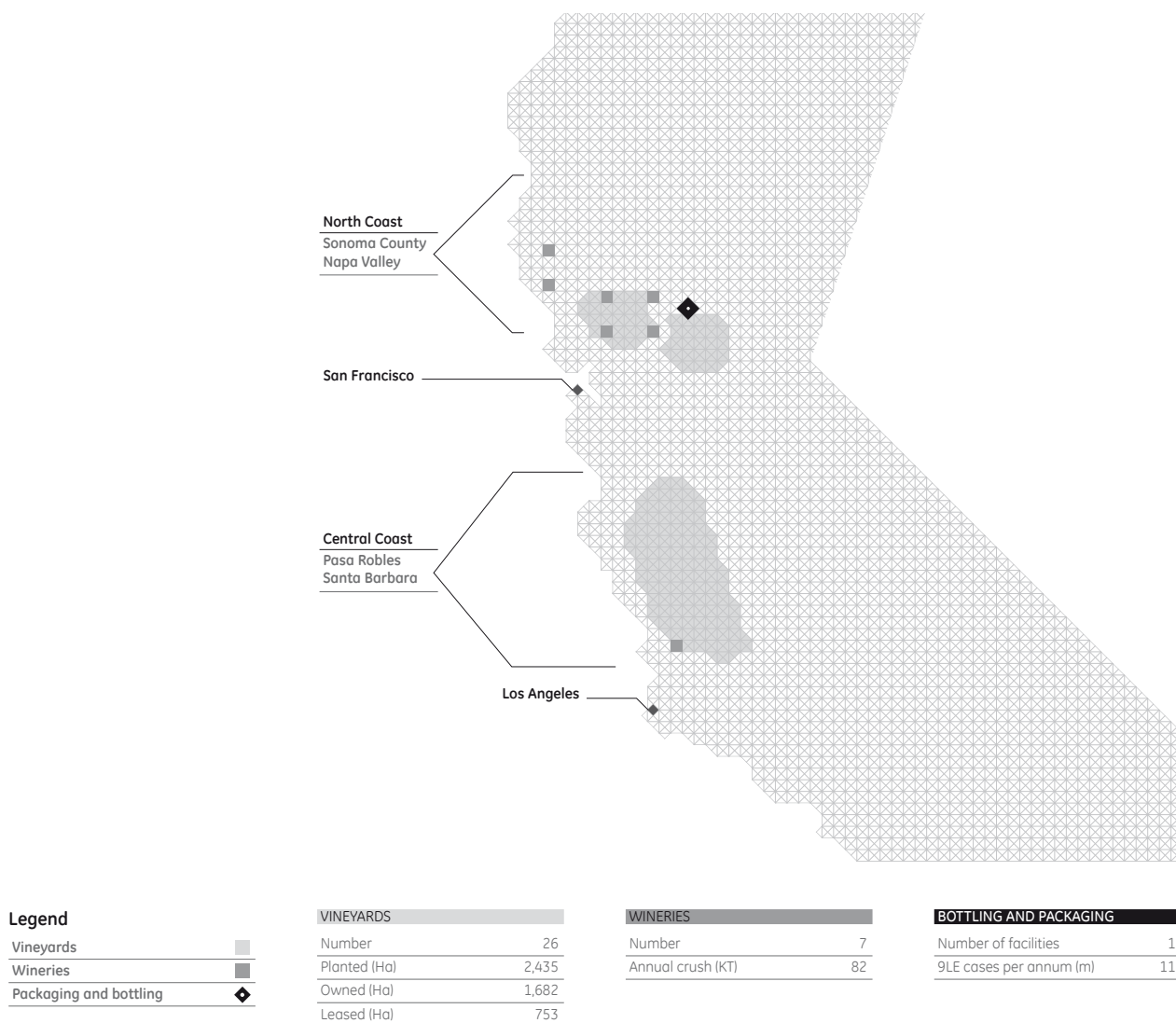
In the 2010 Australian vintage, Treasury Wine Estates sourced approximately 28% of its total vintage requirements from owned and leased vineyards, 49% through the purchase of grapes from third party growers and 23% through the purchase of bulk wine.

Treasury Wine Estates owns and operates 11 wineries in Australia. Premium and luxury wines are primarily produced at Penfolds and Wolf Blass facilities in South Australia. Commercial wines are primarily produced at Karadoc in Victoria. For the 2010 vintage, 94% of grape processing was undertaken at Treasury Wine Estates facilities and 6% was outsourced to third party processors. Treasury Wine Estates retains flexibility in its production outsourcing arrangements so that owned production facilities are optimised before third party facilities are used.

The majority of Treasury Wine Estates' bottling and packaging activities in Australia have been centralised and are now carried out at the high speed bottling lines at the Wolf Blass Packaging Centre, constructed in 2005.

(c) United States

Treasury Wine Estates' supply and production facilities in the United States are located in the North and Central Coast regions of California.



In the year ended 30 June 2010, Treasury Wine Estates sold approximately 11.4 million 9LE cases of Californian produced wine, which represented approximately 32% of Treasury Wine Estates' total wine production.

Treasury Wine Estates owns or leases 2,435 hectares of vineyards in California. These vineyards are located primarily in the Napa Valley, Sonoma Valley and Santa Barbara regions and produce grapes primarily used in the production of luxury and premium wines.

In the 2010 Californian vintage, Treasury Wine Estates sourced approximately 10% of its total vintage requirements from owned and leased vineyards, 40% through the purchase of grapes from third party growers in premium North and Central Coast regions and the remaining 50% through the purchase of bulk wine.

Treasury Wine Estates operates seven wineries in California. Premium wines are primarily produced at the Asti Winery in Sonoma and Meridian winery in the Central Coast. Luxury wines are produced at Chateau St Jean, Beringer and estate wineries Stags' Leap, Etude and St Clement.

With the exception of luxury estate bottled wines, the majority of Treasury Wine Estates Californian wines are bottled and distributed through its high speed Napa Bottling Centre, constructed in 2005.

4.6 Board and senior management

(a) Board

The Treasury Wine Estates Board will have substantial managerial, financial and industry experience.

As recommended by ASX guidelines, the Treasury Wine Estates Board will comprise a majority of independent Non-Executive Directors.

Following the Demerger, the Treasury Wine Estates Board will be comprised of Maxwell Ould, Margaret Lyndsey Cattermole, David Dearie, Warwick Every-Burns, Peter Hearl and Paul Rayner.

(b) Current Treasury Wine Estates Board

As at the date of this Booklet, the Treasury Wine Estates Board comprises the following directors, who will remain on the Treasury Wine Estates Board if the Demerger proceeds.

Maxwell Ould, B.Ec *Chairman*

Member of the Foster's Board since February 2004. Mr Ould has extensive experience in the fast moving consumer goods industry. He was the former Managing Director and Chief Executive Officer of National Foods Limited and is the former Chief Executive Officer of Pacific Dunlop's Peters Foods division and Managing Director of the East Asiatic Company. Mr Ould is a Director of AGL Energy Limited and Chairman of Goodman Fielder Limited. Until October 2009, Mr Ould was a Director of Pacific Brands Limited.

David Dearie *Chief Executive Officer, Executive Director*

Mr Dearie was appointed Managing Director of Australia and New Zealand Wine on 21 July 2009. He has extensive experience in alcohol beverage companies, most recently as Managing Director, Western Europe and Africa for Brown-Forman. Mr Dearie started his career with Whitbread and Co in various business development and sales roles before joining Inchape in sales and marketing roles rising to Regional Director South East Asia.

Margaret Lyndsey Cattermole, AM, B.Sc., FACS *Non-Executive Director*

Member of the Foster's Board since October 1999. Ms Cattermole has extensive information technology and telecommunications experience. She was a former Executive Director of Aspect Computing Pty Ltd and Kaz Group Limited. She has also held a number of significant appointments to government, hospital and research boards and committees. Ms Cattermole is a director of Tattersall's Limited and PaperlinX Limited.

(c) Directors who will join the Treasury Wine Estates Board from the Effective Date

Warwick Every Burns, Peter Hearl and Paul Rayner have been conditionally appointed as Non-Executive Directors of Treasury Wine Estates. The appointments of Warwick Every Burns, Peter Hearl and Paul Rayner will take effect from the Effective Date if the Demerger proceeds.

Warwick Every-Burns, AMP, Harvard University *(Advanced Management Program 1996)* *Non-Executive Director*

If the Demerger proceeds, Mr Every-Burns will join the Treasury Wine Estates Board from the Effective Date. Mr Every-Burns recently retired from The Clorox Company – a US\$5 billion, NYSE S&P 500 Consumer Products Company. Mr Every-Burns began his career at Unilever learning all aspects of the fast moving consumer goods industry. He is a former Managing Director of Glad Products Australia and New Zealand and was a member of the Executive Committee and President of international business at The Clorox Company. Mr. Every-Burns is currently a member of the Advisory Council of the Frontier Strategy Group working with clients to develop business strategies in emerging markets.

Peter Hearl, BCom (Economics) (UNSW), GAICD *Non-Executive Director*

If the Demerger proceeds, Mr Hearl will join the Treasury Wine Estates Board from the Effective Date. Mr Hearl has a wealth of experience in international business and the food industry in particular. He is the former global Chief Operating & Development Officer for YUM Brands, the world's largest restaurant company, and throughout his career with YUM he oversaw much of the growth in the KFC, Taco Bell and Pizza Hut businesses around the world. He is a director of the Australian and New Zealand listed food company Goodman Fielder Limited, a member of the UNSW's Australian School of Business Alumni Leaders Group as well as a member of the Fred Hollows Foundation. He is also honorary Chairman of the US based UNSW Study Abroad-Friends and US Alumni Inc.

Paul Rayner, BEc, MAdmin, FAICD *Non-Executive Director*

If the Demerger proceeds, Mr Rayner will join the Treasury Wine Estates Board from the Effective Date. Mr Rayner has extensive experience in finance, corporate and general management. He has been a Director of Centrica Plc since 2004, and was appointed a Director to the Boards of Qantas Airways Limited and Boral Limited in 2008. He chairs the Audit Committee at Centrica and Boral. Prior to pursuing a Non-Executive career, Mr Rayner was Finance Director of British American Tobacco Plc based in London from January 2002 through to April 2008. Mr Rayner joined Rothmans Holdings Limited in 1991 as its Chief Financial Officer and held some other senior executive positions within the Group, including Chief Operating Officer of British American Tobacco Australasia Limited from 1999 to 2001. Previously, Mr Rayner has worked in various finance and project roles with General Electric, Rank Industries and the Elders IXL Group.

(d) Senior management team

Following the Demerger, Treasury Wine Estates will be led by an experienced management team, which has a deep understanding of Treasury Wine Estates' business. Treasury Wine Estates will adopt the following senior management structure. Key members of Treasury Wine Estates' senior management team are described below.

David Dearie
Chief Executive Officer, Executive Director

See Mr Dearie's biography in Section 4.6(b).

Mark Fleming
Chief Financial Officer⁽¹⁾

Mr Fleming will join Treasury Wine Estates from Woolworths Limited, where he spent eight years in senior Finance roles, first as General Manager, Business Planning & Corporate Finance and then General Manager, Finance (Supermarkets). Prior to Woolworths, Mark worked in investment banking for several years with Bankers Trust, Goldman Sachs and UBS. He commenced his career as a commercial lawyer with Clayton Utz.

Paul Conroy
General Counsel and Company Secretary

Mr Conroy was appointed Chief Legal Officer and Company Secretary of Foster's Group Limited on 29 September 2009. He has practised as a solicitor for law firms in Australia, Asia and the United Kingdom. He has previously held senior management roles for Southcorp Limited in Australia and the United States.

Stephen Brauer
Managing Director, Americas

Mr Brauer was appointed Managing Director, Foster's Americas on 13 April 2009. He has over 20 years experience with global wine and spirits companies including Beam Global Spirits, Peak Wines and Seagram. Mr Brauer started his career in consumer products in 1985 as a brand manager with Del Monte and Speciality Brands and served as a research analyst for Strategic Planning Associates. Mr Brauer joined Foster's from Pernod Ricard USA where he served as General Manager for the US Wine and Champagne business and was a member of the Pernod Ricard USA Executive Committee.

Peter Jackson
Managing Director, Europe, Middle East and Africa

Mr Jackson was appointed Managing Director, Europe, Middle East and Africa in August 2006. He was previously Managing Director, FGL Wine Estates, EMEA and Vice President European Sales for Southcorp Wines. He joined Foster's as Commercial Director – Continental for Foster's Wine Estates in 2005. Mr Jackson has 20 years experience in marketing and general management roles with Anheuser-Busch and Bass.

Anthony Davie
Managing Director, Asia

Mr Davie was appointed Managing Director, Asia for Treasury Wine Estates in 2009. He joined Foster's in 1998 as General Manager, Australasia for Cellarmasters Wines and has held a number of senior leadership roles including Director, UK, Ireland and European Marketing, Managing Director Australia, Asia Pacific for Beringer Blass Wine Estates and Managing Director Foster's Asia, New Zealand and Pacific. Prior to joining Foster's, Mr Davie held senior Sales, Marketing and Business Development roles with Kellogg's Australia and Unilever Australia.

Boyd Williams
Chief Human Resources Officer

Mr Williams was appointed Chief Human Resources Officer on 26 July 2010. He was previously Senior Vice President Human Resources, DHL Express, Asia Pacific, Eastern Europe, the Middle East and Africa. Prior to joining DHL he spent the majority of his career with Unilever, one of the world's largest fast moving consumer goods companies in a range of international positions in developed and emerging markets including Kenya, the UK, Taiwan, the Netherlands and Singapore. Born in Sydney, he received a Bachelors degree in Economics from the University of Sydney.

4.7 Employees

As at 3 March 2011, Treasury Wine Estates had approximately 3,100 permanent full-time and part-time employees globally. A breakdown of headcount by region is set out below:

Region	Headcount
ANZ	1,709
Americas	1,188
EMEA	165
Asia	27
Total	3,089

If the Demerger proceeds, it is estimated that 168 corporate roles will exist in Treasury Wine Estates. In most cases, the roles will be filled by Foster's Group corporate employees.

(a) Industrial relations

Globally, Treasury Wine Estates' employees are employed under either individual contracts or industrial instruments such as awards and enterprise agreements. In Australia, approximately 50% of Treasury Wine Estates' Australian based employees are covered by industrial instruments. These agreements are negotiated at site level reflecting local employee and business needs with most agreements having a nominal life of three years. The Demerger will not impact on the operation of these awards or agreements.

Treasury Wine Estates' employees in the Americas, New Zealand, Europe, the Middle East, Africa and Asia are employed under individual contract arrangements. There are currently no collective bargaining agreements in operation in these jurisdictions. The employment relationships are managed through and governed by applicable laws, company policies and procedures.

(b) Employee share plans

Treasury Wine Estates proposes to implement a number of employee share plans as part of its remuneration strategy for executives and employees.

(i) Long term incentive plan

Treasury Wine Estates intends to establish a long term incentive plan as the long term component of remuneration for selected members of the senior management team and other selected executives.

⁽¹⁾ Tony Reeves will fill the Chief Financial Officer role until Mr Fleming commences employment with Treasury Wine Estates.

Description of Treasury Wine Estates continued

Participation will be offered to those executives who can have the greatest impact on Treasury Wine Estates' performance.

Under the long term incentive plan, participants will be granted performance rights, each being a right to receive a Treasury Wine Estates Share at no cost to the participant, upon the specified performance conditions being satisfied over a performance period of up to three years. No amount will be payable by the participant for the grant of performance rights. The performance rights will have no right to a cash dividend and no voting rights prior to the performance right vesting and a share being allocated.

The performance conditions applicable to long term incentive plan will be a combination of:

- **TSR performance condition** – based on Treasury Wine Estates' total shareholder return (**TSR**). TSR measures growth in share price including the reinvestment of dividends, and would be measured over a period up to three years; and
- **ROCE performance condition** – based on the compound annual growth rate (**CAGR**) in the return on capital employed (**ROCE**) for the Treasury Wine Estates business.

Each performance condition will apply to 50% of the performance rights and will provide for a vesting schedule over a range of performance standards against the relevant condition.

In relation to the TSR performance condition, performance for the first offers after demerger will be assessed by reference to absolute performance standards. Appropriately challenging performance standards will be set that reflect the characteristics of the industry. Performance standards, and performance against them, will be disclosed in future remuneration reports.

In relation to the ROCE performance condition, offers will have performance standards aimed at driving ROCE towards the achievement of the weighted average cost of capital over the long term.

The Treasury Wine Estates Board is of the view that these performance conditions will align executives' interests with those of Treasury Wine Estates Shareholders as these conditions are linked to both external market performance and Treasury Wine Estates' internal performance.

Upon the satisfaction of the performance conditions, the relevant number of performance rights will vest and each participant will be allocated Treasury Wine Estates Shares. In order to increase participants' equity holdings in Treasury Wine Estates, the Treasury Wine Estates Board may impose a restriction on dealing in those shares for a specified period following the vesting of the performance rights.

The first offers under long term incentive plan will be made within three months after the date on which Treasury Wine Estates Shares commence trading on ASX.

(iii) Restricted share plan (deferred bonus)

Treasury Wine Estates intends to establish a restricted share plan under which participants are granted restricted Treasury Wine Estates Shares at no cost to the participant. The restricted share plan is designed to facilitate increased share ownership in Treasury Wine Estates for key employees, and to underpin retention. There will be two versions: a deferred bonus version and a targeted version.

Under the deferred bonus version, a portion of short-term incentive payments will be provided as shares. Such shares would either be acquired on market or allocated at market price. Employees would be entitled to retain the shares if they remain with Treasury Wine Estates for two years (or other such period that the Treasury Wine Estates Board may determine) after allocation.

While participation in the deferred bonus version of the plan would be open to all employees (other than Non-Executive Directors), it is the Treasury Wine Estates Board's intention that a mandatory direction to participate in the plan shall be made in respect of senior management and executive employees. Under such a direction, one quarter of any short-term incentives paid to senior management, and one third of any short-term incentives paid to executives, will be directed to the restricted share plan.

(iii) Restricted share plan (targeted)

Under the targeted version of the restricted share plan, the Treasury Wine Estates Board may offer shares to key executives on such basis as is considered necessary by Treasury Wine Estates to attract, motivate and retain selected executives who are critical to the business. Any such shares would be subject to conditions that the employee remain with Treasury Wine Estates for a period of three years (or such other period that the Treasury Wine Estates Board may determine) and meets or exceeds nominated performance standards. Shares allocated under this part of the plan would be made very selectively and on a non-recurrent basis to a small group of key executives and potential executives.

Shares received under either version of the restricted share plan will be restricted in that the participant may not deal in the shares until the expiry of the restriction period. If the participant resigns during this period, or is terminated by Treasury Wine Estates for performance reasons, the shares will be forfeited. A participant will be entitled to receive all cash dividends paid on the Treasury Wine Estates Shares and to exercise the voting rights attaching to those shares from the date of allocation of the shares.

(iv) Employee Share Grant Plan

Treasury Wine Estates intends to establish a general employee share plan to provide eligible employees with an opportunity to receive Treasury Wines Estates Shares, which will assist in aligning their interests with those of Treasury Wine Estates Shareholders.

The Treasury Wine Estates Board will determine the most appropriate structure of the plan, having regard to:

- regulatory and tax implications (including any available concessions) that are relevant to eligible Australian and overseas employees;
- the benefit intended to be given to eligible employees under the plan so that it is attractive for eligible employees to participate in the plan and, by doing so, provide a basis for employee motivation and retention; and
- the cost to Treasury Wine Estates in providing a benefit under the plan.

The general employee plan may take the form of one of the following:

- **free grant** – a grant of restricted Treasury Wine Estates Shares (up to a particular value and subject to a minimum company performance) at no cost to the employee;
- **salary sacrifice arrangement** – a plan in which employees may elect to sacrifice a portion of their pre-tax salary or wages (up to a particular value) in return for Treasury Wine Estates Shares; or
- **a 'matching' grant** – a plan in which employees invest their own money into Treasury Wine Estates Shares, either on a pre-tax or post-tax basis – and Treasury Wine Estates will 'match' this participation by providing shares (up to a maximum number or value) at no cost to the employee.

The ultimate form of this plan will be determined by the Treasury Wine Estates Board before or shortly after the Demerger.

A participating employee will be entitled to receive all cash dividends paid on the Treasury Wine Estates Shares and to exercise the voting rights attaching to those shares from the date of allocation of the shares.

(c) Superannuation/pension plans

In Australia, Treasury Wine Estates employees are in the Foster's Group Superannuation Fund (**Fund**) unless they have chosen another superannuation fund or their employer is required to contribute to an industry fund.

CCSL Limited is the trustee of the Fund. Prior to the Demerger, Treasury Wine Estates will be made a participating employer of the Fund, thereby allowing the Fund to continue operation mostly unchanged beyond the Demerger. There will be no change to members' benefits within the Fund.

As at 31 December 2010, the estimated vested benefits (liabilities) of the divisions in the Fund exceeded assets by \$3.1 million. In order to close this gap, additional funds have been contributed on a regular basis since January 2009 and will continue as required by the actuary.

On Demerger, the defined benefits assets attributable to Treasury Wine Estates members will be split into a separate sub-pool, based on calculations undertaken by the fund administration and verified by the independent actuary. Operational costs relating to the defined benefits divisions will be apportioned to the two participating employers on the basis of criteria approved by the independent trustee.

Outside of Australia, different superannuation arrangements operate for different jurisdictions. These arrangements will mostly continue unchanged after the Demerger.

(d) Occupational health and safety

Treasury Wine Estates has a "zero harm" health and safety objective. To facilitate this goal a detailed Health, Safety & Environment Management System (**HSEMS**) has been implemented within the business and is supported by occupational health and safety personnel at both local and corporate levels. These systems are designed to meet or exceed all local regulatory expectations and drive continuous improvement in occupational health and safety performance. In addition to traditional incident / injury rate metrics – the primary measure being Recordable Case Injury Rate as defined by the US Occupational Safety and Health Administration (**OSHA**) – the overall effectiveness of the system is verified through

a range of internal and external verification programmes. Treasury Wine Estates, through Foster's Group, is self insured for workers compensation in South Australia, and in 2010 won the Self Insurance South Australia award for "Best Integrated Management System for HSE & Injury Management".

4.8 Other relevant corporate information

(a) Corporate governance

The Treasury Wine Estates Board's responsibilities following the Demerger will be detailed in a formal charter that will be published on the company's website, www.treasurywineestates.com. The charter will be reviewed annually to determine whether any changes are necessary or desirable.

The primary role of the Treasury Wine Estates Board will be the protection and enhancement of company performance and long-term shareholder value. The Treasury Wine Estates Board will be responsible for the overall corporate governance of the company and will provide oversight of the management and affairs of Treasury Wine Estates on behalf of shareholders.

To assist in the execution of its responsibilities, the Treasury Wine Estates Board intends to establish the following committees following the Demerger:

- audit and risk committee;
- human resources committee; and
- nominations committee.

Each committee will adopt a written formal charter, which will outline its responsibilities and be available on the Treasury Wine Estates website. These charters will be reviewed on a regular basis.

The intended roles and responsibilities of each of these committees are set out below.

(i) Audit and risk committee

This committee will be responsible for reviewing, overseeing and reporting to the Treasury Wine Estates Board on financial reporting, internal control structures, internal and external audit functions and risk management systems.

All of the members of the committee will be Non-Executive Directors, and the committee will meet as frequently as required but not less than four times a year.

The audit and risk committee will be structured to meet the best practice recommendations set by the ASX Corporate Governance Council in relation to composition, operation and responsibility of an audit committee.

(ii) Human resources committee

This committee will be responsible for advising and assisting the Treasury Wine Estates Board to ensure the company implements appropriate human resource strategies and policies consistent with business requirements and adopts remuneration policies that demonstrate a clear link between performance and remuneration.

The committee will meet as frequently as required but not less than three times a year.

(iii) Nominations committee

This committee will be responsible for advising and assisting the Treasury Wine Estates Board in relation to its composition and succession (including nomination of Non-Executive Directors) and board performance (including performance reviews).

Description of Treasury Wine Estates continued

The committee will meet as frequently as required but not less than twice a year.

The processes of the Treasury Wine Estates Board will be governed by its constitution, which is summarised in Section 12.6.

(b) Directors' arrangements

(i) Directors' remuneration

The risks to and responsibilities required of the Treasury Wine Estates Directors have been taken into account in setting fees for Non-Executive Directors. Given the global reach and complexity of the Treasury Wine Estates business, an aggregate fee pool of \$1,750,000 per annum will be put in place for the payment of Non-Executive Directors' fees.

Non-Executive Directors of Treasury Wine Estates will be remunerated with a base fee and additional committee fees for chairing or sitting on a Treasury Wine Estates Board committee. The initial annual fee structure will be as follows:

Base fee:	Chair: \$390,000	Member: \$130,000
Risk & Audit Committee:	Chair: \$40,000	Member: \$20,000
Human Resource Committee:	Chair: \$25,000	Member: \$15,000
Nominations Committee:	Chair: \$10,000	Member: \$5,000
Travel Allowances:	Travelling time between 4–12 hours: \$2,500 (each way)	Travelling time of more than 12 hours (\$5,000 each way)

Committee fees will not be paid to the Chairman.

Treasury Wine Estates Directors will also be subject to a guideline that requires them to have control over (or have a beneficial interest in) Treasury Wine Estates Shares that are worth at least the equivalent of one year's base fees. Such holdings will need to be acquired using personal funds and undertaken with a view to meeting the guideline over a reasonable period of time.

(ii) Directors' indemnity and insurance

Treasury Wine Estates will enter into deeds of indemnity, insurance and access with each of the Treasury Wine Estates Directors. In summary, each deed will provide:

- an indemnity, to the extent permitted by law, in favour of the Treasury Wine Estates Director against liabilities and legal costs incurred by the Treasury Wine Estates Director in his or her capacity as an officer of Treasury Wine Estates, subsidiaries of Treasury Wine Estates or any other company where that office is held at the request of Treasury Wine Estates;
- that Treasury Wine Estates must effect and maintain directors' and officers' insurance for the entire period for which the director is a Treasury Wine Estates Director, and for seven years after the date they cease to be a director of Treasury Wine Estates or of a subsidiary of Treasury Wine Estates (or longer, if relevant legal proceedings have been commenced). The directors' and officers' insurance must be from a reputable insurance company on terms and conditions commonly included in directors' and officers' insurance policies in Australia;

- that Treasury Wine Estates must maintain and procure that each Treasury Wine Estates subsidiary maintains a complete set of its company records (including board papers) for a period of seven years after the date on which the director ceases to be a Treasury Wine Estates Director (or longer, if relevant legal proceedings have been commenced); and
- that a former Treasury Wine Estates Director may, for a period of seven years after they cease to be a director of Treasury Wine Estates or of a subsidiary of Treasury Wine Estates (or longer, if relevant legal proceedings have been commenced), inspect and take copies of Treasury Wine Estates company records (including board papers) for the purpose of defending claims made against the former director.

(c) Senior executive arrangements

(i) Chief Executive Officer contract

David Dearie is currently an Executive Director and, following the Demerger, will become the Chief Executive Officer of Treasury Wine Estates. The material terms of Mr Dearie's employment agreement, which has been determined by the Foster's Board and will become effective on the Effective Date, are summarised below:

Fixed pay: \$1.35 million per annum, reviewed annually. This amount is inclusive of superannuation, non-monetary benefits and Fringe Benefits Tax as applicable.

Short term incentive: For the year ending 30 June 2012, Mr Dearie will be eligible for an annual bonus of between 0% and 150% of his fixed pay (with target performance resulting in a bonus of 75% of fixed pay). A portion of this annual bonus will be dependent upon the achievement by Treasury Wine Estates of specified financial measures, which may change each year to ensure strategic alignment but which are expected to include EBITs, net sales revenue, ROCE and Cash Conversion. The remainder of the bonus is assessed against non-financial objectives set by the Treasury Wine Estates Board. Mr Dearie will receive one third of any bonus in the form of Treasury Wine Estates Shares restricted for two years under the restricted share plan (deferred bonus) (see Section 4.7(b)(ii)). If Mr Dearie resigns or otherwise ceases employment for reasons not acceptable to the Treasury Wine Estates Board, any restricted Treasury Wine Estates Shares he holds at that time will be forfeited.

For the year ending 30 June 2011, the amount of the bonus for which Mr Dearie will be eligible will be pro rated to reflect approximately eight weeks at his increased fixed pay as Chief Executive Officer of Treasury Wine Estates.

Long term incentive: Mr Dearie will be offered performance rights (which will grant rights to receive Treasury Wine Estates Shares) under Treasury Wine Estates' proposed long term incentive plan (as described in Section 4.7(b)(ii)). The maximum value of the Treasury Wine Estates Shares made available under annual grants of the long term incentive plan will be equivalent to approximately 1.5 times one year's fixed pay. Mr Dearie will become entitled to the maximum number of shares if Treasury Wine Estates meets the highest performance standard measures under the plan. It is expected that these performance standards will be structured such that the award of 50% of the performance rights will be subject to measures relating to Treasury Wine Estates' TSR, with the award of the other 50% subject to performance against long-term targets for Treasury Wine Estates' ROCE. It is expected that the performance period will run from July 2011 to September 2014.

One-off share incentives: Following the Demerger, the Treasury Wine Estates Board intends to grant one-off share entitlements in the form of allocations under the proposed Treasury Wine Estates restricted share plan (targeted) and long term incentive plan (as described in Section 4.7(b)).

As a result of ceasing employment with Foster's, Mr Dearie will forfeit certain entitlements under the Foster's Restricted Share Plan and Long Term Incentive Plan, as described in sections 12.5(e)(iii) and 12.5(f)(iv). He will therefore not have the opportunity to realise all of the potential incentive offered under those plans.

The purpose of the one-off share incentives is primarily to encourage Mr Dearie to remain with Treasury Wine Estates after the Demerger and, secondly, to ensure that he is not disadvantaged as a result of his transfer of employment.

The precise details of the one-off share incentives will be finalised by the Treasury Wine Estates Board following the Demerger, but will be broadly structured as follows:

- restricted shares in Treasury Wine Estates with a value of approximately \$400,000. These shares will vest in the second half of 2013. Where employment ceases before vesting, the shares will generally be forfeited; and
- an opportunity to receive up to approximately \$1.3 million in Treasury Wine Estates Shares under the Treasury Wine Estates long term incentive plan. The actual number of Treasury Wine Estates Shares, if any, which may be allocated under this plan will depend upon Treasury Wine Estates' TSR and ROCE performance. The periods over which performance will be measured will be from the Demerger through until September 2012 and September 2013. Where employment ceases before shares are allocated, entitlements will lapse.

Termination of employment: Mr Dearie's employment may be terminated by Treasury Wine Estates on 12 months notice. Treasury Wine Estates may terminate Mr Dearie's employment without notice in the event of serious misconduct. Mr Dearie must provide six months notice should he wish to terminate his employment. Other than statutory entitlements such as accrued leave, Mr Dearie will not be entitled to any other payments or benefits on termination.

(iii) Senior executive arrangements

Treasury Wine Estates has entered into employment agreements with the senior members of Treasury Wine Estates' management team set out in Section 4.6(d). The material terms of those employment agreements, which have been determined by the Foster's Board and will become effective on the Effective Date, are summarised below:

Fixed pay: Salary packages (comprising cash, superannuation and other benefits) will reflect the seniority and skills of the employee, and be set at levels that are competitive with median remuneration levels for employees in comparable roles in the relevant market.

Short term incentive: Subject to performance hurdles, senior executives will be eligible for an annual bonus of between 0% and 150% of fixed pay (with target performance resulting in a bonus of 75% of fixed pay). One third of any bonus will be paid in the form of Treasury Wine Estates shares restricted for two years. The performance criteria on which payments will be calculated will be a blend of the achievement by Treasury Wine Estates of specified financial measures and other objectives set by the Chief Executive Officer of Treasury Wine Estates.

Long term incentive: Senior executives will be offered shares under the proposed Treasury Wine Estates long term incentive plan, on similar terms and conditions as those that will apply to the Chief Executive Officer (as described in Section 4.8(c)(ii)). The maximum entitlement will be 90% of fixed pay.

Termination of employment: The employment of senior executives may be terminated by Treasury Wine Estates on 12 months notice. If a senior executive's employment is terminated by reason of redundancy, the maximum payment to which they will be entitled (including any pay in lieu of notice) will be the amount of 12 months of fixed pay. Treasury Wine Estates may terminate the employment of senior executives without notice in the event of serious misconduct. Senior executives must provide three months notice should they wish to terminate their employment. Other than statutory entitlements such as accrued leave, senior executives will not be entitled to any other payments or benefits on termination.

(d) Branding and intellectual property

Treasury Wine Estates holds an extensive portfolio of trademarks in Australia, New Zealand, the United States, the United Kingdom and certain other jurisdictions which support its business. Treasury Wine Estates key trademarks include Beringer, Lindemans, Penfolds, Rosemount, Wolf Blass, Yellowglen, Gabbiano and Matua.

(e) Information technology

Foster's has in place an information technology environment, network and communications landscape which is internally managed and supported in certain key areas by third party service providers.

Following the Demerger, New Foster's will provide certain information technology services to Treasury Wine Estates pursuant to the IT Transition Services Agreement, for a period currently estimated to be approximately two years from the Effective Date. Until the conclusion of this period, New Foster's will be responsible under the IT Transition Services Agreement for the provision of Treasury Wine Estates' information technology environment and network and communication landscape, and management of the performance of the associated systems, networks and functions. On completion of the IT Transition Services Agreement in accordance with its terms, New Foster's will have delivered to Treasury Wine Estates its own stand-alone information technology environment and network and communications landscape, for which Treasury Wine Estates will assume responsibility. See Section 3.10(d) for further details of the IT Transition Services Agreement.

(f) Corporate sustainability

Treasury Wine Estates intends to adopt an integrated approach to corporate sustainability, consistent with the policy it applied as a group member of Foster's. Treasury Wine Estates is committed to continuously improving its business practice to maximise positive and minimise negative social, environmental and economic impacts. This enhances employee engagement and retention, supports corporate reputation, manages risk and protects Foster's social licence to operate.

(g) Environment

Treasury Wine Estates is committed to complying with the various environmental laws to which its operations are subject, identifying and managing the environmental risks facing the business and effective and efficient environmental performance across its operations.

Treasury Wine Estates' operations are subject to a number of regulatory frameworks governing energy and water consumption, waste generation and greenhouse gas reporting. Treasury Wine Estates' policy is to ensure that all environmental laws and permit conditions are complied with and these regulatory and operational programmes have been incorporated into relevant business practices and processes. Treasury Wine Estates implement programmes for sustainable management of vineyards and address changing climatic conditions.

Management procedures are developed through the Health, Safety and Environment Management System to address environmental regulatory compliance and operational risk management. The HSEMS is implemented within the business and is supported by environment personnel at both local and corporate levels.

The HSEMS is overlaid with a compliance system currently overseen by the Foster's Risk and Compliance Committee. Although Treasury Wine Estates' various operations involve relatively low inherent environmental risks, matters of non-compliance are subject to routine corrective action processes, and, where required, notified to the appropriate regulatory authority.

The Treasury Wine Estates Board intends to continue the current compliance system following the Demerger. Under that system, the Treasury Wine Estates Audit and Risk Committee and the Treasury Wine Estates Board will receive six monthly reports detailing matters involving non-compliance and potential non-compliance. These reports will also detail the corrective actions that have been taken.

Environmental performance by Treasury Wine Estates is, and will following the Demerger continue to be, overseen by programmes targeting continuous improvement in carbon emissions management, resource efficiency and waste minimisation. Through stakeholder engagement and external reporting programmes, Treasury Wine Estates will disclose environmental performance via a number of regulatory and voluntary reporting frameworks, including the Carbon Disclosure Project and the Corporate Responsibility Index.

(h) Litigation and disputes

Section 7.10 sets out information concerning a dispute between Foster's and a number of its subsidiaries (including entities which are, or will be after the Demerger, subsidiaries of Treasury Wine Estates) and the Australian Commissioner of Taxation, known as the Ashwick litigation. Under the Demerger Tax Deed (discussed in Section 3.9(e)), 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.

Treasury Wine Estates is a party to legal actions, other than the tax matter identified above, which have arisen in the ordinary course of business. The actions are being defended and no material losses are expected to arise.

(i) Insurance

Prior to the Effective Date, Foster's and its subsidiaries (including Treasury Wine Estates) will continue to have the benefit of Foster's insurance policies.

On the Effective Date, Foster's insurance policies will be amended to delete cover for Treasury Wine Estates and new policies covering Treasury Wine Estates will come into effect in respect of claims that occur after the Effective Date. Premiums

that are refunded to Foster's as a result of the deletion of Treasury Wine Estates from Foster's insurance will be, in turn, refunded to Treasury Wine Estates.

For Foster's, its insurance policies will continue to run post the Effective Date until the expiry dates of those policies, at which time Foster's will arrange renewal of its insurance as required.

General and product liability insurance claims that occur prior to the Effective Date as a result of the business activities of Treasury Wine Estates will be insured under Foster's insurance programme, regardless of when the claim is reported.

Directors and officers of Foster's and Treasury Wine Estates prior to the Effective Date will continue to have the benefit of the directors' and officers' liability insurance held by Foster's in respect of claims that are made in relation to matters which occur before the Effective Date. Treasury Wine Estates own directors' and officers' liability insurance will commence at the Effective Date and will cover claims that are made in relation to matters that occur after the Effective Date.

It is intended that Treasury Wine Estates' insurance policies will be placed with insurers of acceptable security and the levels of retained risk and coverage purchased will be appropriate to the business activities of Treasury Wine Estates, subject to such insurance being available on commercially reasonable terms.

Foster's has a captive insurance company, which insures some risks for Foster's and Treasury Wine Estates and will continue to do so up to the Effective Date. After the Effective Date, Foster's captive insurance company will cease insuring Treasury Wine Estates in respect of claims that occur after the Effective Date.

It is intended that Treasury Wine Estates will have its own captive insurance company, which will provide similar insurance and retain similar levels of risk as does Foster's captive insurance company, for Treasury Wine Estates with effect from the Effective Date.

Foster's captive insurance company will continue to operate and insure certain risks for Foster's after the Effective Date.

(j) Joint ventures

Treasury Wine Estates will have interests in a number of joint ventures that undertake a range of production, sales and marketing activities, including the following:

(i) Vok Beverages joint venture

In October 2009, Treasury Wine Estates entered into a joint venture with Vok Beverages Pty Ltd in relation to the production, sales and marketing of a number of wine brands that were previously part of Treasury Wine Estates' portfolio, including the Queen Adelaide, Half Mile Creek, Yarra Ridge and Rouge Homme brands. Treasury Wine Estates has a 50% interest in the joint venture.

(ii) Rapaura Vintners joint venture

Treasury Wine Estates has a 50% interest in Rapaura Vintners Limited, a company that undertakes wine making activities in Marlborough, New Zealand. Babich Wines Limited holds the remaining ownership of the joint venture.

(iii) Greg Norman Estates joint venture

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. Treasury Wine Estates has a 70% interest in the joint venture.



*Financial
information on
Treasury Wine
Estates*

5. Financial information on Treasury Wine Estates

5.1 Overview

This Section contains a summary of the pro forma historical financial information of Treasury Wine Estates (**Treasury Wine Estates Pro Forma Historical Financial Information**), which is comprised of the following:

- Treasury Wine Estates pro forma historical income statements before net financing costs and tax for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010;
- Treasury Wine Estates pro forma historical net operating cash flows before financing costs and tax and after capital expenditure for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010; and
- Treasury Wine Estates pro forma historical balance sheet as at 31 December 2010.

References to Treasury Wine Estates Pro Forma Historical Financial Information are references to consolidated pro forma historical financial information in relation to the assets and operations comprising Treasury Wine Estates.

Treasury Wine Estates Pro Forma Historical Financial Information has been reviewed by the Investigating Accountant. The Investigating Accountant's Report is included in Section 10. The comments made in relation to the scope and limitations of the Investigating Accountant's Report should be noted.

This Section should be read in conjunction with the risks to which Treasury Wine Estates is subject and the risks associated with the Demerger, as set out in Sections 8 and 2.5 respectively.

5.2 Basis of preparation

The basis of preparation applied in compiling Treasury Wine Estates Pro Forma Historical Financial Information is set out below:

- unless otherwise noted, Treasury Wine Estates Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board, which comply with the recognition and measurement principles of the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. The accounting policies used in preparation of Treasury Wine Estates Pro Forma Historical Financial Information are consistent with those set out in Foster's half year report to 31 December 2010 and annual report for the year ended 30 June 2010;
- Treasury Wine Estates Pro Forma Historical Financial Information is presented in an abbreviated form and does not contain all the disclosures required by Australian Accounting Standards in an annual financial report prepared in accordance with the Corporations Act; and
- Treasury Wine Estates Pro Forma Historical Financial Information has been derived from Foster's financial reports for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010 along with Foster's management information. Foster's annual financial reports for the years ended 30 June 2008,

30 June 2009 and 30 June 2010 have been audited by PricewaterhouseCoopers in accordance with Australian Auditing Standards. Foster's financial report for the half year ended 31 December 2010 was not audited but has been subject to review by PricewaterhouseCoopers in accordance with Australian Auditing Standards applicable to review engagements. The respective audit and review opinions issued to Foster's in relation to those financial reports were unqualified.

Complete versions of Foster's financial reports for these periods are available from Foster's website, www.fostersgroup.com, or ASX's website, www.asx.com.au.

Treasury Wine Estates pro forma historical income statements are presented before net financing costs and tax (**Treasury Wine Estates Pro Forma Historical Income Statements**).

Treasury Wine Estates pro forma historical cash flow statements are presented as net operating cash flows before financing costs and tax and after capital expenditure (**Treasury Wine Estates Pro Forma Historical Cash Flow Statements**).

Treasury Wine Estates Pro Forma Historical Income Statements and Treasury Wine Estates Pro Forma Historical Cash Flow Statements are presented before financing costs and tax as, among other things:

- the financing arrangements under which Treasury Wine Estates operated during the periods presented do not reflect the anticipated financing arrangements of Treasury Wine Estates following the Demerger; and
- the application of Australian tax laws in relation to the assets and operations of Treasury Wine Estates as part of Foster's Australian tax consolidated group may not reflect the application of the Australian tax laws to the assets and operations of Treasury Wine Estates as the head entity of its own Australian tax consolidated group following the Demerger.

Treasury Wine Estates Pro Forma Historical Financial Information presented in this Section illustrates the financial performance and net operating cash flows of Treasury Wine Estates as if the Demerger was effective from 1 July 2007. Pro forma adjustments have been made in the preparation of Treasury Wine Estates Pro Forma Historical Income Statements and Treasury Wine Estates Pro Forma Historical Cash Flow Statements to reflect:

- the alignment of non-wine related earnings and cash flows for the relevant periods to entities remaining with New Foster's and wine related earnings and cash flows for the relevant periods to Treasury Wine Estates consistent with the internal restructure prior to the Demerger; and
- the anticipated corporate and operating costs of Treasury Wine Estates operating as a separately listed legal entity, including the allocation to Treasury Wine Estates of certain corporate expenses incurred by Foster's. Corporate costs include ASX listing fees, share registry costs, audit fees and insurance, the cost of maintaining a separate board of directors and executive team and other corporate functions such as accounting, tax, treasury, risk and assurance, corporate secretarial and legal. Treasury Wine Estates will also incur additional operating costs relating to existing shared service functions such as logistics, call centre operation, transactional accounting, procurement, human resources and information technology.

Treasury Wine Estates operated as part of Foster's during the periods for which financial information is presented and therefore Treasury Wine Estates Pro Forma Historical Financial Information does not purport to represent the actual financial performance and net operating cash flows that would have occurred had Treasury Wine Estates been a separate legal entity during the periods presented, principally because:

- Treasury Wine Estates did not operate independently of Foster's during the periods for which financial information is presented;
- Treasury Wine Estates Pro Forma Historical Financial Information may not reflect the strategies or operations that Treasury Wine Estates may have followed or undertaken as a separate legal entity rather than as part of Foster's; and
- Treasury Wine Estates may have been exposed to different financial and business risks had it operated as a separate legal entity rather than as part of Foster's.

Treasury Wine Estates pro forma historical balance sheet has been prepared on the basis that the Demerger was completed on 31 December 2010 and that assets and liabilities of Treasury Wine Estates were transferred from Foster's at their historical book value on a consolidated basis (**Treasury Wine Estates Pro Forma Historical Balance Sheet**). Pro forma adjustments have been made to reflect:

- the transfer of non-wine related assets and liabilities to entities remaining with New Foster's and wine related assets and liabilities to Treasury Wine Estates consistent with the internal restructure prior to the Demerger, including the allocation of deferred tax balances as further discussed in Section 5.8(b) and the allocation of certain corporate balances;
- external financial indebtedness that Treasury Wine Estates is expected to draw down or have drawn down upon Demerger; and
- settlement by cash payment of an amount owing from Treasury Wine Estates to New Foster's.

Treasury Wine Estates Pro Forma Historical Balance Sheet does not represent the actual financial position of Treasury Wine Estates at the time of the Demerger, but represents an indication of Treasury Wine Estates Pro Forma Historical Balance Sheet as at 31 December 2010 in the circumstances set out in this Section. The Treasury Wine Estates Pro Forma Historical Balance Sheet has not been adjusted for the interim dividend announced by Foster's on 15 February 2011.

5.3 Treasury Wine Estates Pro Forma Historical Income Statements

(a) Treasury Wine Estates Pro Forma Historical Income Statements

Treasury Wine Estates Pro Forma Historical Income Statements for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010 are set out below:

Treasury Wine Estates Pro Forma Historical Income Statements				Table 1
(\$M)	Year ended 30 Jun 2008	Year ended 30 Jun 2009	Year ended 30 Jun 2010	Half year ended 31 Dec 2010
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
Operating and corporate costs ⁽¹⁾	(1,801.5)	(1,871.9)	(1,702.1)	(840.5)
EBITS before individually material items	304.3	284.4	202.6	91.5
SGARA	1.9	(21.9)	(18.0)	(5.2)
EBIT before individually material items	306.2	262.5	184.6	86.3
Individually material items ⁽²⁾	(730.4)	(319.6)	(1,264.7)	–
EBIT after individually material items	(424.2)	(57.1)	(1,080.1)	86.3

(1) Following the Demerger, Treasury Wine Estates will operate as a separate legal entity, listed on ASX. The following pro forma adjustments have been made to previously reported wine segment results:

- for the year ended 30 June 2008, operating costs have been increased by \$60 million in order to provide consistency in the cost allocation methodology between financial periods;
- adding costs of \$1.4 million for the year ended 30 June 2008, and reducing costs by \$7.3 million, \$8.3 million and \$5.1 million for the years ended 30 June 2009, 30 June 2010 and the six month period ended 31 December 2010 respectively. These cost reallocations reflect the estimated impact of retrospectively applying the pricing methodology for logistics services and sales and marketing outlined in the transition service arrangements discussed in Section 3.10; and
- adding \$27.0 million of annual operating and corporate costs necessary to operate Treasury Wine Estates as a separate listed entity. Further information on incremental operating and corporate costs is set out in Section 7.8, Table 27.

(2) In the years ended 30 June 2008, 30 June 2009 and 30 June 2010, non-cash individually material items included asset impairment writedowns of \$716.6 million, \$278.4 million and \$1,291.6 million respectively.

See Sections 5.6 and 5.8 for information regarding Treasury Wine Estates' financing facilities and the formation of the Treasury Wine Estates Australian tax consolidated group following the Demerger.

(b) Management commentary on Treasury Wine Estates pro forma historical financial performance

This Section 5.3(b) contains management commentary on Treasury Wine Estates pro forma financial performance for the period from 1 July 2007 to 31 December 2010. Additional information on the historical financial results of Treasury Wine Estates can be found in Foster's annual reports and half yearly reports. These reports are available from Foster's website, www.fostersgroup.com or from ASX's website, www.asx.com.au.

(i) Overview

In the period from 1 July 2007 to 31 December 2010, Treasury Wine Estates' financial performance and sales volume were affected positively and negatively by a number of different factors. The major factors are outlined below:

- foreign exchange rate movements resulted in significant negative impacts in the year ended 30 June 2010 and the half year ended 31 December 2010, and a significant positive impact in the year ended 30 June 2009. The impact of exchange rate movements is further discussed in Section 5.3(c);
- the emergence of a subdued consumer environment in key international markets resulted in reduced consumer demand for higher margin luxury and premium wines as consumers traded down to lower priced products and switched consumption from on-premise to off-premise channels; reduced retailer and distributor demand as inventory investments were realigned; and suppliers and retailers increasing their levels of pricing activity;
- the ongoing oversupply of wine in Australia and New Zealand contributed to increased competition and generally increased levels of pricing activity;
- grape prices fluctuated between annual vintages in key producing regions as a result of seasonal variations in vineyard production and longer term supply and demand trends. In Australia, the 2007 vintage was impacted by unfavourable seasonal conditions, resulting in a significant increase in grape costs that impacted cost of sales in the years ended 30 June 2008 and 2009. Longer term supply and demand trends have resulted in declines in grape prices in Australia and increases in grape costs in California; and
- Treasury Wine Estates implemented the performance improvement programme described in Section 4.1(d), including initiatives to premiumise the portfolio, realign sales to higher margin channels and markets and cost reduction initiatives.

(ii) Results for the half year ended 31 December 2010

Treasury Wine Estates' pro forma EBITs of \$91.5 million was \$1.7 million above the prior comparable period, with the realisation of benefits from performance improvement programme and lower grape prices largely offset by unfavourable exchange rate movements. Excluding the impact of exchange rate movements, pro forma EBITs increased 29.9% as compared to the six months ended 31 December 2009.

Volumes declined by approximately 1.1 million 9LE cases to 18.0 million 9LE cases and included a 0.4 million 9LE case impact in ANZ associated with portfolio realignment initiatives and the termination of the Riccadonna brand distribution arrangement, and lower volume in the Americas as a result of the discontinuation of loss making promotional programmes and reduced profitability of Australian wines as a result of exchange rate movements. This impact was partially offset by underlying volume growth in ANZ, EMEA and Asia.

Excluding the impact of exchange rate movements, pro forma net sales revenue declined by \$25.6 million and included a \$19.4 million negative impact from the portfolio realignment and termination of the Riccadonna brand distribution in Australia. Excluding the impact of exchange rate movements, pro forma net sales revenue per case increased 3.4% and benefited from Treasury Wine Estates' initiatives to premiumise its portfolio and realign sales to more profitable products, channels and markets more than offset ongoing impacts from the subdued consumer environment in key international markets.

Excluding the impact of exchange rate movements, pro forma operating and corporate costs declined by \$44.9 million and included the impact from lower volume, benefits from the realisation of efficiencies and lower grape costs. These benefits were partially offset by increased investment in consumer marketing.

(iii) Results for the year ended 30 June 2010

Treasury Wine Estates pro forma EBITs of \$202.6 million was \$81.8 million below that of the prior year, driven by unfavourable exchange rate movements. Excluding the impact of exchange rate movements, pro forma EBITs increased 23.6%, with growth accelerating in the second half.

Volumes declined by 0.9 million 9LE cases to 35.6 million 9LE cases and included a 1 million 9LE case impact in ANZ associated with portfolio realignment initiatives, consisting of the exit from the cask category and the rationalisation of tail brands in Australia. This impact was partially offset by modest underlying volume growth in the Americas, EMEA and Australia.

Excluding the impact of exchange rate movements, pro forma net sales revenue declined by \$25.4 million and included a \$26.8 million negative impact from the portfolio realignment initiative in Australia. The realisation of benefits from Treasury Wine Estates' initiatives to premiumise its portfolio and realign sales to more profitable products, channels and markets more than offset ongoing impacts from the subdued consumer environment in key international markets and oversupply in Australia and New Zealand. Net sales revenue per case, excluding the impact of exchange rate movements, increased by 1.2% and in the second half increased by 4.7%.

Excluding the impact of exchange rate movements, pro forma operating and corporate costs declined by \$61.1 million and included a \$26.6 million benefit from the realisation of efficiencies, benefits from lower grape costs in Australia and the impact of lower volume associated with the portfolio realignment in Australia. These benefits were partially offset by higher grape costs in California.

(iv) Results for the year ended 30 June 2009

Treasury Wine Estates pro forma EBITs of \$284.4 million was \$19.9 million below that of the prior period. Excluding the benefit from favourable exchange rate movements, EBITs declined \$89.4 million and included a \$34.6 million negative impact associated with one-time items. The one-time items consisted of a \$17.7 million charge relating to under accruals in prior periods of United States distributor rebates and \$16.9 million associated with the transition to direct distribution in key Nordic markets.

Volumes declined by 2.1 million 9LE cases to 36.5 million 9LE cases and included the impact of a 0.7 million 9LE case decline associated with portfolio realignment initiatives in Australia; a one-time impact of approximately 0.6 million 9LE case associated with the transition to direct distribution in key Nordic markets; a 0.4 million 9LE case decline as a result of transferring certain packaging activities from Australia to the United Kingdom; and reduced consumer demand in key international markets reflecting poor economic conditions.

Excluding the impact of exchange rate movements, pro forma net sales revenue declined by \$132.4 million and was impacted by lower volume, a subdued consumer environment in key international markets and the one-time item relating to the under accrual of distributor rebates in the United States. Excluding the impact of exchange rate movements, net sales revenue per case declined by 0.5%.

Excluding the impact of exchange rate movements, pro forma operating and corporate costs declined \$31.8 million and included a \$7.9 million benefit from the realisation of efficiencies. Pro forma corporate and operating costs associated with lower volumes were more than offset by the impact of grape cost increases in Australia and California, and higher glass cost in California.

(v) Results for the year ended 30 June 2008

Treasury Wine Estates pro forma EBITs was \$304.3 million for the period.

Volumes were impacted by portfolio realignment initiatives in Australia, initiatives to reduce distributor inventories in the United States and Australia and lower sales of Australian wine in the Americas. These volume reductions were partially offset by volume growth in the Nordics and Continental Europe.

Pro forma net sales revenue was impacted by lower volume, positive mix trends and price increases in Californian commercial wines and selected luxury and icon wines.

Pro forma corporate and operating costs were impacted by higher costs of sales associated with wines produced in the 2007 Australian vintage.

Financial information on Treasury Wine Estates continued

(c) Impact of movements in foreign exchange rates on pro forma historical financial performance

Foreign exchange rate movements have had a significant impact on Treasury Wine Estates pro forma financial performance. This has arisen from Treasury Wine Estates conducting its operations in currencies other than A\$. The impact from movements in exchange rates on Treasury Wine Estates' earnings incorporates both transaction and translation impacts.

Transaction impacts arise in each of Treasury Wine Estates' business units as a result of generating revenues and incurring costs that are denominated in currencies other than the business unit's reporting currency. The prevailing exchange rate at the transaction settlement date is used to determine the business unit's reporting currency equivalent amount in relation to these foreign currency transactions. The reporting currency and key transactional currency pairs of each of Treasury Wine Estates' business units are set out in the table below:

Treasury Wine Estates' business units reporting currency and major transactional currency pairs				Table 2
Regional business unit	Business unit reporting currency	Major transactional currency pairs	Description	
ANZ	A\$	NZ\$/A\$	Cost of sales denominated in NZ\$	
		A\$/NZ\$	Sale of products denominated in NZ\$	
Americas	US\$	A\$/US\$	Cost of sales denominated in A\$	
		€/US\$	Cost of sales denominated in €	
		US\$/C\$	Sale of products denominated in C\$	
EMEA	£	A\$/£	Cost of sales denominated in A\$	
		US\$/£	Cost of sales denominated in US\$	
		£/€	Sale of products denominated in €	
		£/SEK	Sale of products denominated in SEK	
		£/NOK	Sale of products denominated in NOK	
Asia	A\$	A\$/US\$	Sale of products denominated in US\$	

Translation impacts arise upon Treasury Wine Estates translating its earnings in currencies other than A\$ (for reporting purposes) into A\$ using average exchange rates for the period.

For the years ended 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010, the impact of foreign exchange rate movements on Treasury Wine Estates pro forma EBITs from the prior comparable periods are set out in the table below:

Change in pro forma EBITs from prior comparable periods attributable to all exchange rate movements					Table 3
(\$M)	Year ended 30 Jun 2008	Year ended 30 Jun 2009	Year ended 30 Jun 2010	Half year ended 31 Dec 2010	
Change in pro forma EBITs from prior period attributable to all exchange rate movements	N/A	89.6	(120.5)	(21.0)	
<u>Selected average exchange rates:</u>					
A\$/US\$	0.8960	0.7504	0.8814	0.9434	
A\$/£	0.4473	0.4623	0.5579	0.6025	

It is estimated that for the year ended 30 June 2010, the average impact of a one cent increase in the A\$/US\$ exchange rate was to reduce Treasury Wine Estates EBITs by approximately \$4.8 million, and the average impact of a one pence increase in the A\$/£ exchange rate was to reduce Treasury Wine Estates EBITs by approximately \$5.6 million.

(d) Pro forma historical segmental information

Treasury Wine Estates pro forma historical segmental information for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010 are set out below:

Treasury Wine Estates pro forma historical segmental information				Table 4
	Year ended 30 Jun 2008	Year ended 30 Jun 2009	Year ended 30 Jun 2010	Half year ended 31 Dec 2010
ANZ				
Volume (million 9L cases)	9.7	8.9	7.9	4.4
Net sales revenue (\$M)	602.0	598.8	554.5	294.3
Pro forma EBITs (\$M)	77.8	78.9	84.1	44.7
Americas				
Volume (million 9L cases)	18.0	17.9	17.9	8.3
Net sales revenue (\$M)	978.3	1,093.2	933.0	431.3
Pro forma EBITs (\$M)	146.6	159.3	107.4	54.2
EMEA				
Volume (million 9L cases)	10.0	8.8	8.9	4.9
Net sales revenue (\$M)	431.6	381.6	336.4	166.8
Pro forma EBITs (\$M)	77.9	45.4	15.0	(0.5)
Asia				
Volume (million 9L cases)	1.0	0.9	0.9	0.4
Net sales revenue (\$M)	73.5	71.2	66.3	31.3
Pro forma EBITs (\$M)	29.0	27.8	23.1	6.6
Total				
Volume (million 9L cases)	38.6	36.5	35.6	18.0
Net sales revenue (\$M)	2,085.4	2,144.8	1,890.2	923.7
Pro forma operating EBITs (\$M)	331.3	311.4	229.6	105.0
Pro forma corporate / unallocated EBITs (\$M)	(27.0)	(27.0)	(27.0)	(13.5)
Pro forma EBITs before individually material items (\$M)⁽¹⁾	304.3	284.4	202.6	91.5

(1) See the footnotes to Table 1 for adjustments made to previously reported segment results.

5.4 Treasury Wine Estates Pro Forma Historical Cash Flow Statements

(a) Treasury Wine Estates Pro Forma Historical Cash Flow Statements

Treasury Wine Estates Pro Forma Historical Cash Flow Statements for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010 are set out below:

Treasury Wine Estates Pro Forma Historical Cash Flow Statements ⁽¹⁾				Table 5
(\$M)	Year ended 30 Jun 2008	Year ended 30 Jun 2009	Year ended 30 Jun 2010	Half year ended 31 Dec 2010
Pro forma EBITs before individually material items	304.3	284.4	202.6	91.5
Depreciation	92.4	103.5	95.0	38.2
Amortisation	2.8	1.8	–	–
Pro forma EBITDAs before individually material items	399.5	389.7	297.6	129.7
Change in working capital	(84.6)	101.4	122.8	(1.0)
Net profit on sale of businesses, property, plant and equipment	(2.7)	(2.0)	(0.6)	(0.8)
Share of associates' net profit	–	–	(1.2)	(0.9)
Other non-cash items	–	(11.0)	(14.3)	1.6
Net operating cash flows, before financing costs and tax	312.2	478.1	404.3	128.6
Dividends received	–	1.2	–	–
Capital expenditure	(79.3)	(99.6)	(77.7)	(18.8)
Net operating cash flows after capital expenditure before financing costs and tax	232.9	379.7	326.6	109.8
Cash Conversion	79%	123%	136%	99%

(1) Excludes cash payments and receipts associated with individually material items as detailed in Table 1.

The cash flows presented above are before financing costs and tax. As a separate legal entity, Treasury Wine Estates will incur additional net cash outflows relating to:

- financing activities (see Section 5.6); and
- taxation (see Section 5.8).

There is also an expectation that dividends (see Section 5.10) will be paid by Treasury Wine Estates following the Demerger.

Pro forma adjustments have not been made to Treasury Wine Estates Pro Forma Historical Cash Flow Statements for these items because the periods presented do not reflect Treasury Wine Estates' future corporate and operating structure, financing facilities, tax consolidation status and capital structure following the Demerger.

(b) Historical changes in working capital

Working capital investment was \$1.0 million in the six months ended 31 December 2010.

In the year ended 30 June 2010, the positive working capital movement was as a result of improved debtor and creditor management and lower inventory. Lower inventory levels were achieved as a result of significant improvements in inventory management and a focus on clearing bulk wine surplus and slower moving stock.

In the year ended 30 June 2009, the positive working capital movement related to improved debtor management; changes to the timing of sales as a result of transitioning to direct distribution in the Nordics and increased in-market packaging in the United Kingdom; and a reduction in debtors as a result of lower sales volume. These benefits were partially offset by higher inventory levels.

In the year ended 30 June 2008, the negative working capital movement was mainly due to higher inventory levels, impacted by higher vintage costs and higher grape intake compared with the 2008 vintage. This was partly offset by lower receivables due to lower distributor inventory levels.

(c) Historical capital expenditure

In the three years ended 30 June 2010 and the six months ended 31 December 2010, major items of capital expenditure were purchases of oak barrels and vineyards, and upgrades to winery and packaging facilities.

5.5 Treasury Wine Estates Pro Forma Historical Balance Sheet

(a) Treasury Wine Estates Pro Forma Historical Balance Sheet

The table below sets out Treasury Wine Estates Pro Forma Historical Balance Sheet as at 31 December 2010. For the purpose of presenting Treasury Wine Estates Pro Forma Historical Balance Sheet, it has been assumed that the Demerger was effected on 31 December 2010.

Treasury Wine Estates Pro Forma Historical Balance Sheet 31 December 2010			Table 6
(\$M)	Pro forma wine business as at 31 Dec 2010 ⁽¹⁾	External debt, cash and inter-company payment/ receipt ⁽²⁾	Pro forma Treasury Wine Estates as at 31 Dec 2010
Current assets			
Cash and cash equivalents	27.0	33.0	60.0
Receivables	452.5		452.5
Inventories	767.2		767.2
Assets classified as held for sale	23.7		23.7
Total current assets	1,270.4	33.0	1,303.4
Non-current assets			
Receivables	0.3		0.3
Inventories	279.3		279.3
Investments accounted for using the equity method	8.7		8.7
Property, plant and equipment	912.7		912.7
Agricultural assets	180.0		180.0
Intangible assets	920.0		920.0
Deferred tax assets	172.2		172.2
Total non-current assets	2,473.2	-	2,473.2
Total assets	3,743.6	33.0	3,776.6
Current liabilities			
Payables	367.5		367.5
Intercompany payables	167.0	(167.0)	-
Borrowings	1.1		1.1
Provisions	51.2		51.2
Total current liabilities	586.8	(167.0)	419.8
Non-current liabilities			
Borrowings	-	200.0	200.0
Deferred tax liabilities	264.4		264.4
Provisions	2.2		2.2
Total non-current liabilities	266.6	200.0	466.6
Total liabilities	853.4	33.0	886.4
Net assets	2,890.2	-	2,890.2

(1) This column represents the wine segment assets and liabilities of Treasury Wine Estates disclosed in Foster's financial reports, adjusted for:

- wine related assets and liabilities transferring to Treasury Wine Estates and beer, cider and spirits related assets and liabilities transferring from Treasury Wine Estates prior to the Demerger consistent with the internal restructure; and
- any associated corporate balances (deferred taxes, employee benefits and the reinstatement of intercompany balances) applicable to Treasury Wine Estates.

(2) An adjustment of \$200.0 million has been made to non-current borrowings to reflect external debt drawn down by Treasury Wine Estates at the time of the Demerger, with \$167.0 million of the proceeds being used to repay a liability to Foster's, and the balance of \$33.0 million shown as cash and cash equivalents.

Financial information on Treasury Wine Estates continued

(b) Property, plant and equipment

Treasury Wine Estates' property, plant and equipment are depreciated on a straight line basis over their useful economic lives. Treasury Wine Estates reviews the appropriateness of useful economic lives of assets at least annually and any changes to useful economic lives may affect prospective depreciation rates and asset carrying values.

Treasury Wine Estates' property, plant and equipment as at 31 December 2010 <i>Table 7</i>	
(\$M)	Pro forma as at 31 Dec 2010
Land	
At cost less impairment	272.2
Freehold buildings and improvements	
At cost	323.8
Accumulated depreciation and impairments	(122.2)
Total carrying value	201.6
Leasehold buildings and improvements	
At cost	47.0
Accumulated depreciation and impairments	(22.2)
Total carrying value	24.8
Plant and equipment	
At cost	1,007.1
Accumulated depreciation and impairments	(621.7)
Projects in progress at cost	28.7
Total carrying value	414.1
Total property, plant and equipment	912.7

(c) Inventories

The following table sets out a summary of Treasury Wine Estates' inventories as at 31 December 2010:

Treasury Wine Estates' inventory position as at 31 December 2010 <i>Table 8</i>	
(\$M)	Pro forma as at 31 Dec 2010
Current	
Finished goods	318.7
Raw materials	19.5
Work in progress	429.0
Total current inventories	767.2
Non-current	
Finished goods	-
Raw materials	-
Work in progress	279.3
Total non-current inventories	279.3
Total inventories	1,046.5

Treasury Wine Estates' accounting policy is to report inventories of finished goods, raw materials and stores and work in progress at the lower of cost (using either an average or first in first out basis) and estimated net realisable value. In practice, this means that the values for finished goods and work in progress are generally shown at cost, and are substantially less than the estimated net realisable value.

(d) Intangible assets

The following table sets out a summary of Treasury Wine Estates' intangible assets as at 31 December 2010:

Treasury Wine Estates' intangible assets as at 31 December 2010 <i>Table 9</i>	
(\$M)	Pro forma as at 31 Dec 2010
Goodwill	4.8
Indefinite life brand names	915.2
Total intangible assets	920.0

The carrying value of indefinite life brand names is mainly attributable to the Beringer, Lindemans, Penfolds, Rosemount and Wolf Blass brand names.

(e) Provisions

The following table sets out a summary of Treasury Wine Estates provisions as at 31 December 2010:

Treasury Wine Estates provisions as at 31 December 2010 <i>Table 10</i>	
(\$M)	Pro forma as at 31 Dec 2010
Current	
Restructuring and rationalisation	12.5
Employee entitlements	38.7
Total current provisions	51.2
Non-current	
Employee entitlements	2.2
Total non-current provisions	2.2
Total provisions	53.4

Restructuring and rationalisation provisions are primarily associated with redundant production sites and/or onerous lease arrangements.

5.6 Financing, risk management and capital commitments

(a) Debt and liquidity

Treasury Wine Estates has historically been funded through a combination of cash flows generated by Foster's (including cash flows generated by Foster's non-Treasury Wine Estates businesses) and external financing arrangements. Following the Demerger, funding for Treasury Wine Estates will be sourced from a combination of its own cash reserves, internal cash flows and a \$500 million syndicated bank loan facility. Treasury Wine Estates does not anticipate seeking a credit rating.

Upon Demerger, Treasury Wine Estates is expected to 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. It is anticipated that all of Treasury Wine Estates' gross debt will initially be drawn in US\$. Drawdown of this external debt will settle the consideration payable as a result of the transfer of companies, assets, rights and liabilities from Foster's to Treasury Wine Estates. The Treasury Wine Estates Board has confirmed that it considers this level of indebtedness and cash, together with the balance of the \$500 million which will be available under the new syndicated loan facility (being, \$300 million), to be appropriate at the time of the Demerger with regard to the financial profile of Treasury Wine Estates as a separate legal entity. Additionally, the Treasury Wine Estates Board has confirmed that it considers that Treasury Wine Estates will have enough working capital to carry out its stated objectives.

The new syndicated loan facility contains customary terms and conditions for a facility of this nature. A summary of key terms is set out below.

Summary of terms and conditions for Treasury Wine Estates' new loan facility	
Table 11	
Facility type	Revolving cash advance facility
Borrowers	TWE Finance (Aust) Limited TWE US Finance Co.
Guarantors	The facility is guaranteed by Treasury Wine Estates Limited and each borrower
Currencies	A\$, US\$, £ and €
Tranches, commitments and maturities	Tranche A: A\$200 million three year tranche Tranche B: A\$300 million five year tranche
Applicable interest rates	With respect to a draw down denominated in: <ul style="list-style-type: none"> A\$, the relevant BBSY rate; US\$, the relevant LIBOR rate; £, the relevant LIBOR rate; and €, the relevant EURIBOR rate, plus the margin, which has been agreed at current commercial rates.

Conditions precedent to initial draw down

The facility documentation contains conditions precedent to initial draw down that are considered customary for a facility of this nature.

Additional scheme related conditions precedent to initial draw down include:

- confirmation that the Scheme has become effective; and
- that certain information provided to the bank syndicate relating to the business, financial position and performance of Treasury Wine Estates has not varied since last provided to the bank syndicate in a manner that has or is likely to have a material adverse effect.

Events of default and mandatory prepayment due to change of control

The facility documentation contains events of default that are considered customary for a facility of this nature including, but not limited to:

- failure to pay an amount owing, or to comply with another obligation, under the facility documentation (in each case, subject to grace periods);
- failure to comply with a financial undertaking;
- cross default by certain group members of Treasury Wine Estates in an amount of not less than \$25 million;
- insolvency and external administration; and
- any event (or series of events) which has a material adverse effect.

If Treasury Wine Estates becomes a subsidiary of another entity following implementation of the Demerger, the facility agent may require full repayment of amounts outstanding under the syndicated facility within 120 days.

Undertakings

The facility documentation contains undertakings that are considered customary for a facility of this nature including, but not limited to:

- provision of certain information relating to the financial condition, business and operation of Treasury Wine Estates;
- certain restrictions on granting security;
- certain restrictions on disposals of assets; and
- certain restrictions on providing financial accommodation.

The facility documentation contains the following financial undertakings:

- an earnings to net interest expense ratio; and
- a total net indebtedness to earnings before interest, tax, depreciation, amortisation and self-generating and regenerating assets ratio.

Financial information on Treasury Wine Estates continued

As at the date of this Booklet, a binding commitment letter has been executed by Treasury Wine Estates Limited and Westpac Banking Corporation pursuant to which Westpac Banking Corporation has agreed to enter into formal facility documentation to underwrite the entire \$500 million syndicated loan facility.

As part of the commitment letter, Treasury Wine Estates Limited and Westpac Banking Corporation have agreed and executed a detailed credit approved term sheet in respect of the syndicated loan facility.

The commitment letter contains terms and conditions that are considered customary for a facility of this nature and is subject to a condition that the syndicated loan facility agreement is signed on or before 30 June 2011 (or such later date as agreed in writing by the parties).

(b) Other financing arrangements

Treasury Wine Estates will establish, as required, transactional banking facilities in each of the countries in which Treasury Wine Estates operates. Terms and conditions will be specific to each country as agreed from time to time.

Where third party beneficiary consents are required to transfer existing transactional banking arrangements from Foster's to Treasury Wine Estates, these facilities will remain in place with New Foster's to ensure business continuity at the time the Demerger is implemented and be covered by the indemnities under the Separation Principle.

Treasury Wine Estates EMEA Limited (formerly Foster's EMEA Limited) has entered into an uncommitted, non-recourse receivable purchasing agreement to sell certain receivables, from time to time, to an unrelated entity in exchange for cash. The facility limit under the receivable purchasing agreement is £40.0 million. Once sold, a receivable is immediately de-recognised from the balance sheet as the primary risks and rewards of ownership have been transferred to the unrelated entity. As at 31 December 2010, Treasury Wine Estates EMEA Limited had sold receivable balances equivalent to £35.9 million in exchange for cash. The retention of this receivable purchasing agreement by Treasury Wine Estates following the Demerger will require consent from the unrelated entity. Treasury Wine Estates will seek consent to retain this facility and, should such consent not be provided, may seek to replace this uncommitted arrangement with another unrelated entity.

(c) Interest rate risk management

Treasury Wine Estates may hedge its interest rate exposures to deliver lower funding costs and predictable interest expense by varying the mix of fixed and variable rate debt through the use of derivative financial instruments, which may include interest rate and cross currency swaps, forward rate agreements and interest rate options.

Treasury Wine Estates' interest rate risk management will, however, ultimately be a matter for the Treasury Wine Estates Board and senior management to develop over time, and is subject to change or alteration as circumstances require.

(d) Foreign exchange risk management

Treasury Wine Estates is an international wine business with revenues and costs arising directly or indirectly outside of Australia. As a result, changes in foreign exchange rates can have a material impact on Treasury Wine Estates financial performance.

The effect of fluctuations in the relative values of the A\$, US\$, €, £ and C\$ is complex. However, generally, an appreciation of the A\$, particularly against the US\$ and £, will result in Treasury Wine Estates reporting lower A\$ profits.

Further information regarding the historical impact of movements in foreign exchange rates on Treasury Wine Estates is set out in Section 5.3(c).

Prior to the Demerger, Treasury Wine Estates does not intend to undertake any material hedging, using financial derivatives, of its foreign currency exposures.

Treasury Wine Estates' foreign exchange risk management will, however, ultimately be a matter for the Treasury Wine Estates Board and senior management to develop over time, and is subject to change or alteration as circumstances require.

(e) Contractual obligations and capital commitments

(i) Lease commitments

Treasury Wine Estates' operating lease commitments as at 31 December 2010 are set out below:

Treasury Wine Estates' lease commitments as at 31 December 2010	
Table 12	
(\$M)	Pro forma as at 31 Dec 2010
No later than one year	30.3
Later than one, not later than five years	73.7
Later than five years	72.7
Total	176.7

Lease commitments predominantly relate to future lease obligations in respect of vineyards.

(iii) Capital commitments

As at 31 December 2010, Treasury Wine Estates had capital commitments of \$11.6 million.

If the Demerger proceeds, approximately \$30.4 million of capital expenditure relating to stages 2 and 3 of the information technology project (see Section 3.10(d)) is expected to be undertaken by Treasury Wine Estates during the years ending 30 June 2012 and 30 June 2013.

5.7 Ongoing costs arising from the Demerger

Following the Demerger, Treasury Wine Estates and New Foster's will incur incremental ongoing costs stemming from their respective operational, corporate and funding structures. Details of these are set out in Section 7.8.

5.8 Taxation

Treasury Wine Estates will operate in a number of geographic regions and continue to deal with tax regulators and recognise tax balances in legal entities located in various countries.

(a) Australian tax consolidation

At the time of the Demerger, Treasury Wine Estates will exit Foster's Australian tax consolidated group and is expected to form a new Australian tax consolidated group.

As the head company of that new Australian tax consolidated group, Treasury Wine Estates will be principally responsible for paying the Australian income tax of the group. Furthermore, under current Australian tax laws, the tax bases of certain of Treasury Wine Estates' tangible and intangible assets are required to be reset on formation of the new Australian tax consolidated group. Broadly, this involves the tax cost base of Treasury Wine Estates being allocated across its assets. To the extent that the cost bases of these assets are reset, it will be done so in accordance with the relative market value of those assets at the date of formation of the new Australian tax consolidated group.

The Australian Federal government has recently proposed amendments to Australian tax laws, to apply to demergers after 9 November 2010, which are intended to ensure the tax costs of the assets of the wholly-owned subsidiaries of a demerged entity are retained when they form a new consolidated group. If these reforms are enacted, it is anticipated that Treasury Wine Estates will inherit the cost bases of assets from Foster's Australian tax consolidated group.

(b) Deferred tax balances

(i) *Impact of consolidation on Australian deferred tax balances*

On the formation by Treasury Wine Estates of its new Australian tax consolidated group, certain deferred tax balances will need to be recognised. The extent to which deferred tax balances must be recognised will depend on a number of factors, including whether the reforms referred to in Section 5.8(a) are enacted as well as the market value of Treasury Wine Estates and a range of its assets at the date of the formation of the group.

For the purpose of the 31 December 2010 pro forma balance sheets, the deferred tax balances that were reported in the half year report to 31 December 2010 have been allocated between Treasury Wine Estates and New Foster's. The deferred tax balances have been allocated on the basis of the legal ownership of the underlying asset or liability to which the deferred tax balance relates.

If the reforms referred to in Section 5.8(a) are enacted, the deferred tax balances would be determined on a similar basis to that used for the purpose of the 31 December 2010 pro forma balance sheets, subject to adjustment to reflect any changes in carrying values and tax bases of the assets of Treasury Wine Estates from 1 January 2011 to the time of the Demerger. If those reforms are not enacted (or do not begin to apply until after the Demerger), the resetting of the tax bases of certain of the tangible and intangible assets that will take place on formation of the new Australian tax consolidated group by Treasury Wine Estates is likely to result in a deferred tax liability (or deferred tax asset) balance different to that shown in the Treasury Wine Estates Pro Forma Historical Balance Sheet, with a corresponding adjustment recognised in the Treasury Wine Estates Pro Forma Income Statement.

(iii) *Tax losses*

Tax losses recognised as part of the deferred tax balances in Treasury Wine Estates' pro forma 31 December 2010 balance sheet are expected to remain available to Treasury Wine Estates after the Demerger, except to the extent they are applied against taxable income arising on or after 1 January 2011. Taxable income may include profits or gains arising from the internal restructure referred to in Section 3.1, although these are not anticipated to be material. However, the ability of Treasury Wine Estates to obtain the benefit of these existing tax losses will depend upon future circumstances as set out in Section 8.3(c)(vii).

(c) Applicable tax rates

Treasury Wine Estates is a global wine business which operates in a number of countries with differing tax rates. A breakdown of the statutory tax rates applicable in the main jurisdictions in which Treasury Wine Estates operates is set out below:

Statutory tax rates applicable to Treasury Wine Estates (major jurisdictions) Table 13

Jurisdiction	Statutory tax rate
Australia	30%
New Zealand	30% (28% from 1 July 2011)
United States	37.66% (blended federal and state rate)
Canada	Federal 16.5%, provincial 10-24%
United Kingdom	28% (27% from 1 April 2011)

5.9 Treasury Wine Estates financial reporting for the year ending 30 June 2011

If the Demerger proceeds, Treasury Wine Estates will release its preliminary final report for the year ending 30 June 2011 in accordance with the Listing Rules by no later than 31 August 2011.

As outlined in Section 3.1, Foster's has initiated an internal restructure which is designed to ensure that, on or shortly after the Effective Date, Treasury Wine Estates will own all the companies, assets, rights and liabilities relating to the wine business and New Foster's will own all the companies, assets, rights and liabilities in relation to all other businesses of Foster's.

As the internal restructure and Demerger will occur part-way through the financial year, Treasury Wine Estates' results for the year ending 30 June 2011 will reflect:

- for the period from 1 July 2010 to the Effective Date, the results of Treasury Wine Estates Limited and its subsidiaries as the group existed prior to the internal restructure and Demerger; and
- for the period from the Effective Date to 30 June 2011, the results of Treasury Wine Estates Limited and its subsidiaries as the group existed following the internal restructure and Demerger.

By comparison, the Treasury Wine Estates Pro Forma Historical Income Statements and Treasury Wine Estates Pro Forma Historical Cash Flow Statements presented in Sections 5.3 and 5.4 illustrate the financial performance of Treasury Wine Estates as if the Demerger (and the associated internal restructure) was effective from 1 July 2007.

Treasury Wine Estates' results for the year ending 30 June 2011 will:

- for the period from 1 July 2010 to the Effective Date:
 - include, on a consolidated basis, the results of Treasury Wine Estates Limited and all entities that were subsidiaries of Treasury Wine Estates Limited during this period, with any results relating to New Foster's entities that were subsidiaries of Treasury Wine Estates Limited during this period disclosed as a discontinued activity; and
 - exclude the results of wine entities and assets which were not owned by either Treasury Wine Estates Limited or by entities that were subsidiaries of Treasury Wine Estates Limited during this period;
- for the period from the Effective Date to 30 June 2011, include, on a consolidated basis, the results of Treasury Wine Estates Limited and all entities that were subsidiaries of Treasury Wine Estates Limited during this period; and
- include any individually material items.

The reported results of Treasury Wine Estates Limited and its subsidiaries for the year ending 30 June 2011 will also be impacted by the internal restructure, primarily because New Foster's will remain responsible for all existing group debt and because of the refinancing activity referred to in Section 7.6.

5.10 Dividend policy and franking credits

(a) Dividend policy

The dividend policy of Treasury Wine Estates 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 (excluding individually material items and subject to the Corporations Act) as dividends to Treasury Wine Estates Shareholders.

(b) Franking credits

The current Treasury Wine Estates Board has confirmed that it intends to frank its dividends to the extent practicable, although this is expected to be less than 100%. Whether any given dividend can be franked will depend on Treasury Wine Estates' franking account balance. Upon Demerger, Treasury Wine Estates' franking account balance will be nil. As Treasury Wine Estates will no longer be part of Foster's consolidated group that includes the beer, cider and spirits business, its franking account balance will be limited to the amount of Australian income tax paid in respect of its own earnings from the wine business. Treasury Wine Estates will operate in a number of geographical regions resulting in a substantial proportion of Treasury Wine Estates' earnings being derived outside Australia and which therefore will not be subject to Australian income tax.

Accordingly, the level of franking credits attached to the dividends payable in aggregate by Treasury Wine Estates and New Foster's shortly after the Demerger will generally be expected to be less than would have been available if the same aggregate dividend had been declared by Foster's in circumstances where the Demerger had not proceeded.

Section 7.10 sets out information concerning a dispute between Foster's and the Australian Commissioner of Taxation, known as the Ashwick litigation. Under the Demerger Tax Deed (see Section 3.9(e)), 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.

(c) Final dividend for the year ending 30 June 2011

It is anticipated that, taken together, the final dividends declared by Treasury Wine Estates and New Foster's for the year ending 30 June 2011 will be equivalent (excluding franking) to the final dividend that Foster's would otherwise have declared if the Demerger did not proceed.

(d) Dividend reinvestment plan

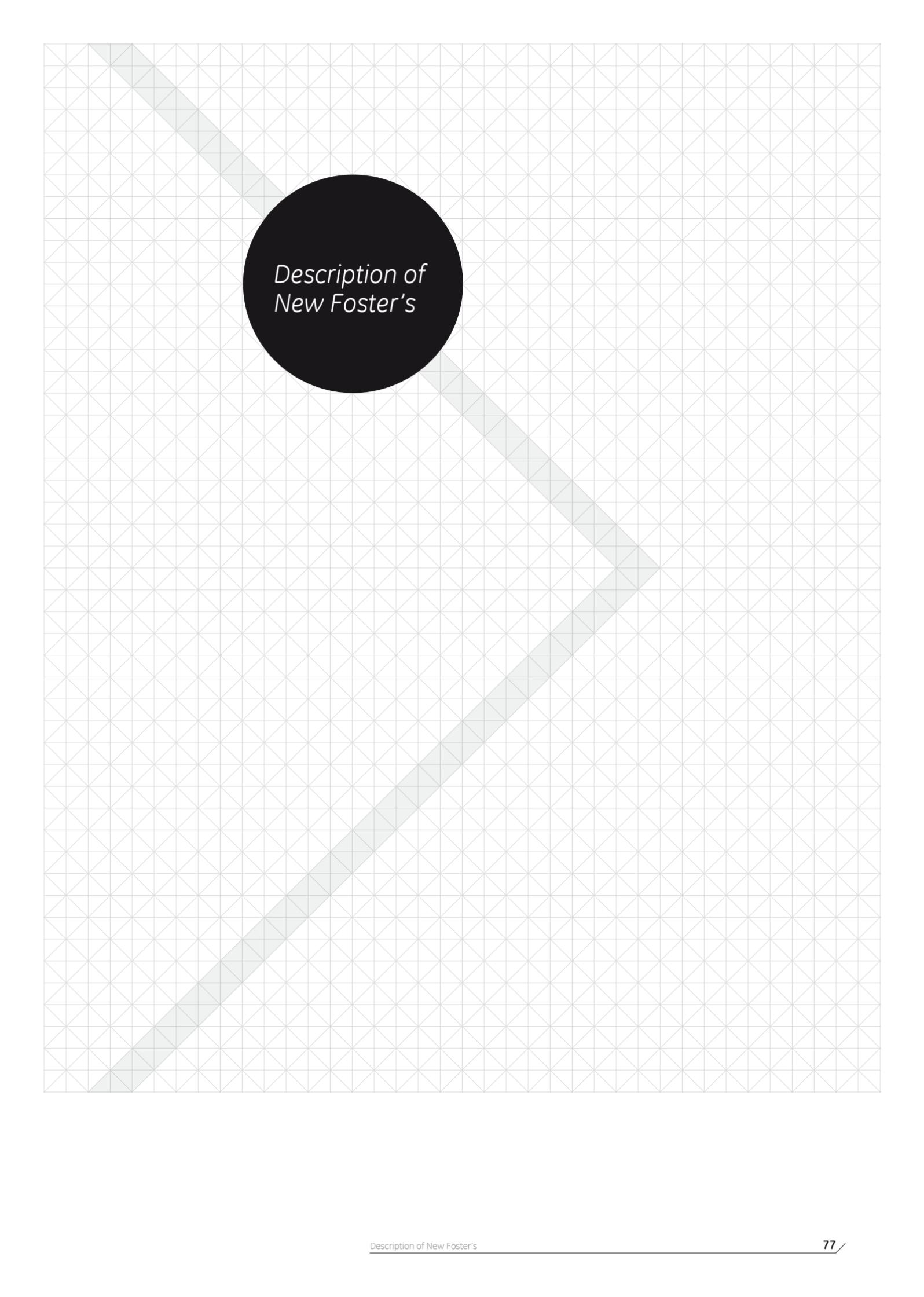
The Treasury Wine Estates Board will adopt a dividend reinvestment plan (**Treasury Wine Estates DRP**). Following the Demerger, the Treasury Wine Estates Board will determine, in its absolute discretion, whether or not to activate the Treasury Wine Estates DRP.

If the Treasury Wine Estates Board decides to activate the Treasury Wine Estates DRP, it will provide further details to Treasury Wine Estates Shareholders, including details of the Treasury Wine Estates DRP and the elections that may be made in relation to participation in the DRP by Treasury Wine Estates Shareholders.

5.11 Material changes in Treasury Wine Estates' financial position since most recent balance date

The most recent published financial statements of Foster's are the financial report for the half year ended 31 December 2010, which was released to ASX on 15 February 2011. To the knowledge of the Foster's Directors, there has been no material change in the financial position of Treasury Wine Estates since 31 December 2010, except as disclosed in this Booklet or otherwise in announcements to ASX.

Foster's will provide, free of charge, a copy of its most recent financial report to any person who requests a copy before the Scheme is approved by the Court.



*Description of
New Foster's*

6. Description of New Foster's

6.1 Business overview

(a) Introduction

New Foster's will retain all assets, rights and liabilities which are not transferred with Treasury Wine Estates pursuant to the Demerger.

Following the Demerger, New Foster's will be primarily focused on brewing activities with 97.6% of pro forma net sales revenue for the year ended 30 June 2010 generated by Carlton & United Breweries, its Australian and Pacific beer business, and the remaining 2.4% generated by International Beer.

Carlton & United Breweries is the largest brewer in Australia with a portfolio of brands produced by or licensed to Carlton & United Breweries that includes the leaders in the traditional regular, premium domestic and premium international segments. Carlton & United Breweries is also the largest cider producer in Australia, the largest brewer in Fiji and has a portfolio of spirits, ready-to-drink and non-alcohol brands.

International Beer business generates earnings from the sale, licensing and distribution of its Australian beer brands in markets outside Australia and the Pacific and from a distribution joint venture serving the Middle East.

(b) Business history

Foster's origins date back to 1854 when Australia's most popular beer, VB, was first brewed in Melbourne by the Victoria Brewery. Separately, the Foster's brand was born in 1888 when two brothers from the United States, William and Ralph Foster, first brewed Foster's Lager in Melbourne. These two icons in Australian brewing came together in 1907 and ever since then Carlton & United Breweries' brands have enjoyed a pre-eminent position in Australian brewing.

Today, Carlton & United Breweries maintains its links with Australia's brewing heritage whilst building a portfolio of favourites through new product innovation for the next generation of beer consumers.

(c) Financial performance

In the years ended 30 June 2009 and 30 June 2010, New Foster's delivered consistent growth in earnings and cash flows, with a compound annual growth rate in pro forma net sales revenue, EBIT and operating cash flow of 2.3%, 4.3% and 3.4%, respectively. New Foster's pro forma EBIT/net sales revenue margin has increased by approximately 138 basis points over the two year period ended 30 June 2010. Cash Conversion for New Foster's has consistently been greater than 90%.

For the six month period ended 31 December 2010, New Foster's pro forma net sales revenue and EBIT were 5.3% and 7.3% respectively below the prior period. The key contributor to lower pro forma net sales revenue and operating EBIT was a decline in Australian beer market volumes during the period due to abnormal weather and a more subdued consumer environment, and compared to unusually high beer market volumes in the prior comparable period. For the six months ended 31 December 2010, New Foster's pro forma operating cash flow increased 6.6% and benefited from the timing of the remittance of excise.

On a pro forma basis, New Foster's generated net sales revenue of \$2,395 million and EBIT of \$885 million in the year ended 30 June 2010 (before individually material items), and net sales revenue of \$1,227 million and EBIT of \$435 million for the six months ended 31 December 2010.

Further information on the historical pro forma financial performance of New Foster's is included in Section 7.

(d) Strategic priorities

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. These programmes are described in more detail below.

The current Foster's Board has confirmed that it will continue to focus on these strategic priorities following the Demerger. The future strategy of New Foster's will, however, ultimately be a matter for the New Foster's Board and senior management to develop over time and is subject to change or alteration as circumstances require.

(i) The Urgent Agenda

The Urgent Agenda is focused on strengthening New Foster's key enablers - structure and organisation, talent, culture, and programme discipline - in order to support the implementation of a number of strategic imperatives aimed at stabilising the business and building momentum. These imperatives are described in the table below.

Urgent Agenda imperatives	
Align to “must win” battles	<ul style="list-style-type: none"> Align investment and resources to targeted channel and portfolio opportunities Execute by channel, store format and customer Drive promotional investment effectiveness and return on investment
Win in-store	<ul style="list-style-type: none"> Execute insight based category solutions to drive in-store sales and conversion rates Define and act on key sales drivers Align sales force
Win on-premise	<ul style="list-style-type: none"> Targeted plans to strengthen our account base Support differentiation Execute in venue Improved merchandising standards Align sales force
Execution excellence	<ul style="list-style-type: none"> Integrated activity plans Build ‘A’ grade capability Upgrade talent Performance culture
Invest in brand strength and momentum	<ul style="list-style-type: none"> Review brand architectures Align brand communication Improve consumer insights Portfolio positioning through marketing investment and innovation
Drive operational excellence	<ul style="list-style-type: none"> Supply ‘fitness’ review Lean manufacturing and continuous improvement programs Aggressive cost management Targeted investment to drive efficiencies

Carlton & United Breweries is making good progress on implementing the Urgent Agenda, which is already yielding positive results. Brand architecture and communications have been strengthened, new marketing campaigns have been instituted for major brands, and the innovation programme has been accelerated. Execution is also stronger, with sales and marketing resources better aligned to “must win” battles, promotional programmes more compliant, share of taps increased and a customer marketing team activated. In addition, sales leadership has been upgraded, marketing and innovation operations have been restructured, and increased programme discipline has been implemented. Combined, these initiatives have led to a reversal in market share trajectory, with Carlton & United Breweries’ Australian off-premise beer volume share increasing to 50.1% for the six months ended 31 December 2010 from 49.5% in the prior corresponding period. This share gain is attributable to improved execution, partially offset by portfolio positioning (i.e. the weighting of Carlton & United Breweries’ beer portfolio towards lower growth segments).

(ii) The Full Potential Strategy

The Full Potential Strategy is based on five strategic imperatives aimed at delivering full potential across the business. These imperatives are described in the table below.

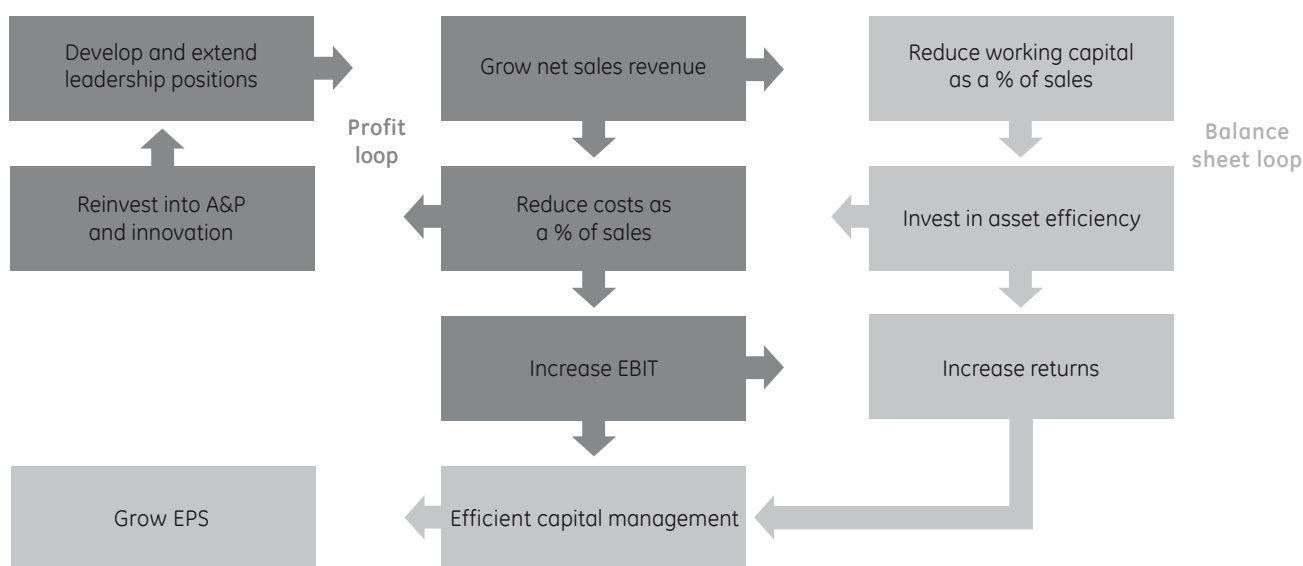
Strategic imperatives	
Bring the ‘core’ business to full-potential first	<ul style="list-style-type: none"> Focus on the core Australian beer business and existing assets and capabilities first Then only pursue adjacencies that clearly reinforce and leverage the core
Target cost leadership	<ul style="list-style-type: none"> Leverage scale and experience to drive relative (mix adjusted) unit cost materially below that of competitors Continuously drive cost out in line with the industry experience curve
Achieve consumer-led growth	<ul style="list-style-type: none"> Achieve top-line growth that reflects and dynamically adapts to existing and future consumer needs, behaviours and attitudes and is anchored in deep consumer and shopper insights
Out-invest and out-execute the competition	<ul style="list-style-type: none"> Drive toward perfect execution and investment effectiveness (design, build and activation) Exploit relative cost position to out-invest the competition in a value enhancing and sustainable way
Lead industry evolution and aggressively defend the core	<ul style="list-style-type: none"> Actively shape the industry landscape Manage other external factors (including channel, competition, supply chain and regulation) to ensure category evolves positively Lead on social and environmental issues to the benefit of the community

Description of New Foster's continued

The Full Potential Strategy is designed to deliver strong, sustainable growth and returns, as outlined in the diagram below.



The financial objectives of the Full Potential Strategy are outlined in the below diagram.



6.2 Carlton & United Breweries

(a) Overview of Carlton & United Breweries

Carlton & United Breweries is Australia's largest brewer, with 50.3% market share of the off-premise beer category. Carlton & United Breweries has an alcohol beverage sales team of significant scale servicing over 17,000 customers across the on-premise and off-premise channels.

Carlton & United Breweries' portfolio includes seven of the ten largest off-premise beer brands in Australia – VB, Carlton Draught, Corona Extra, Crown Lager, Pure Blonde, Carlton Mid and Carlton Dry – and three of the four fastest growing off-premise beer brands by retail sales value in Australia – Carlton Draught, Carlton Dry and Corona.

In addition to its beer business, Carlton & United Breweries generates earnings in Australia from the production and distribution of:

- some of Australia's largest cider brands, including Strongbow, Bulmers and Mercury;
- a select portfolio of spirits brands, including Cougar Bourbon and Black Douglas; and
- a selection of non-alcohol beverage brands such as Torquay waters and the Cascade range of fruit juices and soft drinks.

Carlton & United Breweries is also the largest brewer in Fiji.

In the year ended 30 June 2010, Carlton & United Breweries sold approximately 107 million 9LE cases of alcohol beverages with pro forma net sales revenue of \$2,337 million and pro forma EBIT of \$895 million, excluding unallocated costs.

Carlton & United Breweries aspires to become "The beer company loved by Australians", built upon a foundation of a proud heritage, strong brands, and Australian ownership. This aspiration is encapsulated by Carlton & United Breweries in the following diagram.

Aspiration: The beer company loved by Australians

The 'Stand':

Consumers

"Brands of choice at the heart of great times and great experiences"

Trade

"Relationships that bring out the best"

People

"Proud passionate and an unambiguous employer of choice"

Community

"Enriching and responsible in the community in which we live"

Reputation

"Celebrated in Australia and on the world stage"

Foundation: "Standing on shoulders of giants"

Proud heritage

Great brands

Australian owned

(b) Market overview

Carlton & United Breweries primarily operates in the beer, cider and spirits market in Australia, with a comparatively small contribution from the Pacific.

(i) Australian beer category

Beer is the largest alcohol beverage category in Australia, with an estimated value of \$14 billion, comprising both on-premise and off-premise channels. The off-premise sector declined 3.0% in value terms, but Foster's estimates that the on-premise and off-premise sectors declined approximately 5% in 2010 (or approximately 7% in the six months ended 31 December 2010) in volume terms, driven primarily by one-off factors including abnormal weather and a more subdued consumer environment, and compared to unusually high beer market volumes in the prior comparable periods.

Beer production in Australia is relatively consolidated, with the two largest brewers holding approximately 90% combined share of the off-premise beer market.

Over the past two years, the market segments exhibiting the highest growth were craft, new style regular and premium international.

(ii) Australian cider category

The Australian off-premise cider market had an estimated value of \$0.2 billion in 2010, growing by 23.1% in value terms and 16.5% in volume terms.

Cider production in Australia is relatively consolidated, with the two largest cider producers holding approximately 85% combined share of the off-premise cider market.

(iii) Distribution channels

In Australia, approximately 70% of beer volume is sold through the off-premise channel, with the remaining 30% sold through the on-premise channel.

Foster's estimates that the off-premise channel has grown by 0.4% compound annual growth rate in volume terms over the past seven years. Off-premise customers include supermarkets, big box retailers, drive through retailers and bottle shops. The off-premise channel has become increasingly consolidated in recent years, with national chains growing their share.

On-premise customers include retailers such as bars, night clubs and restaurants. The on-premise channel is more fragmented than the off-premise channel, and typically generates higher net sales revenue per unit volume.

(iv) Recent market trends

The key long-term trends that have supported sales revenues for beer in New Foster's key markets include:

- a premiumisation trend with growth in the higher priced premium domestic, premium international, new style and craft segments exceeding growth in the traditional regular segment over the long term;
- growth in average pricing greater than consumer price index (CPI) driven by positive mix changes;
- long term volume stability with declines in per capita consumption offset by population growth. In 2008 and 2009 volume growth was above the long term rate, with the beer category benefiting from changes in the taxation arrangements of ready-to-drink spirits, economic stimulus payments and low interest rates; and
- changes in consumer preferences, contributing to strong growth in the new style beer segment and assisting premiumisation.

The key factors that have negatively impacted sales revenues for beer in New Foster's key markets include:

- the impact of the cessation of the Australian Federal government's economic stimulus package which positively influenced consumer spending for the year ended 31 December 2009;
- higher interest rates negatively impacting consumer spending;
- abnormal weather patterns including below average temperatures and above average rainfall in the eastern states of Australia in the six months ended 31 December 2010;
- increased consumption of ready-to-drink products (which have returned to volume growth after the impact of increased alcohol related taxes on ready-to-drink products has dissipated);
- retail price growth being impacted by increased competition in all segments, including from retailer owned brands and private label products and major retailers and banner groups increasing their share in the off-premise retail channel at the expense of independent and specialist retailers; and
- government and special interest group initiatives, such as advertising campaigns, to reduce alcohol consumption.

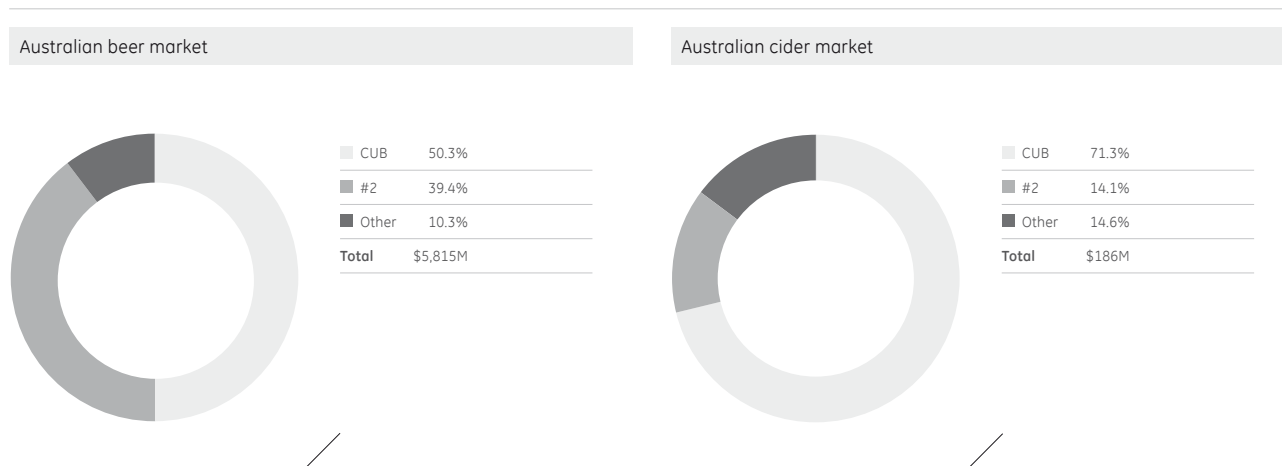
Description of New Foster's continued

(v) Market position and competitive environment

Carlton & United Breweries is the largest brewer in Australia with a 50.3% share of the off-premise beer market segments.

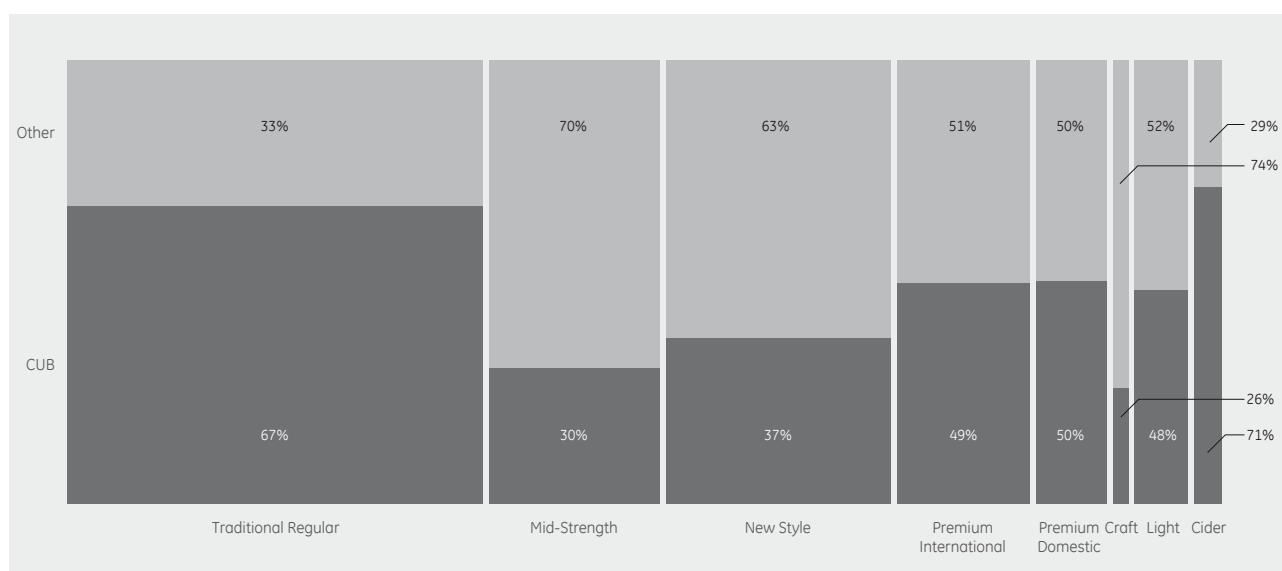
Carlton & United Breweries is also the largest producer of cider, Australia's fastest growing alcohol category, with 71.3% share of the total off-premise cider market.

Market share information for the off-premise Australian beer and cider markets is shown below.



Carlton & United Breweries' volume share of the off-premise beer market has declined from 54.0% in the year ended 30 June 2006 to 50.3% in the year ended 30 June 2010. This share loss is attributable to a combination of portfolio positioning (i.e. the weighting of Carlton & United Breweries' beer portfolio towards lower growth segments) and execution issues (causing share loss within a given segment). However, in recent times Carlton & United Breweries' market share trajectory has reversed, with the business gaining 0.5 percentage points of volume share in the Australian off-premise beer market in the six months to 31 December 2010 (as compared to the prior corresponding period).

Carlton & United Breweries' share of key segments of the off-premise Australian beer and cider market is outlined below.



Note: Width of each column represents relative market size by volume.

The new style regular, premium international, premium domestic and craft segments are the fastest growing with compound annual volume growth over the two year period ended 30 June 2010 of 20%, 14%, 5% and 32% respectively. Carlton & United Breweries has the largest share in the premium international and premium domestic segments and has implemented initiatives to realign its portfolio to the new style regular and craft categories through targeted innovation and marketing activities.

Traditional regular, while a lower growth segment, represented approximately 41% of total beer volume in the year ended 30 June 2010. Carlton & United Breweries continues to lead this segment with the two largest brands, VB and Carlton Draught.

Key competitors to Carlton & United Breweries in Australia include Lion Nathan Group and Coopers Brewery Ltd. Competition within the Australian beer industry has increased in recent years due to increased prevalence of retailer owned brands and private label products as well as new market entrants.

(c) Brands and products

Carlton & United Breweries has a portfolio of 30 beer, three cider, 13 spirits / ready-to-drink and eight non-alcohol beverages brands. This portfolio includes a number of market leaders, including:

- **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; and
- **Strongbow** – the largest cider brand in Australia.

Carlton & United Breweries distributes a number of international premium beer brands in Australia under exclusive licence arrangements.

Carlton & United Breweries has a strong track record of product innovation, including the first Australian beer in clear glass (Carlton Cold), the first Australian premium low-carbohydrate beer (Pure Blonde) and the first Australian luxury beer (Crown Ambassador). Carlton & United Breweries' innovation activities continue to focus on the fastest growing market segments, including craft beer and new style regular beer and cider. Recent new products include Carlton Natural, Carlton Dry Fusion Black, Pure Blonde White and the Great Northern Brewing Co.

The key brands in Carlton & United Breweries' Australian beer, cider and spirits brand portfolio are outlined below.



- 1 #1 Beer
- 2 #1 Fastest growing traditional regular
- 3 #1 Premium low carb
- 4 #1 International
- 5 #1 Domestic premium
- 6 #1 Flavoured
- 7 Fastest growing craft brand
- 8 #1 Cider

New Style



6

International



Craft



7

Cider



8

Description of New Foster's continued

(d) Sales and marketing

Carlton & United Breweries has an alcohol beverage sales team of significant scale servicing over 17,000 customers across the on-premise and off-premise channels, and making more than 250,000 sales calls annually.

Recently, Carlton & United Breweries' sales and marketing programmes have been more closely aligned and integrated, with the focus on "must win" battles.

Carlton & United Breweries markets its products using a combination of promotions and advertising campaigns and is increasing advertising and promotion investment to support new and recently released products such as Fat Yak, as well as long established products such as VB and Carlton Draught.

(e) Supply and production

Carlton & United Breweries operates the Yatala Brewery in Queensland, the Abbotsford Brewery in Melbourne, the historic Cascade Brewery in Hobart and a craft beer facility in Melbourne.

Carlton & United Breweries continues to invest in its production network to increase flexibility and better meet customer and consumer demands through innovative packaging solutions, low-carbohydrate and flavoured beers.

Carlton & United Breweries' production facilities in Australia are outlined below.



YATALA (BRISBANE)

Serves eastern seaboard

lines: 3 x bottle
1 x can
1 x keg/racking



CAMPBELLTOWN (SYDNEY)

Main cider production plant
Home of Strongbow
Key eastern seaboard location

lines: 1 x bottle



ABBOTSFORD (MELBOURNE)

Home of VB and Carlton Draught

lines: 4 x bottle
1 x can
1 x keg/racking



GARAGE (DANDENONG)

Site used for product development and small volume craft products

lines: 1 x bottle
1 x keg (manual)



CASCADE (HOBART)

Home of Cascade
Specialist small run facility

lines: 1 x bottle
1 x can
1 x keg/racking

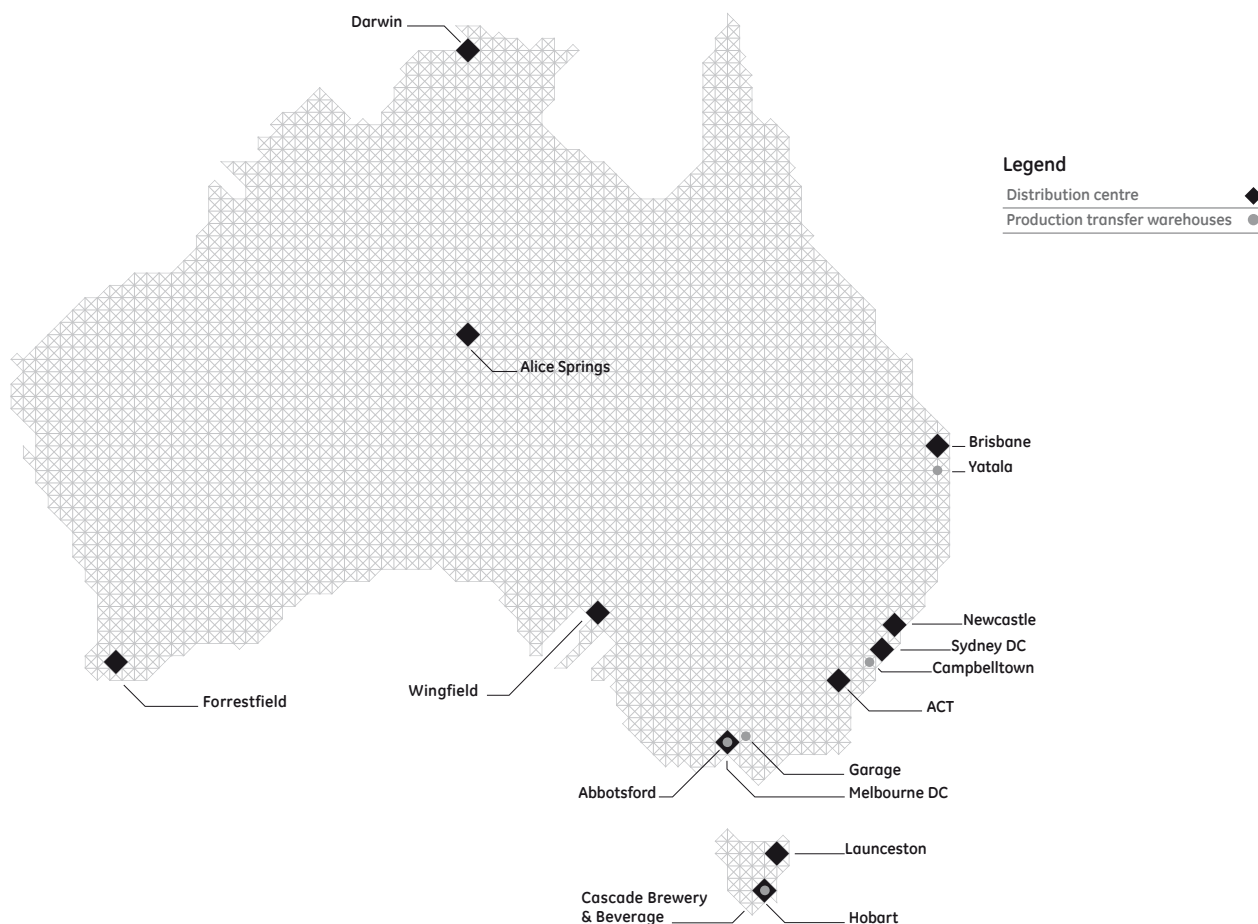


Carlton & United Breweries produces cider in Campbelltown and also operates breweries in Fiji and Samoa and a distillery in Fiji.

In 2007, Carlton & United Breweries transformed its Australian logistics network. While systems have been retained, Carlton & United Breweries now uses a franchise distribution model, with a council of third party logistics providers. The network now services over 17,000 customers with an average of 3,200 customers serviced per day and over 800,000 deliveries made per year.

The network transformation has driven a number of efficiencies, including improved customer service levels and fewer daily deliveries. Nine out of ten customers rate Carlton & United Breweries' logistics service as "the same as or better than its competitors".

Carlton & United Breweries' production transfer warehouses and distribution centres in Australia are shown below.



6.3 International Beer

New Foster's International Beer business sells four key beer brands in 45 countries.

The business generates earnings from the sale, license and distribution of its Australian beer brands in markets outside of Australia and the Pacific and from an investment in a distribution venture serving the Middle East. This segment includes:

- New Foster's 39.95% ownership interest in African & Eastern, a distributor and retailer of alcohol products in Dubai, Abu Dhabi and Oman;
- license and brand partnership income associated with the Foster's Lager trademark in the United States, Canada and Vietnam. The Foster's Lager brand is licensed to Molson Coors in Canada, Asia Pacific Breweries in Vietnam and a limited liability company owned by MillerCoors and Foster's in the United States; and
- sales of Carlton & United Breweries beer, cider and spirits products primarily in the Middle East, New Zealand, United Kingdom and Asia.

In the year ended 30 June 2010, New Foster's International Beer business sold approximately 7 million 9LE cases of alcohol beverages, generating net sales revenue of \$58.3 million and EBIT of \$19 million on a pro forma basis, excluding unallocated corporate costs.

6.4 Board and senior management

(a) Board

As recommended by ASX guidelines, the New Foster's Board will comprise a majority of independent Non-Executive Directors.

(i) Current Foster's Board

As at the date of this Booklet, the Foster's Board comprises the following directors.

David Crawford AO, B.Com., LLB, FCA, FCPA
Chairman, Non-Executive Director

Member of the Foster's Board since August 2001, Chairman since November 2007. Mr Crawford has extensive experience in risk management and business reorganisation, having worked with governments and major corporations. He is a former partner and National Chairman of KPMG and is on the Advisory Boards of Allens Arthur Robinson and Bank of America Merrill Lynch Australia. Mr Crawford is a Director of BHP Billiton Limited and Chairman of Lend Lease Corporation. Until December 2007, Mr Crawford was a Director of Westpac Banking Corporation.

Ian Johnston, B.Com.
Chief Executive Officer, Executive Director

Mr Johnston joined the Foster's Board in September 2007 and was appointed Chief Executive Officer in September 2008. He has extensive experience in the international food and beverage industry with Unilever in Australia, Canada and Europe and Cadbury Schweppes in Australia and the UK. Prior to his retirement in 2000, Mr Johnston was Managing Director, Global Confectionery and Board Director of Cadbury Schweppes plc, based in London. Since leaving Cadbury Schweppes, Mr Johnston has advised a broad group of private companies and was briefly a Director of Coles Group Limited in 2001. He is currently a Director of Goodman Fielder Limited.

Margaret Lyndsey Cattermole, AM, B.Sc., FACS
Non-Executive Director

See Ms Cattermole's biography under Section 4.6(b).

Paul Clinton, Business Administration DipIT
Non-Executive Director

Member of the Foster's Group Limited Board since March 2008, Mr Clinton is an independent Director. Mr Clinton has extensive experience with distribution systems in the United States and Canada. From 1988 he held a number of senior roles with the Diageo Group, and its predecessors, culminating in 2000 with his appointment as President and CEO of Diageo North America. Prior to his retirement in 2003, Mr Clinton also sat on the Board of Directors of the Distilled Spirits Council of the United States.

Maxwell Ould, B.Ec.
Non-Executive Director

See Mr Ould's biography under Section 4.6(b).

Michael Ullmer, B.Sc. (Maths) (Hons), FCA, SF Fin.
Non-Executive Director

Member of the Foster's Board since July 2008. Mr Ullmer has strategic, financial and management experience developed over a 30 year career in international banking and finance. He is a former Finance Director of the National Australia Bank and is now the Bank's Deputy Group Chief Executive Officer. From 1982 until 1992 Mr Ullmer worked with KPMG in London,

the US and Australia and then joined Coopers and Lybrand to lead their Asia Pacific Financial Services Group. In 1997 he joined the Commonwealth Bank of Australia as Group Chief Financial Officer and then Group Executive with responsibility for Institutional and Business Banking.

(ii) New Foster's Board

New Foster's Board will have substantial managerial, financial and industry experience.

Following the Demerger, New Foster's Board will be comprised of David Crawford, Paul Clinton, Paula Dwyer, John Pollaers, Judith Swales, Michael Ullmer, and Michael Wesslink.

Ian Johnston, Margaret Lyndsey Cattermole and Maxwell Ould have conditionally resigned from the Foster's Board. Their resignations will take effect from the Effective Date if the Demerger proceeds.

Ian Johnston will also cease to be Chief Executive Officer and John Pollaers will become Chief Executive Officer and an Executive Director of New Foster's with effect from the Effective Date if the Demerger proceeds.

Paula Dwyer, Judith Swales and Michael Wesslink have been conditionally appointed as Non-Executive Directors of New Foster's. The appointments of Paula Dwyer, Judith Swales and Michael Wesslink will take effect from the Effective Date if the Demerger proceeds.

Biographies for John Pollaers, Paula Dwyer, Judith Swales and Michael Wesslink are provided below.

John Pollaers, B.Eng., B.C.S., MBA
Chief Executive Officer, Executive Director

If the Demerger proceeds, Mr Pollaers will join the New Foster's Board from the Effective Date, when he is appointed Chief Executive Officer of New Foster's. Mr Pollaers was appointed Managing Director of Carlton & United Breweries in April 2010. Prior to joining Foster's, Mr Pollaers had extensive experience in the international drink sector - senior executive roles at Diageo, including President, Asia Pacific and Managing Director, Australasia and a member of the Diageo Group Executive Committee.

He has a strong finance and consumer products background as Finance Director for Diageo's largest subsidiary company in the UK and held Sales and General Management roles across the UK and Asia Pacific. Mr Pollaers is Director of the Australian National Breast Cancer Foundation and Chair of its Finance and Risk Committee and was previously Chairman of the Distilled Spirit Industry Council and Chairman of the Industry and Community group that founded Drinkwise Australia. Mr Pollaers spent nine years in the Australian Navy and holds an MBA through a joint programme at INSEAD and Macquarie University and degrees in Electrical Engineering and Computer Science.

Paula Dwyer, B.Comm, FCA, FAICD, F.Fin
Non-Executive Director

If the Demerger proceeds, Ms Dwyer will join the Foster's Board from the Effective Date. Ms Dwyer has extensive experience in management and company directorship. She is currently a non-executive Director of Tabcorp Holdings Limited, Suncorp Metway Limited and Astro Japan Property Group Limited. Ms Dwyer was a former Director of Healthscope Limited, David Jones Limited, RACV Limited and served as a Member of the

Victorian Casino and Gaming Authority and of the Victorian Gaming Commission. She has had an executive career in finance holding senior positions in investment management and investment banking. Ms Dwyer is a Member of the Takeovers Panel and Deputy Chairman of the Baker IDI Heart and Diabetes Research Institute. She is a Fellow of the Institute of Chartered Accountants, a Fellow of the Institute of Company Directors and a Fellow of the Financial Services Institute of Australia.

Judith Swales, BSc Microbiology and Virology (UWAR)
Non-Executive Director

If the Demerger proceeds, Ms Swales will join the Foster's Board from the Effective Date. Ms Swales has extensive commercial and managerial experience. She is currently the Chief Executive Officer and Managing Director for Goodyear & Dunlop Tyres, a position she has held for the last four years. Appointed in September 2005 as Managing Director, Retail at Goodyear & Dunlop Tyres, she was responsible for driving growth and market share for the business through the company's network of around 700 retailers. Ms Swales is a former Managing Director of Angus & Robertson and has held positions at UK retailers WH Smith plc and Marks & Spencer plc.

Michael Wesslink, BSc (Chem Eng) Syd, MBA (UNSW)
Non-Executive Director

If the Demerger proceeds, Mr Wesslink will join the Foster's Board from the Effective Date. Mr Wesslink has over 35 years experience in the liquor industry, most recently as Chief Executive of ALM, the Liquor Division of Metcash Limited. He also served as an executive director on the Metcash Board. Mr Wesslink previously held the Chief Executive position at Tooheys Limited and The Swan Brewery Company Limited. He has held senior positions at Lion Nathan, Castlemaine Perkins and Wynn Winegrowers and is a former Managing Director of Amcor Containers Packaging Asia.

(b) Senior management team

New Foster's will be led by an experienced management team, which has a deep understanding of New Foster's business. Key members of New Foster's senior management team after the Demerger include:

(i) John Pollaers
Chief Executive Officer

See Mr Pollaers' biography under Section 6.4(a)(ii).

(ii) Stephen Matthews
Chief Financial Officer

Mr Matthews joined Foster's in 2005 and was appointed Director, Finance Carlton & United Breweries in 2009. Mr Matthews is a commercial finance professional with over 18 years international experience in the alcohol beverage industry. He started his career as a graduate trainee with Guinness Brewing, and then progressed through a number of Finance and Commercial roles with Diageo in the UK, Spain and Australia.

(iii) Dan Last
General Counsel and Company Secretary

Mr Last joined Foster's in 2007 and was appointed to the position of Managing Counsel in 2009. Prior to joining Foster's, Mr Last practised as a lawyer with Blake Dawson in Australia and Allen & Overy in the United Kingdom. Mr Last holds a Bachelor of Laws and Bachelor of Commerce from the University of Melbourne.

(iv) Peter Cantwell
Managing Director, Sales

Mr Cantwell joined Foster's in 2009 and was appointed Sales Director, Carlton & United Breweries in 2009. Prior to joining Foster's, Mr Cantwell held the role of General Manager Australia for Independent Distillers and spent 15 years with the Cadbury Schweppes organisation in Marketing, Strategy, Sales and General Management roles both in Australia and overseas. Mr Cantwell held the positions of Sales Strategy Director for Cadbury Schweppes for UK, Europe and the Middle East, Commercial Strategy Director for Africa, Middle East and Turkey and Managing Director of Lion Confectionery in the UK. Mr Cantwell holds a Bachelor of Business in Marketing.

(v) Grant Peck
Managing Director, Supply

Mr Peck became Supply Director for Carlton & United Breweries in 2009. Mr Peck joined Fosters in 2004 as Finance Director for Beringer Blass Asia Pacific and has held Business Development and Supply Planning roles. Prior to Foster's, Mr Peck spent four years at McCormick Foods including time as CFO for Asia Pacific and Managing Director for the McCormick Industrial Products Group in Australia.

(vi) Katea Downie
Chief Human Resources Officer

Ms Downie became Human Resources Director for Carlton & United Breweries in 2009. Prior to joining Foster's in 2008, Ms Downie has worked in both Generalist Human Resources and Talent & Organisational Development roles for companies including the L'Oreal Group, Country Road and Colonial First State.

(vii) Paul Donaldson
Acting Managing Director, Marketing

Mr Donaldson became Acting Managing Director – Marketing for Carlton & United Breweries in 2011. After joining Foster's in 2008, Mr Donaldson became Group Marketing Manager, VB and Crown. Prior to joining Fosters, Mr Donaldson held sales, marketing and corporate strategy roles at Lion Nathan, and across the Schweppes, Red Bull, Gatorade, Solo and Cottee's brands at Cadbury Schweppes. Mr Donaldson holds a marketing degree and remains a lecturer at RMIT and spent four years as a professional Australian Rules footballer at Collingwood FC.

6.5 Employees

After the Demerger, New Foster's will have a workforce totalling approximately 2,300 people globally, of which approximately 7% are non-permanent employees (i.e. casual, labour hire and contract employees). New Foster's employees are primarily located in Australia (84%).

6.6 Other relevant corporate information

(a) Corporate governance

The New Foster's Board's processes, resources, committee structure and general operation will be broadly consistent with those existing prior to the Demerger.

(b) Directors' arrangements

(i) Directors' remuneration

Non-executive Directors of New Foster's will continue to be remunerated with a base fee and additional committee fees for chairing or sitting on a New Foster's Board committee. If the Demerger proceeds it is intended that Foster's Audit Committee and Risk & Compliance Committee will become one committee. The following annual fee structure will apply:

Base fee:	Chair: \$478,500	Member: \$159,500
Audit & Risk Committee:	Chair: \$50,000	Member: \$29,000
Human Resource Committee:	Chair: \$19,938	Member: \$15,950
Succession Committee:	Chair: \$11,963	Member: \$7,975
Travel Allowances:	Travelling time between 4-12 hours: \$2,500 (each way)	Travelling time of more than 12 hours (\$5,000 each way)

Committee fees will not be paid to the Chairman.

New Foster's Directors will also be subject to a guideline that requires them to have control over (or have a beneficial interest in) Foster's Shares that are worth at least the equivalent of one year's base fees. Such holdings will need to be acquired using personal funds and undertaken with a view to meeting the guideline over a reasonable period of time.

(ii) Directors' indemnity and insurance

Foster's has entered into deeds of indemnity, insurance and access with each of the new Foster's Directors, on terms which are materially consistent with the existing deeds of indemnity, insurance and access entered into with the current Foster's Directors.

(c) Senior executive arrangements

(i) Chief Executive Officer contract

Mr John Pollaers is currently the Managing Director of Carlton & United Breweries and will become Chief Executive Officer of New Foster's. The material terms of Mr Pollaers' employment agreement, which will become effective on the Effective Date, are summarised below:

Fixed pay: \$1.4 million per annum, reviewed annually. This amount is inclusive of superannuation, non-monetary benefits and Fringe Benefits Tax as applicable.

Short term incentive: For the year ending 30 June 2012, Mr Pollaers will be eligible for an annual bonus of between 0% and 150% of his fixed pay (with target performance resulting in a bonus of 75% of fixed pay). A portion of this annual bonus

will be dependent upon the achievement by New Foster's of specified financial measures, which may change each year to ensure strategic alignment but which are expected to include EBITs, net sales revenue, market share and Cash Conversion. The remainder of the bonus is assessed against non-financial objectives set by the Foster's Board. Mr Pollaers will receive one third of any bonus in the form of Foster's Shares restricted for two years. If Mr Pollaers resigns or otherwise ceases employment for reasons not acceptable to the New Foster's Board, any restricted Foster's Shares he holds at that time will be forfeited.

For the year ending 30 June 2011, the amount of the bonus for which Mr Pollaers will be eligible will be pro rated to reflect approximately eight weeks at his increased fixed pay as Chief Executive Officer of New Foster's.

Long term incentive: Mr Pollaers will be offered Foster's Shares under the Foster's Long Term Incentive Plan. The maximum value of the Foster's Shares available under each annual offer of the Foster's Long Term Incentive Plan will be equivalent to approximately 1.5 times one year's fixed pay. Mr Pollaers will become entitled to the maximum number of Foster's Shares if New Foster's meets the highest performance standard measures under the plan. It is expected that these performance standards will be structured such that 50% of the opportunity will be subject to measures relating to New Foster's TSR, with the other 50% subject to performance against long-term targets for New Foster's earnings. It is expected that the performance period will run from July 2011 to September 2014.

Adjusted entitlements: Mr Pollaers has an opportunity to receive up to 116,600 Foster's Shares under a 2010 Long Term Incentive Plan offer. As outlined in section 12.5(f)(iv), Mr Pollaers will have this offer adjusted in accordance with the plan rules to ensure the value of his entitlements before and after the Demerger are equivalent. Performance standards (which relate to TSR and EBITs) will also be adjusted to take into account the Demerger. The precise details of the adjustments can only be determined after the Effective Date.

Termination of employment: Mr Pollaers' services may be terminated by New Foster's on 12 months notice. New Foster's may terminate Mr Pollaers' employment without notice in the event of serious misconduct. Mr Pollaers must provide six months notice should he wish to terminate the agreement. Other than statutory entitlements such as accrued leave, Mr Pollaers will not be entitled to any other payments or benefits on termination.

(ii) Senior executive arrangements

Foster's has either retained existing employment agreements, or entered into new agreements, with certain senior members of New Foster's' management. The material terms of these are summarised below:

Fixed pay: Salary packages (comprising cash, superannuation and other benefits) will reflect the seniority and skills of the employee, and are or will be set at levels that are competitive with median remuneration levels for employees in comparable roles in the relevant market.

Short term incentive: Subject to performance hurdles, senior executives will be eligible for a target annual bonus of between 0% and 150% of fixed pay (with target performance resulting in a bonus of 75% of fixed pay). One third of any bonus will be paid in the form of Foster's Shares restricted for two years. The performance criteria on which payments will be calculated

will be a blend of the achievement by New Foster's of specified financial measures and other objectives set by the Chief Executive Officer of New Foster's.

Long term incentive: Senior executives will be offered shares under the Foster's Long Term Incentive Plan, on similar terms and conditions as those that will apply to the Chief Executive Officer (as described in Section 6.6(c)(ii)). The maximum entitlement will be 90% of fixed pay.

Termination of employment: The employment of senior executives may be terminated by New Foster's on 12 months notice. If a senior executive's employment is terminated by reason of redundancy, the maximum payment to which they will be entitled (including any pay in lieu of notice) will be the amount of 12 months of fixed pay. New Foster's may terminate senior executives without notice in the event of serious misconduct. Senior executives must provide three months notice should they wish to terminate their employment. Other than statutory entitlements such as accrued leave, senior executives will not be entitled to any other payments or benefits on termination.

(d) Branding and intellectual property

Following the Demerger, New Foster's will continue to operate under Foster's existing corporate identity. New Foster's will retain ownership of key trade marks in relation to the following brands: VB, Crown, Carlton Draught, Pure Blonde, Strongbow, Cascade, Matilda Bay and Foster's.

New Foster's will also hold licenses to distribute a number of other brands in Australia, including Corona Extra, Stella Artois, Asahi, Kronenbourg and Carlsberg.

(e) Information technology

Foster's has in place an information technology environment, network and communications landscape which is both internally managed and supported in certain key areas by third party service providers.

Following the Demerger, New Foster's will provide certain information technology services to Treasury Wine Estates pursuant to the IT Transition Services Agreement, for a period currently estimated to be approximately two years from the Effective Date. Until the conclusion of this period, New Foster's will be responsible under the IT Transition Services Agreement for the provision of Treasury Wine Estates' information technology environment and network and communication landscape, and management of the performance of the associated systems, networks and functions. On completion of the IT Transition Services Agreement in accordance with its terms, New Foster's will have delivered to Treasury Wine Estates its own stand-alone information technology environment and network and communications landscape, for which Treasury Wine Estates will assume responsibility. See Section 3.10(d) for further details of the IT Transition Services Agreement.

(f) Corporate sustainability

Foster's adopts an integrated approach to corporate sustainability. Foster's is committed to continuously improving its business practice to maximise positive and minimise negative social, environmental and economic impacts. This enhances employee engagement and retention, supports corporate reputation, manages risk and protects Foster's social licence to operate.

Foster's 2010 Sustainability Report is available from Foster's website, www.fostersgroup.com, or from ASX's website, www.asx.com.au. The report provides details of the sustainability work undertaken at Foster's in the previous financial year. Following the Demerger, New Foster's will continue to operate under the same principles.

(g) Environment

Foster's is committed to complying with the various environmental laws to which its operations are subject, identifying and managing the environmental risks facing the business and effective and efficient environmental performance across its operations.

Foster's operations are subject to a number of regulatory frameworks governing energy and water consumption, waste generation and greenhouse gas reporting. New Foster's policy is to ensure that all environmental laws and permit conditions are complied with and these regulatory and operational programmes have been incorporated into relevant business practices and processes.

Management procedures are developed through the Health, Safety and Environment Management System to address environmental regulatory compliance and operational risk management. The HSEMS is implemented within the business and is supported by environment personnel at both local and corporate levels.

The HSEMS is overlaid with a compliance system overseen by the Foster's Risk and Compliance Committee. Although Foster's various operations involve relatively low inherent environmental risks, matters of non-compliance are subject to routine corrective action processes, and where required notified to the appropriate regulatory authority.

The Foster's Board intends to continue the current compliance system following the Demerger. Under that system, the Foster's Risk and Compliance Committee and the Foster's Board receive six monthly reports detailing matters involving non-compliance and potential non-compliance. These reports also detail the corrective actions that have been taken.

Environmental performance by Foster's is overseen by programmes targeting continuous improvement in carbon emissions management, resource efficiency and waste minimisation. Through stakeholder engagement and external reporting programmes, Foster's discloses environmental performance via a number of regulatory and voluntary reporting frameworks including the Carbon Disclosure Project and the Corporate Responsibility Index.

(h) Litigation and disputes

Foster's is involved in litigation in relation to income tax assessments issued by the Australian Commissioner of Taxation in respect of the 1995 to 2004 income tax years relating to the funding of the Elders Finance Group in the 1980s and 1990s. Further information in relation to this matter is set out in Section 7.10.

Separately, Foster's has received income tax assessments relating to a capital loss in the 2004 income tax year. Further information in relation to this matter is set out in Section 7.11.

Various entities in Foster's are party to legal actions, other than the tax matters identified above, which have arisen in the ordinary course of business. The actions are being defended and no material losses are expected to arise.

Description of New Foster's continued

(i) Insurance

Prior to the Effective Date, Foster's and its subsidiaries (including Treasury Wine Estates) will continue to have the benefit of Foster's insurance policies.

On the Effective Date, Foster's insurance policies will be amended to delete cover for Treasury Wine Estates and new policies covering Treasury Wine Estates will come into effect in respect of claims that occur after the Effective Date. Premiums that are refunded to Foster's as a result of the deletion of Treasury Wine Estates from Foster's insurance will be, in turn, refunded to Treasury Wine Estates.

Foster's insurance policies will continue to run post the Effective Date until the expiry dates of those policies, at which time Foster's will arrange renewal of its insurance as required. It is intended that Foster's insurance policies will be placed with insurers of acceptable security and the levels of retained risk and coverage purchased will be appropriate to the business activities of Foster's, subject to such insurance being available on commercially reasonable terms.

General and product liability insurance claims that occur prior to the Effective Date as a result of the business activities of Treasury Wine Estates will be insured under Foster's insurance programme, regardless of when the claim is reported.

Directors and officers of Foster's and Treasury Wine Estates prior to the Effective Date will continue to have the benefit of the directors' and officers' liability insurance held by Foster's in respect of claims that are made in relation to matters which occur before the Effective Date.

Foster's has a captive insurance company, which insures some risks for Foster's and Treasury Wine Estates and will continue to do so up to the Effective Date. After the Effective Date, Foster's captive insurance company will cease insuring Treasury Wine Estates in respect of claims that occur after the Effective Date. Foster's captive insurance company will continue to insure some risks for Foster's after the Effective Date.

(j) Joint ventures

Foster's will retain interests in all associates and joint venture partnerships other than those set out in Section 4.8(j).



*Financial
information
on New
Foster's*

7. Financial information on New Foster's

7.1 Overview

This Section contains pro forma historical financial information of Foster's excluding Treasury Wine Estates (**New Foster's Pro Forma Historical Financial Information**), which is comprised of the following:

- New Foster's pro forma historical income statements for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010;
- New Foster's pro forma historical net operating cash flows before financing costs and tax and after capital expenditure for the years ended 30 June 2008, 30 June 2009, 30 June 2010 and the half year ended 31 December 2010; and
- New Foster's pro forma historical balance sheet as at 31 December 2010.

References to New Foster's Pro Forma Historical Financial Information are references to the pro forma historical financial information of Foster's, excluding Treasury Wine Estates, on a consolidated basis.

Foster's Directors are responsible for the preparation and presentation of New Foster's Pro forma Historical Financial Information.

New Foster's Pro Forma Historical Financial Information has been reviewed by the Investigating Accountant. The Investigating Accountant's Report is included in Section 10. The comments made in relation to the scope and limitations of the Investigating Accountant's Report should be noted.

This Section should also be read in conjunction with the risks to which New Foster's is subject and the risks associated with the Demerger, as set out in Sections 8 and 2.5 respectively.

7.2 Basis of preparation

The basis of preparation applied in compiling New Foster's Pro Forma Historical Financial Information is set out below:

- New Foster's Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board, which comply with the recognition and measurement principles of the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. The accounting policies used in preparation of New Foster's Pro Forma Historical Financial Information are consistent with those set out in Foster's half year report to 31 December 2010 and annual report for the year ended 30 June 2010;
- New Foster's Pro Forma Historical Financial Information is presented in an abbreviated form and does not contain all the disclosures required by Australian Accounting Standards in an annual financial report prepared in accordance with the Corporations Act; and
- New Foster's historical financial information has been derived from Foster's financial reports for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010 and Foster's management information. Foster's annual financial reports for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 have been audited by PricewaterhouseCoopers in accordance

with Australian Auditing Standards. Foster's half year financial report for the half year ended 31 December 2010 was not audited but has been subject to review by PricewaterhouseCoopers in accordance with Australian Auditing Standards applicable to review engagements. The respective audit and review opinions issued to Foster's in relation to those financial reports were unqualified.

Complete versions of Foster's financial reports for those periods are available from Foster's website, www.fostersgroup.com, or from ASX's website, www.asx.com.au.

New Foster's pro forma historical income statements have been presented before net financing costs and income tax (**New Foster's Pro Forma Historical Income Statements**). New Foster's pro forma historical net operating cash flows have been derived from net operating cash flows before financing costs and tax and after capital expenditure (**New Foster's Pro Forma Historical Cash Flow Statements**). New Foster's Pro Forma Historical Income Statements and New Foster's Pro Forma Historical Cash Flow Statements are presented before financing costs and tax as:

- the financing arrangements under which Foster's businesses operated during the periods presented may not reflect the financing arrangements of New Foster's following the Demerger; and
- although 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 will no longer be a member of that consolidated group after the Demerger.

New Foster's Pro Forma Historical Income Statements and New Foster's Pro Forma Historical Cash Flow Statements illustrate the historical financial performance and net operating cash flows of New Foster's as if the Demerger was effective from 1 July 2007. Pro forma adjustments have been made in the preparation of New Foster's Pro Forma Historical Income Statements and New Foster's Pro Forma Historical Cash Flow Statements to reflect:

- the alignment of non-wine related earnings and cash flows for the relevant periods to entities remaining with New Foster's and wine related earnings and cash flows for the relevant periods to Treasury Wine Estates consistent with the internal restructure prior to the Demerger; and
- the anticipated corporate and operating costs of New Foster's operating as a separate legal entity.

Treasury Wine Estates operated as part of Foster's during the periods for which financial information is presented and therefore the New Foster's Pro Forma Historical Financial Information does not purport to represent the actual financial performance and net operating cash flows that would have occurred had Treasury Wine Estates been a separate legal entity during the periods presented principally because:

- New Foster's did not operate independently of Treasury Wine Estates during the periods for which financial information is presented;
- New Foster's financial information includes allocations to certain corporate expenses incurred by Foster's and attributable to New Foster's, rather than actual stand-alone costs;

- New Foster's financial information may not reflect the strategies or operations Foster's may have followed or undertaken had New Foster's acted as a separate legal entity rather than as part of Foster's; and
- New Foster's may have been exposed to different financial and business risks had Treasury Wine Estates operated as a separate legal entity rather than as part of Foster's.

New Foster's pro forma historical balance sheet (**New Foster's Pro Forma Historical Balance Sheet**) has been prepared on the basis that the Demerger was effected and completed on 31 December 2010 and that Treasury Wine Estates assets and liabilities were transferred from Foster's to Treasury Wine Estates at their historical book value on a consolidated basis. Pro forma adjustments have been made to reflect:

- the transfer of non-wine related assets and liabilities to entities remaining with New Foster's and wine related assets and liabilities to Treasury Wine Estates consistent with the

internal restructure prior to the Demerger, including the allocation of deferred tax balances as further discussed in Section 5.8(b) and the allocation of certain corporate balances;

- settlement of receivables from Treasury Wine Estates, which will be used to partially repay external borrowings;
- the demerger of Treasury Wine Estates assets and liabilities at historical book value; and
- Demerger transaction costs to be incurred by Foster's.

New Foster's Pro Forma Historical Balance Sheet does not represent the actual financial position of New Foster's at the time of the Demerger, but represents an indication of New Foster's Pro Forma Historical Balance Sheet as at 31 December 2010 in the circumstances noted in this Section. The New Foster's Pro Forma Historical Balance Sheet has not been adjusted for the interim dividend announced by Foster's on 15 February 2011.

7.3 New Foster's Pro Forma Historical Income Statements

(a) New Foster's Pro Forma Historical Income Statements

New Foster's Pro Forma Historical Income Statements for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010 are set out below:

New Foster's Pro Forma Historical Income Statements				Table 14
(\$M)	Year ended 30 Jun 2008	Year ended 30 Jun 2009	Year ended 30 Jun 2010	Half year ended 31 Dec 2010
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
Operating and corporate costs ⁽¹⁾	(1,639.7)	(1,669.2)	(1,671.7)	(870.6)
EBIT before individually material items	813.0	859.0	884.5	435.4
Individually material items	–	(45.5)	0.6	–
EBIT after individually material items	813.0	813.5	885.1	435.4

- (1) The following pro forma adjustments have been made to previously reported beer segment results comprising CUB, Rest of World BCS and corporate/unallocated:
- for the year ended 30 June 2008, operating costs have been reduced by \$60 million in order to provide consistency in the cost allocation methodology between financial periods;
 - reducing operating costs by \$1.4 million for the year ended 30 June 2008, and increasing operating costs of \$7.3 million, \$8.3 million and \$5.1 million for the years ended 30 June 2009, 30 June 2010, and the six months ended 31 December 2010 respectively. These cost reallocations reflect the estimated impact of retrospectively applying the pricing methodology for logistics services and sales and marketing outlined in the transition service arrangements discussed in Section 3.10; and
 - adding \$21.6 million of annual operating and corporate costs for New Foster's and Treasury Wine Estates less, \$27.0 million of annual operating and corporate costs allocated to Treasury Wine Estates. Further information on incremental corporate and operating costs is set out in Section 7.8, Table 27.

(b) Management commentary on historical results

Commentary on Foster's historical financial results and the results of its business segments (including the beer, cider and spirits segment which comprises New Foster's) is provided in Foster's annual report for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and in the half year report to 31 December 2010. These reports are available from Foster's website, www.fostersgroup.com, or from ASX's website, www.asx.com.au.

Financial information on New Foster's continued

(c) New Foster's pro forma historical segment information

The following table sets out New Foster's pro forma segment information for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010:

New Foster's pro forma historical segment information				Table 15
	Year ended 30 Jun 2008	Year ended 30 Jun 2009	Year ended 30 Jun 2010	Half year ended 31 Dec 2010
Carlton & United Breweries				
Volume (million 9L cases)	109.1	108.8	106.6	54.3
Net sales revenue (\$M)	2,220.4	2,279.2	2,337.1	1,199.9
Pro forma EBIT (\$M)	838.0	852.4	894.8	447.5
International Beer				
Volume (million 9L cases)	8.4	7.7	7.2	3.5
Net sales revenue (\$M)	66.9	67.1	58.3	26.7
Pro forma EBIT (\$M)	17.2	25.6	19.0	10.1
Total				
Volume (million 9L cases)	117.5	116.5	113.8	57.8
Net sales revenue (\$M)	2,287.3	2,346.3	2,395.4	1,226.6
Pro forma operating EBIT (\$M)	855.2	878.0	913.8	457.6
Pro forma corporate / unallocated EBIT (\$M)	(42.2)	(19.0)	(29.3)	(22.2)
Pro forma EBIT before individually material items⁽¹⁾ (\$M)	813.0	859.0	884.5	435.4

(1) See the footnotes to Table 14 for adjustments made to previously reported segment results.

(d) Reconciliation of Foster's historical income statements to New Foster's Pro Forma Historical Income Statements

Reconciliations of Foster's historical income statements to New Foster's Pro Forma Historical Income Statements for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010 are shown in the following tables:

Reconciliation of Foster's historical income statements to New Foster's Pro Forma Historical Income Statements				Table 16
(\$M)	Year ended 30 Jun 2008	Year ended 30 Jun 2009	Year ended 30 Jun 2010	Half year ended 31 Dec 2010
Treasury Wine Estates pro forma EBIT (see Table 1)	306.2	262.5	184.6	86.3
New Foster's pro forma EBIT (see Table 14)	813.0	859.0	884.5	435.4
Exclude: Additional corporate and operating costs arising from the Demerger (see Table 27)	21.6	21.6	21.6	10.8
Foster's EBIT before individually material items	1,140.8	1,143.1	1,090.7	532.5
Net financing costs	(144.7)	(146.6)	(118.8)	(64.1)
Income tax expense	(279.3)	(266.6)	(272.6)	(135.8)
Discontinued operations	6.5	-	-	-
Net profit after tax	723.3	729.9	699.3	332.6
Non-controlling interests	(5.8)	(4.4)	(1.0)	(0.6)
Net profit attributable to members of Foster's before individually material items	717.5	725.5	698.3	332.0
Individually material items ⁽¹⁾	(605.8)	(287.2)	(1,162.7)	(19.9)
Net profit attributable to members of Foster's after material items	111.7	438.3	(464.4)	312.1

(1) Foster's individually material items, net of tax, previously disclosed within corporate/unallocated costs were \$nil, \$32.5 million, \$7.0 million and \$28.5 million in the years ended 30 June 2008, 30 June 2009, 30 June 2010 and the six months ended 31 December 2010 respectively and are not recorded in either the Treasury Wine Estates Pro Forma Historical Financial Information or the New Foster's Pro Forma Historical Financial Information as detailed in Table 1 and Table 14 respectively.

Apart from the inclusion of incremental costs (being the additional corporate and operating costs arising from the Demerger), the sum of Treasury Wine Estates pro forma EBIT and New Foster's pro forma EBIT are equal to historical reported Foster's EBIT.

7.4 New Foster's Pro Forma Historical Cash Flow Statements

(a) New Foster's Pro Forma Historical Cash Flow Statements

New Foster's Pro Forma Historical Cash Flow Statements for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010 are set out as follows:

New Foster's Pro Forma Historical Cash Flow Statements ⁽¹⁾				Table 17
(\$M)	Year ended 30 Jun 2008	Year ended 30 Jun 2009	Year ended 30 Jun 2010	Half year ended 31 Dec 2010
Pro forma EBIT before individually material items	813.0	859.0	884.5	435.4
Depreciation	72.2	74.5	61.9	25.9
Amortisation	0.2	0.3	1.3	1.0
Pro forma EBITDA before individually material items	885.4	933.8	947.7	462.3
Change in working capital	20.4	(25.0)	5.2	0.2
Net profit on sale of businesses, property, plant and equipment	(30.3)	(7.1)	(2.7)	(2.3)
Share of associates' net profit	(11.5)	(15.6)	(12.0)	(7.0)
Other non-cash items	19.7	(15.1)	7.4	5.0
Net operating cash flows, before financing costs and tax	883.7	871.0	945.6	458.2
Capital expenditure	(61.5)	(86.7)	(86.1)	(53.0)
Net operating cash flows after capital expenditure, before financing costs and tax	822.2	784.3	859.5	405.2
Cash Conversion	100%	93%	100%	99%

(1) Excludes cash payments and receipts associated with individually material items.

The cash flows presented above are before financing costs and tax. As a separate legal entity, New Foster's would incur additional net cash outflows relating to:

- financing activities (see Section 7.6);
- taxation (see Section 7.9); and
- dividends (see Section 7.13) following the Demerger.

Pro forma adjustments have not been made to New Foster's Pro Forma Historical Cash Flow Statements for these items because the periods presented do not reflect New Foster's future corporate and operating structure, financing facilities, tax consolidation status and capital structure following the Demerger.

Financial information on New Foster's continued

(b) Reconciliation of Foster's net cash flows from operating activities as reported to New Foster's Pro Forma Historical Cash Flow Statements

Reconciliation of Foster's net cash flows from operating activities as reported to New Foster's Pro Forma Historical Cash Flow Statements				Table 18
(\$M)	Year ended 30 Jun 2008	Year ended 30 Jun 2009	Year ended 30 Jun 2010	Half year ended 31 Dec 2010
Treasury Wine Estates pro forma net operating cash flows after capital expenditure, before financing costs and tax (see Table 5)	232.9	379.7	326.6	109.8
New Foster's pro forma net operating cash flows after capital expenditure, before financing costs and tax (see Table 17)	822.2	784.3	859.5	405.2
Exclude: Additional corporate and operating costs arising from the Demerger (see Table 27)	21.6	21.6	21.6	10.8
Foster's net operating cash flows after capital expenditure, before financing costs and tax	1,076.7	1,185.6	1,207.7	525.8
Net financing costs	(153.2)	(155.0)	(111.0)	(56.1)
Income tax paid	(147.0)	(250.9)	(267.4)	(149.2)
Net cash flows from operating activities after capital expenditure, before individually material items	776.5	779.7	829.3	320.5
Individually material items ⁽¹⁾	(7.3)	(72.0)	(58.4)	(47.3)
ATO disputed tax payment ⁽²⁾	(244.5)	(9.1)	–	(33.3)
Net cash flows from operating activities after capital expenditure	524.7	698.6	770.9	239.9

(1) Represents the cash component net of tax of individually material items disclosed in the income statement set out in Table 16.

(2) For further details of ATO disputes see Sections 7.10 and 7.11.

Apart from the inclusion of incremental costs (being the additional corporate and operating costs arising from the Demerger), the sum of Treasury Wine Estates pro forma net operating cash flow (after capital expenditure, before financing costs and tax) and New Foster's pro forma net operating cash flow (after capital expenditure, before financing costs and tax) are equal to historical reported Foster's net operating cash flow (after capital expenditure, before financing costs and tax).

7.5 Foster's historical balance sheet and New Foster's Pro Forma Historical Balance Sheet

The following table sets out Foster's historical balance sheet and New Foster's Pro Forma Balance Sheet as at 31 December 2010. For the purpose of presenting New Foster's Pro Forma Historical Balance Sheet, it has been assumed that the Demerger was effected on 31 December 2010.

New Foster's Pro Forma Balance Sheet (after deducting the Treasury Wine Estates balance sheet and transaction costs) shows consolidated negative net assets of \$200 million. This is mainly due to existing borrowings of approximately \$2.0 billion remaining with New Foster's which exceeds the value of the historical cost of Carlton & United Breweries' beer brands and goodwill assets which in some instances are carried at nil. Accounting policies do not currently permit these assets to be revalued to fair value. The Foster's Directors consider that there is substantial value in the intangibles associated with New Foster's business which is not reflected in New Foster's Pro Forma Balance Sheet.

This consolidated negative net asset position has no adverse consequences under New Foster's financing facilities and New Foster's does not expect any change to its credit ratings as a result of the Demerger. Further, this will not prevent New Foster's from declaring and paying a final dividend for the year ending 30 June 2011. Payment of dividends is a matter for the parent company, Foster's Group Limited which is expected to retain sufficient dividend capacity.

Foster's historical and New Foster's Pro Forma Historical Balance Sheet as at 31 December 2010				Table 19
(\$M)	Foster's ⁽¹⁾	Less Treasury Wine Estates ⁽²⁾	Transaction costs	Pro forma Foster's after transaction costs
Current assets				
Cash and cash equivalents	225.5	(60.0)	(94.2) ⁽³⁾	71.3
Receivables	1,088.1	(452.5)		635.6
Inventories	926.3	(767.2)		159.1
Assets classified as held for sale	23.7	(23.7)		–
Derivative financial assets	11.1	–		11.1
Total current assets	2,274.7	(1,303.4)	(94.2)	877.1
Non-current assets				
Receivables	20.2	(0.3)		19.9
Inventories	293.5	(279.3)		14.2
Investments accounted for using the equity method	71.5	(8.7)		62.8
Property, plant and equipment	1,584.6	(912.7)		671.9
Agricultural assets	180.0	(180.0)		–
Intangible assets	1,718.7	(920.0)		798.7
Deferred tax assets	290.3	(172.2)	24.1 ^(4,5)	142.2
Derivative financial assets	98.2	–		98.2
Total non-current assets	4,257.0	(2,473.2)	24.1	1,807.9
Total assets	6,531.7	(3,776.6)	(70.1)	2,685.0
Current liabilities				
Payables	837.3	(367.5)	27.3 ⁽³⁾	497.1
Borrowings	273.3	(1.1)		272.2
Current tax liabilities	–	–		–
Provisions	109.5	(51.2)		58.3
Derivative financial liabilities	42.2	–		42.2
Total current liabilities	1,262.3	(419.8)	27.3	869.8
Non-current liabilities				
Payables	6.9	–		6.9
Borrowings	1,882.4	(200.0)		1,682.4
Deferred tax liabilities	576.9	(264.4)		312.5
Provisions	15.7	(2.2)		13.5
Derivative financial liabilities	–	–		–
Total non-current liabilities	2,481.9	(466.6)	–	2,015.3
Total liabilities	3,744.2	(886.4)	27.3	2,885.1
Net assets	2,787.5	(2,890.2)	(97.4)	(200.1)

(1) Foster's balance sheet extracted from reviewed financial statements as at 31 December 2010.

(2) Represents the demerger of Treasury Wine Estates' net assets at book value as set out in the Treasury Wine Estates balance sheet in Section 5.5. See Section 7.7 for further details of Demerger accounting.

(3) A \$121.5 million adjustment to cash and cash equivalents (\$94.2 million) and payables (\$27.3 million) has been made to reflect Demerger transaction costs of \$151.4 million allocated to New Foster's (see Section 7.8(a)), net of Demerger transaction costs of \$29.9 million which had been recognised prior to 31 December 2010.

(4) The above adjustment has been tax effected by \$35.0 million.

(5) Represents the de-recognition of \$10.9 million deferred tax assets (see Section 7.7(d)).

7.6 Financing, risk management and capital commitments

(a) Debt and liquidity

Following the Demerger, New Foster's will retain all of Foster's existing US\$144A notes and bank debt facilities. Upon the Demerger, New Foster's available facilities are expected to be at least A\$3,106.1 million⁽¹⁾ and sufficient to support its core debt, working capital and liquidity requirements.

Prior to the Demerger, Foster's may seek to extend the maturity profile of its existing bank debt facilities or reduce available facilities by not renewing maturing facilities.

New Foster's debt facilities post-Demerger and maturity profile as at 31 December 2010			Table 20
	maturity	currency	Interest rate
Bank bilateral multi-option facilities	2011	A\$240M	Floating
Bank bilateral multi-option facility	2012	A\$100M	Floating
Bank syndicated multi-currency revolving facility	2011	£200M	Floating
Bank syndicated multi-currency revolving facilities	2012	US\$635M	Floating
US\$144A notes	2011	US\$270M	Fixed
US\$144A notes	2014	US\$300M	Fixed
US\$144A notes	2015	US\$700M	Fixed
US\$144A notes	2016	US\$300M	Fixed
US\$144A notes	2035	US\$300M	Fixed

(i) US\$144A notes

As at 31 December 2010, Foster's US\$144A notes debt comprised the following:

- US\$270 million of 6.875% US\$144A notes due June 2011;
- US\$300 million of 4.875% US\$144A notes due October 2014;
- US\$700 million of 5.125% US\$144A notes due June 2015;
- US\$300 million of 7.875% US\$144A notes due June 2016; and
- US\$300 million of 5.875% US\$144A notes due June 2035.

These notes will be unaffected by the Demerger and will continue to be guaranteed by and remain the liability of New Foster's.

2011 US\$144A notes

The current Foster's Board intends to refinance the 2011 US\$144A notes with A\$ at maturity from a combination of internally generated cash flows, cash on hand and existing bank facilities. As at 31 December 2010, the principal repayment on maturity of the 2011 US\$144A notes is fully hedged using foreign currency forward exchange contracts with six counterparties, at an average exchange rate of A\$1.00 = US\$0.8803, or A\$307.2 million in total (see Table 22).

2014 and 2016 US\$144A notes

The semi-annual fixed interest coupon payments on the 2014 and 2016 US\$144A notes were swapped around the time of issuance of the notes into variable payments based on benchmark interest rates plus a margin using interest rate swaps transacted with two and five counterparties, respectively (see Table 21).

2014, 2015, 2016 and 2035 US\$144A notes

Foster's Board intends to convert the US\$ liability exposures under the 2014, 2015, 2016 and 2035 US\$144A notes into A\$ liability exposures prior to implementation of the Demerger, via a series of cross-currency swaps. A progressive foreign currency bought options hedging programme is being implemented to limit the potential increase in debt exposure resulting from a strengthening in the US\$ against the A\$ exchange rate leading up to the Demerger. As at 31 December 2010, foreign currency bought options covering US\$710.3 million of notional principal with an expiry date of June 2011 had been purchased, providing downside risk protection at an average exchange rate of A\$1.00 = US\$0.8345 (see Table 22).

(1) Assuming foreign exchange rates of A\$1.00 = US\$1.0173 and A\$1.00 = £0.6594.

(ii) Bank debt

As at 31 December 2010, New Foster's drawn bank debt comprised:

- A\$230 million (reducing to \$30 million on a pro forma basis) of debt drawn under a bank syndicated multi-currency revolving facility maturing in 2012; and
- A\$2.5 million of finance leases.

Bank debt facilities will be unaffected by the Demerger and will remain available to New Foster's.

Foster's and thereby New Foster's bank borrowings are arranged on a bilateral and syndicated basis with its relationship banks located principally in Australia, the United States, Europe and Asia.

(iii) Undrawn facilities and programmes

In addition to the committed facilities described above, New Foster's also has an uncommitted \$500 million commercial paper and medium term note programme. There are no notes outstanding under the programme as at 31 December 2010.

Other uncommitted facilities, such as bank overdraft facilities if required, are arranged in each country in which New Foster's operates, on terms and conditions as agreed from time to time.

(iv) Liquidity

Currently, Foster's meets its working capital needs and capital expenditure requirements through a combination of operating cash flows and external debt (from various Foster's credit facilities). Following the Demerger, it is expected that New Foster's will satisfy its ongoing capital expenditure requirements and meet its working capital needs through cash generated from operations and funding available under existing and new financing arrangements.

As at 31 December 2010, Foster's had gross borrowings of \$2,155.7 million. For the purpose of the New Foster's Pro Forma Historical Balance Sheet, gross borrowings has been reduced to \$1,954.6 million as a result of the receipt of intercompany loan proceeds from Treasury Wine Estates and other debt assumed by Treasury Wine Estates as set out in Table 19. This gross borrowings balance has a weighted average maturity of seven years.

Had the Demerger been effected on 31 December 2010, New Foster's would have had \$1.2 billion of committed undrawn facilities available.

(b) Interest rate risk management

Interest rate exposures are managed in accordance with Foster's financial risk policies with the aim of delivering lower funding costs and more predictable interest expense, by maintaining the mix of fixed and variable rate debt within controlled limits. Foster's policy allows the use of derivative financial instruments, including interest rate and cross currency swaps, forward rate agreements and interest rate options to be entered into to maintain the mix of fixed and variable rate debt.

Based on New Foster's pro forma gross debt balance as at 31 December 2010, 69% of New Foster's drawn debt is at fixed rates and the remaining 31% is at variable rates.

The table below provides information about New Foster's interest rate swaps as at 31 December 2010 (after pro forma adjustments and excluding accrued interest):

New Foster's interest rate swaps as at 31 December 2010				Table 21
	Weighted average	Notional principal/maturities (\$M)		Fair value (\$AM)
	Term in years	3 to 5 years	More than 5 years	Asset
Interest rate swaps – receive fixed, pay floating	3.8	300.0	–	29.0
Interest rate swaps – receive fixed, pay floating	5.4	–	300.0	72.4

Financial information on New Foster's continued

(c) Foreign exchange risk management

New Foster's exposure to US\$ denominated debt under the 2014, 2015, 2016 and 2035 US\$144A notes will be swapped into A\$ via a series of cross currency swaps prior to implementation of the Demerger. As the foreign exchange rate at the time the debt is swapped cannot be determined, the quantum of New Foster's debt exposure in A\$ could be higher or lower at that point in time than the quantum as at 31 December 2010 shown in Table 19. To partially mitigate the downside risk without limiting potential upside, a progressive foreign currency bought options hedging programme is being implemented to limit the potential increase in debt exposure resulting from a strengthening in the US\$ against the A\$ exchange rate leading up to the Demerger.

The table below provides information about New Foster's foreign exchange hedging as at 31 December 2010:

New Foster's foreign exchange hedging as at 31 December 2010			Table 22	
	Average exchange rate	Principal/maturities	Fair value	
		Less than 1 year	Asset	Liability
Foreign exchange forwards	US\$0.8803	US\$270.4M	–	A\$35.8M
Foreign exchange options (bought)	US\$0.8345	US\$710.3M	A\$5.9M	–

(d) Other derivatives

As of 31 December 2010, the following portfolio of other derivatives would have been applicable to New Foster's, had the Demerger occurred at that date:

New Foster's derivative portfolio as at 31 December 2010				Table 23
	Volume (tonnes)	\$/tonne	Maturity	Fair value (\$M)
Aluminium price hedge	2,880	2,449	2011	–

(e) Contractual obligations and capital commitments

New Foster's aggregate long term obligations and commitments after the Demerger (excluding debt, which is discussed in Section 7.6(a) and its derivative portfolio, as discussed in Section 7.6(d)) as at 31 December 2010 are detailed below:

New Foster's aggregate long term obligations and commitments as at 31 December 2010					Table 24
(\$M)	Less than 1 year	1 to 5 year(s)	Over 5 years	Total	
Contracted capital expenditure	15.8	3.8	–	19.6	
Other commitments	43.5	29.0	–	72.5	
Non-cancellable operating leases	29.0	69.7	21.7	120.4	
Finance leases	1.1	1.7	–	2.8	
Total	89.4	104.2	21.7	215.3	

Foster's Board considers that New Foster's will be capable of satisfying these long term obligations and commitments through cash generated from operations, together with cash on hand and, where necessary, borrowings available under Foster's debt facilities.

Operating leases are commitments only and are therefore not included on the balance sheet.

New Foster's will retain the guarantee obligations to the holders of "ALE notes" (described below) for ultimate repayment of principal and interest accrued on the notes. The ALE notes are ASX listed unsecured subordinated cumulative redeemable loan notes with a maturity date of 30 September 2011 issued by Australian Leisure and Entertainment Property Management Limited, as responsible entity of ALE Property Trust, in 2003. Based on the last ASX announcement by ALE Property Group (ASX code: LEP, a stapled entity comprising Australian Leisure and Entertainment Property Trust and Australian Leisure and Entertainment Property Management Limited) prior to 31 December 2010, approximately \$78 million face value of ALE notes are currently on issue.

Additional capital expenditure of approximately \$41.7 million relating to stages 2 and 3 of the information technology project (see Section 3.10(d)) is expected to be undertaken by New Foster's during the years ending 30 June 2012 and 30 June 2013.

7.7 Demerger accounting

(a) Demerger distribution

Accounting for demerger transactions is addressed in the current AASB Interpretation 17 "Distributions of Non-cash Assets to Owners". This interpretation requires that any obligations for distributions made by a company to its shareholders should be recognised and measured under AASB 137 "Provisions, Contingent Liabilities and Contingent Assets".

Under AASB 137, the value of the Treasury Wine Estates Shares to be distributed to Foster's Shareholders must be determined by reference to the value of Treasury Wine Estates Shares as traded on ASX (whether on an ordinary or deferred settlement basis) typically by reference to the VWAP over the first five trading days after the Effective Date. Accordingly, for accounting purposes the value of the Demerger distribution recorded in the accounts of New Foster's will be based on trading prices for parcels of Treasury Wine Estates Shares on ASX.

(b) Carrying value of the wine assets

At 30 June 2010, the carrying value of the wine assets in the Foster's financial statements was assessed and impaired by reference to recoverable amounts, being the discounted value of estimated future cash flows, assuming full access to cashflows, and in accordance with AASB 136 "Impairment of Assets". At 31 December 2010, the carrying value of the wine assets in the Foster's financial statements was reassessed in the same manner, but no further impairments were considered necessary.

On the Effective Date, Treasury Wine Estates will record the wine assets at the carrying values as stated in the Foster's balance sheet, as illustrated in pro forma net assets in Table 6.

The wine assets will be subject to ongoing assessment for impairment by Treasury Wine Estates in accordance with AASB 136 and prevailing accounting policies.

(c) Potential difference between Demerger distribution and carrying value

The approach for determining the carrying value of the wine net assets and the value of the Demerger distribution to be recorded in New Foster's accounts under the relevant accounting pronouncements is fundamentally different.

The carrying value assumes full access to underlying cash flows, whereas the Demerger distribution is based on the price at which individual parcels of shares (or portfolio interests) trade on ASX without direct access to cash flows. Trading prices on ASX are also impacted by a range of external factors and may vary substantially between different periods.

As a result of the difference in basis on which these amounts are assessed, the trading value of Treasury Wine Estates Shares may be lower than the carrying value of the wine assets, requiring New Foster's to report a loss on Demerger in its consolidated income statement in the year ending 30 June 2011, in accordance with AASB Interpretation 17. The loss (or profit) on Demerger based on different trading prices for Treasury Wine Estates Shares following the Demerger is shown in the table below:

Sensitivity of (loss)/profit on Demerger to Treasury Wine Estates Shares trading price following the Demerger					Table 25
Treasury Wine Estates Shares' VWAP over first five trading days	\$3.00	\$3.50	\$4.00	\$4.50	\$5.00
Implied Demerger distribution (based on five day VWAP) (\$M) ⁽¹⁾	1,936.2	2,258.9	2,581.6	2,904.3	3,227.0
Treasury Wine Estates net assets on Demerger (\$M)	2,890.2	2,890.2	2,890.2	2,890.2	2,890.2
Profit/(loss) on Demerger to New Foster's (\$M)	(954.0)	(631.3)	(308.6)	14.1	336.8

(1) Calculation is based on 1,935,386,127 Foster's Fully Paid Shares and 786,510 Foster's Partly Paid Shares on issue as at 31 January 2011.

Any loss on Demerger will not prevent New Foster's from declaring and paying a final dividend for the year ending 30 June 2011. Payment of dividends is a matter for the parent company, Foster's Group Limited which is expected to retain sufficient dividend capacity.

(d) New Foster's financial reporting for the year ending 30 June 2011

If the Demerger proceeds, New Foster's will release its preliminary final report for the year ending 30 June 2011 in accordance with the Listing Rules by no later than 31 August 2011.

As the internal restructure to facilitate the Demerger (described in Section 3.1) will have occurred part-way during the year ending 30 June 2011, the results of New Foster's will include:

- for the period 1 July 2010 to the Effective Date, the results of Foster's Group Limited and all entities that were subsidiaries of Foster's Group Limited during this period, with any results relating to wine operations and assets disclosed as a discontinued activity; and
- for the period from the Effective Date to 30 June 2011, the results of New Foster's only.

Financial information on New Foster's continued

By comparison, the New Foster's Pro Forma Historical Income Statements and New Foster's Pro Forma Historical Cash Flow Statements presented in Sections 7.3 and 7.4 illustrate the financial performance of New Foster's as if the Demerger (and associated internal restructure) was effective on 1 July 2007.

New Foster's results for the year ending 30 June 2011 will also include certain items which are specifically related to the Demerger, and not expected to feature in subsequent financial periods' results. These will be identified as individually material items in the presentation of these results. For the year ending 30 June 2011, individually material items are expected to include the following:

Individually material items	Illustrative impact on results
(i) Any accounting gain or loss on Demerger.	See Section 7.7(c) for an illustrative gain/loss.
(ii) Costs associated with the Demerger, primarily comprising: <ul style="list-style-type: none"> • transaction costs; • restructuring costs; and • expenses associated with hedging activities. 	See Section 7.8(a) for estimated Demerger transaction costs of \$151.4 million on a pre-tax basis, of which \$28.5 million had been incurred in the six months ended 31 December 2010, and is included within (v) below.
(iii) Non-cash costs relating to the de-recognition of deferred tax assets. The ability of New Foster's to claim the benefits of certain deferred tax assets is expected to be impacted by the separation of New Foster's and Treasury Wine Estates. To the extent de-recognition is required for accounting purposes, it will be recognised as an additional tax expense item in the financial statements of New Foster's for the year ended 30 June 2011. Future reinstatement of these assets may be possible if the relevant accounting and tax requirements are met.	At 31 December 2010 the carrying value of these deferred tax assets was \$20.2 million and an adjustment of \$10.9 million has been made to the New Foster's Pro Forma Historical Balance Sheet (see Section 7.5) to reflect the estimated impact.
(iv) Upon Demerger, a charge will be recognised in the income statement of New Foster's relating to the release of the balance of the foreign currency translation reserve relating to wine net assets. The foreign currency translation reserve reflects changes in the A\$ value of overseas group companies arising from exchange rate movements since their acquisition date. This is partly offset by movements in the fair value of the net investment hedge primarily comprising US denominated debt used to fund some of these acquisitions.	As at 31 December 2010 this reserve balance was \$364.2 million which primarily relates to wine net assets.
(v) Other individually material items that either occurred in the half year ended 31 December 2010, or may occur subsequently.	See Section 7.3(d) for individually material items in the half year ended 31 December 2010.

Costs associated with the Demerger are predominantly cash items. Individually material items specified at (i), (iii) and (iv) above are non-cash.

7.8 Costs of the Demerger

(a) One-off transaction costs of the Demerger

The total one-off transaction costs of the Demerger are estimated to be approximately \$151.4 million on a pre-tax basis (\$107.5 million after tax), which will be incurred by New Foster's.

\$29.9 million of one-off transaction costs were incurred prior to 31 December 2010. A further \$44.2 million is expected to be incurred prior to the Scheme Meeting and will be incurred even if the Demerger does not proceed.

One-off transaction costs relate to a range of activities associated with the Demerger, including transfer costs and advisory fees, expenses associated with establishing foreign exchange derivatives, expenses associated with establishing Treasury Wine Estates' debt facility and restructuring costs associated with separating Treasury Wine Estates and New Foster's including associated information technology expenditures.

Breakdown of one-off transaction costs	Table 26
(\$M)	
Transfer costs and advisory fees	66.2
Foreign exchange derivatives	26.0
IT expenditure	41.3
Other restructuring costs	17.9
Total one-off transaction costs (before tax)	151.4
Total one-off transaction costs (after tax)	107.5

Expenses associated with establishing foreign exchange derivatives have arisen in connection with the implementation of a progressive foreign currency bought options hedging programme relating to Foster's US\$ denominated debt undertaken since August 2010. This programme partially protects New Foster's against the risk of the A\$ value of its US\$ denominated debt increasing if the A\$ depreciates leading up to completion of the Demerger. Through this programme, Foster's has fully participated in the recent strength in the A\$ and New Foster's remains able to swap its US\$ debt at more favourable spot rates if the Demerger proceeds. Further information is provided in Section 7.6.

The information technology expenditure of \$41.3 million is associated with changes to the information technology upgrade programme currently being undertaken by Foster's which are required to implement the Demerger.

(b) Additional corporate and operating costs

Following the Demerger, New Foster's and Treasury Wine Estates will incur additional corporate and operating costs as against those incurred by Foster's prior to the Demerger, as a result of New Foster's and Treasury Wine Estates operating as two separate ASX listed companies following the Demerger. It is estimated that, if the Demerger had been effected for the full year ended 30 June 2010, the aggregate annual corporate and operating costs for New Foster's and Treasury Wine Estates in that year would have been approximately \$21.6 million higher than those reported by Foster's under its existing structure.

Increased costs arising from the separation of existing information technology systems and services, including associated third party contracts, represent \$9.9 million of the estimated increase in corporate and operating costs noted above.

The remaining \$11.7 million of these additional costs relate to:

- Treasury Wine Estates' ASX listing fees;
- share registry costs;
- audit fees and insurance;
- the cost of maintaining a separate board of directors and executive team and other corporate functions such as accounting, tax, treasury, risk and assurance, corporate secretarial and legal; and
- costs arising from the separation of existing shared service functions such as logistics, call centre operation, transactional accounting, procurement, human resources and information technology.

The table below sets out a reconciliation of Foster's previously reported corporate/unallocated EBIT to New Foster's pro forma corporate/unallocated EBIT:

Reconciliation of Foster's previously reported corporate/unallocated EBIT to New Foster's pro forma corporate/unallocated EBIT	Table 27			
(\$M)	Year ended 30 Jun 2008	Year ended 30 Jun 2009	Year ended 30 Jun 2010	Half year ended 31 Dec 2010
Pro forma corporate and additional operating costs allocated to Treasury Wine Estates	(27.0)	(27.0)	(27.0)	(13.5)
New Foster's pro forma corporate costs / unallocated EBIT ⁽¹⁾	(42.2)	(19.0)	(29.3)	(22.2)
Sub-total	(69.2)	(46.0)	(56.3)	(35.7)
Less: Previously reported Foster's corporate / unallocated EBIT ⁽²⁾	47.6	24.4	34.7	24.9
Additional corporate and operating costs arising from the Demerger	(21.6)	(21.6)	(21.6)	(10.8)

(1) Represents the balancing figure after applying the additional corporate and operating costs arising from the Demerger to the previously reported Foster's corporate/operating EBIT, and then deducting costs allocated to Treasury Wine Estates. Previously reported corporate/unallocated EBIT includes other revenue and expenses, some of which are irregular and unpredictable, as can be seen with the fluctuations in the historical pro forma corporate/unallocated EBIT for New Foster's in Table 27.

(2) As per Foster's annual/half year accounts for the relevant periods.

As at 31 December 2010, cost reduction measures implemented since 30 June 2010 had delivered cost savings which would partially offset the additional \$21.6 million corporate and operating costs arising as a consequence of the Demerger. As at 31 December 2010, those cost reduction measures had an estimated annualised benefit of approximately \$3.5 million, which is not included in the calculation of the additional \$21.6 million corporate and operating costs.

The adjusted corporate and operating costs of Treasury Wine Estates and New Foster's are reflected in the pro forma historical information shown in Table 1 and Table 14 respectively.

(c) Cost Base Reduction Programmes

The additional corporate and operating costs referred to in Section 7.8(b) do not include the benefit of any further cost reduction initiatives to be undertaken by New Foster's and Treasury Wine Estates following the Demerger.

The management of both Foster's and Treasury Wine Estates are undertaking a detailed review of the stand-alone cost bases of New Foster's and Treasury Wine Estates (**Cost Base Reduction Programmes**).

Based on work undertaken to date, the current Foster's Board and Treasury Wine Estates Board are confident that, following the Demerger, the total cost savings across both businesses realised from the Cost Base Reduction Programmes will within 24 months materially exceed the additional corporate and operating costs expected to be incurred as a result of the Demerger by each of New Foster's and Treasury Wine Estates.

Areas identified for reducing costs in New Foster's include:

- accelerating supply efficiency initiatives;
- streamlining core processes;
- business simplification; and
- benefits arising from the implementation of new information technology systems.

Areas identified for reducing costs in Treasury Wine Estates include:

- 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 information technology systems.

Cost savings in excess of any additional corporate and operating costs incurred as a result of the Demerger will directly flow through to increased profit. A portion of this may be reinvested into the businesses to drive volume and revenue. Ongoing productivity and cost reduction would continue without the Demerger and it is possible that most, if not all, of the cost savings which would offset these additional corporate and operating costs could be achieved in any event through similar programmes even if the Demerger does not proceed. However, the Demerger creates the opportunity to implement cost savings initiatives which would be more difficult to identify and implement in a larger, combined organisation. The Cost Base Reduction Programmes and the initiatives pursuant to these programmes will be developed taking into account the stand-alone cost bases of New Foster's and Treasury Wine Estates.

(d) Impact on funding costs

To mitigate foreign exchange risk, New Foster's 2014, 2015, 2016 and 2035 US\$144A notes will be swapped into A\$ via cross currency swaps prior to implementation of the Demerger over the term of the 2014, 2015, 2016 and 2035 US\$144A notes.

Although no assurances can be given as to future exchange rates or interest rates, based on the prevailing exchange and interest rates, the implementation of the cross currency swaps, to hedge against US\$/A\$ exchange rate volatility, is expected to result in the US\$ principal and interest obligations being swapped into A\$ obligations at an exchange rate which is relatively more favourable as compared to average historical exchange rates⁽¹⁾, but is also expected to result in an increase in New Foster's interest expense, primarily reflecting the differences between current interest rates applicable to borrowing in US\$ and A\$. Based on prevailing interest rates, it is estimated that New Foster's cost of borrowings in relation to the 2014, 2015, 2016 and 2035 US\$144A notes will be approximately 3.8% per annum higher on pre-tax basis than the cost of borrowings in relation to the 2014, 2015, 2016 and 2035 US\$144A notes if the cross currency swaps were not entered into⁽²⁾. This is a function of financial markets and therefore the actual increase in New Foster's cost of borrowings in relation to the 2014, 2015, 2016 and 2035 US\$144A notes may be significantly higher or lower than estimated. The extent of any additional interest expense for the duration of these notes (see Table 20) will depend on differences in the prevailing interest rates between borrowing in US\$ and A\$ where interest rates remain at variable rates.

(e) Impact on deferred tax assets

The ability of New Foster's to claim the benefit of certain tax assets is expected to be impacted by the separation of New Foster's and Treasury Wine Estates (see Section 7.7(d)(iii)). These benefits would otherwise have been recovered by Foster's over a number of financial years. The extent of lost benefits will depend on a number of factors over this period, including interest rates and exchange rates. Foster's have adjusted the New Foster's pro forma balance sheet in Section 7.5 to take account of current estimates⁽³⁾ of the reduced value of these deferred tax assets. Future reinstatement of these assets may be possible if the relevant accounting and tax requirements are met.

7.9 Taxation

At the time of the Demerger, Treasury Wine Estates will exit Foster's Australian tax consolidated group. The future effective tax rate of New Foster's may vary from what it would have been had Treasury Wine Estates remained part of Foster's (as a result, for example, of Treasury Wine Estates and the assets that it holds exiting Foster's Australian tax consolidated group and New Foster's not operating in some of the jurisdictions in which Treasury Wine Estates operates).

(1) Based on the A\$/US\$ exchange rate as at 4 March 2011, which is higher than the average monthly closing exchange rate since December 1983.

(2) Estimate is based on current forward interest rates (as at 4 March 2011) relating to the first full financial year after the implementation of the Demerger (being the year ending 30 June 2012) and assumes that the 2011 US\$144A notes are refinanced with A\$ at maturity regardless of whether or not the Demerger proceeds (see Section 7.6(a)(iii)) and the 2035 US\$144A notes will be swapped to a variable rate exposure.

(3) Based on estimates as at 10 February 2010.

Tax losses recognised as part of the deferred tax balances in New Foster's pro forma 31 December 2010 balance sheet are expected to remain available to New Foster's after the Demerger, except to the extent they are applied against taxable income arising on or after 1 January 2011. Taxable income may include profits or gains arising from the internal restructure referred to in Section 3.1, although these are not anticipated to be material. However, the ability of New Foster's to obtain the benefit of these existing tax losses will depend upon future circumstances as set out in Section 8.3(c)(vii).

7.10 Ashwick litigation

(a) Overview

On 29 June 2007, Foster's and a number of its subsidiaries (including entities which are, or will be after the Demerger, subsidiaries of Treasury Wine Estates) received assessment notices from the Australian Commissioner of Taxation totalling \$850.7 million. The assessments comprised primary tax of \$548.7 million and penalties and interest of \$302.0 million. The assessments are attributable to the 1995 to 2004 income tax years and relate to tax deductions and losses associated with the funding of the Elders Finance Group in the 1980s and 1990s. Foster's is disputing these assessments in the Federal Court (known as the "Ashwick litigation"). Under the Demerger Tax Deed (see Section 3.9(e)), New Foster's will assume the primary benefits and risks relating to the matters in dispute.

Foster's view of the positions adopted by the Australian Commissioner of Taxation is that its potential maximum exposure in relation to these and related assessments is limited to \$545.7 million, comprising \$340.9 million for primary tax and \$204.8 million for penalties and interest.

Part payment of the disputed tax assessments was required pending resolution of the dispute. If the matter is resolved in favour of Foster's, the amount paid to the ATO is fully refundable (see below). At 31 December 2010, a receivable of \$256.7 million has been recognised by Foster's in this regard.

There are substantial tax losses relating to the matters in dispute that have not been used by Foster's and which may be available if the matter is resolved in favour of Foster's. These losses total approximately \$1,491.6 million, and have not been brought to account. Subject to the comments below, the potential future tax benefit of these losses is \$447.5 million at the current 30% Australian corporate tax rate.

The matter was heard in the Federal Court of Australia in June 2008. Judgment was delivered in favour of Foster's in November 2009. The Australian Commissioner of Taxation appealed the decision to the Full Federal Court. The appeal was heard on 16 and 17 August 2010 and judgment in the case has been reserved. Foster's remains confident of the position it has adopted.

(b) Consequences if Foster's is successful

If the matter is wholly or substantially resolved in favour of Foster's:

- the amount paid to the ATO in relation to the assessments will be refunded (with interest) to the entities that received the assessments (which include some Treasury Wine Estates entities);

- to the extent that refunds are received by Treasury Wine Estates entities, the amount is payable by the relevant Treasury Wine Estates entity to New Foster's under the terms of the Demerger Tax Deed;
- any refund of income tax in relation to the Ashwick litigation will decrease the franking account balance of the tax consolidated group to which the entity that receives the refund belongs. For example, a refund of income tax received by a Treasury Wine Estates entity will decrease the franking account balance of Treasury Wine Estates, despite the fact that the refund will be required to be paid to New Foster's under the terms of the Demerger Tax Deed. As discussed in Sections 5.10(b) and 7.13(b), the franking account balance of a company impacts the extent to which dividends paid by that company may be franked. The maximum impact on the Treasury Wine Estates' franking account balance is estimated to be \$11.1 million; and
- New Foster's may obtain the benefit of the unused losses, subject to a number of contingencies, including:
 - Foster's Australian tax consolidated group deriving future assessable income of a nature and amount sufficient to enable the benefit from the losses to be realised;
 - Foster's Australian tax consolidated group continuing to comply with the conditions for deductibility of the losses imposed by the tax laws of Australia; and
 - any further changes in the tax laws of Australia not adversely affecting the ability of Foster's Australian tax consolidated group to realise the benefit of the losses.

(c) Consequences if Foster's is unsuccessful

If the Australian Commissioner of Taxation is wholly or substantially successful in the dispute:

- the entities that received the assessments (which include some Treasury Wine Estates entities) may be required to make an additional payment to the ATO in respect of tax, penalties and interest. At 30 June 2010, a contingent liability of \$288.8 million has been disclosed by Foster's in relation to amounts that it or its subsidiaries (including Treasury Wine Estates entities) may be required to pay;
- to the extent that payments are required to be made by Treasury Wine Estates entities, the amount will be paid by New Foster's under the terms of the Demerger Tax Deed;
- any payment of income tax in relation to the Ashwick litigation will increase the franking account balance of the tax consolidated group to which the entity that received the assessment belongs. For example, a payment of income tax made by a Treasury Wine Estates entity will increase the franking account balance of Treasury Wine Estates, despite the fact that the payment will be funded by New Foster's under the terms of the Demerger Tax Deed. As discussed in Sections 5.10(b) and 7.13(b), the franking account balance of a company impacts on the extent to which dividends paid by that company may be franked; and
- the unused tax losses described in Section 7.10(b) will not be available to New Foster's.

7.11 Additional tax dispute

Foster's has also received assessments from the Australian Commissioner of Taxation for primary tax of \$49.5 million and interest of \$17.1 million relating to a capital loss in the year ended 30 June 2004. The Commissioner has separately issued assessments imposing administrative penalties of \$24.7 million in relation to this matter.

In accordance with the published guidelines of the Australian Commissioner of Taxation, Foster's paid \$33.3 million to the Australian Commissioner of Taxation in respect of the assessments for primary tax and interest on 21 December 2010. This amount is fully refundable, with interest, in the event that the matter is resolved in Foster's favour. Foster's does not anticipate any further payment being required pending resolution of the matter.

In the Foster's half year report at 31 December 2010:

- a receivable of \$33.3 million has been recognised by Foster's in relation to the amount paid;
- a deferred tax asset of \$18.1 million has been recognised in relation to revenue losses which will be reinstated in the event that Foster's is successful in defending its position; and
- a contingent liability of \$58.0 million has been disclosed in relation to the additional payment that Foster's will be required to make in the event that it is unsuccessful in defending its position.

Foster's is confident of the position it has adopted in claiming the capital loss and intends to defend its position vigorously.

7.12 Credit rating

Foster's has a commitment to disciplined capital management that is consistent with its operating cash flow profile and current investment grade BBB/Baa2 ratings. No immediate change to New Foster's credit rating is expected following the Demerger.

7.13 Dividend policy and franking credits

(a) Dividend policy

The dividend policy of New Foster's will be determined by the New Foster's Board and may change over time. The current Foster's Board has confirmed that New Foster's intends to target a dividend payout ratio of not less than 80% of New Foster's consolidated net profit after tax (excluding individually material items and subject to the Corporations Act) as dividends to New Foster's shareholders.

(b) Franking credits

The current Foster's Board has confirmed that New Foster's intends to frank its dividends to the extent practicable. Whether any given dividend can be franked will be affected by New Foster's franking account balance.

Upon Demerger, New Foster's franking account balance is expected to be \$116.3 million excluding the impact of the Ashwick litigation referred to in Section 7.10.

(c) Final dividend for the year ending 30 June 2011

Following the Demerger, the earnings of New Foster's will not include earnings from Treasury Wine Estates. The absolute value of dividends paid on Foster's Shares following the Demerger is therefore likely to be lower than the absolute value of dividends which have been paid historically on Foster's Shares. However, to the extent that Foster's Shareholders retain the Treasury Wine Estates Shares they receive in Treasury Wine Estates, they will also receive any dividends paid on Treasury Wine Estates Shares.

It is anticipated that taken together, the final dividends declared by Treasury Wine Estates and New Foster's for the year ending 30 June 2011 will be equivalent (excluding franking) to the final dividend that Foster's would otherwise have declared if the Demerger did not proceed.

(d) Dividend reinvestment plan

Foster's has an established dividend reinvestment plan under which holders of ordinary shares may elect to have all of their dividend entitlements satisfied by the issue of shares rather than being paid in cash.

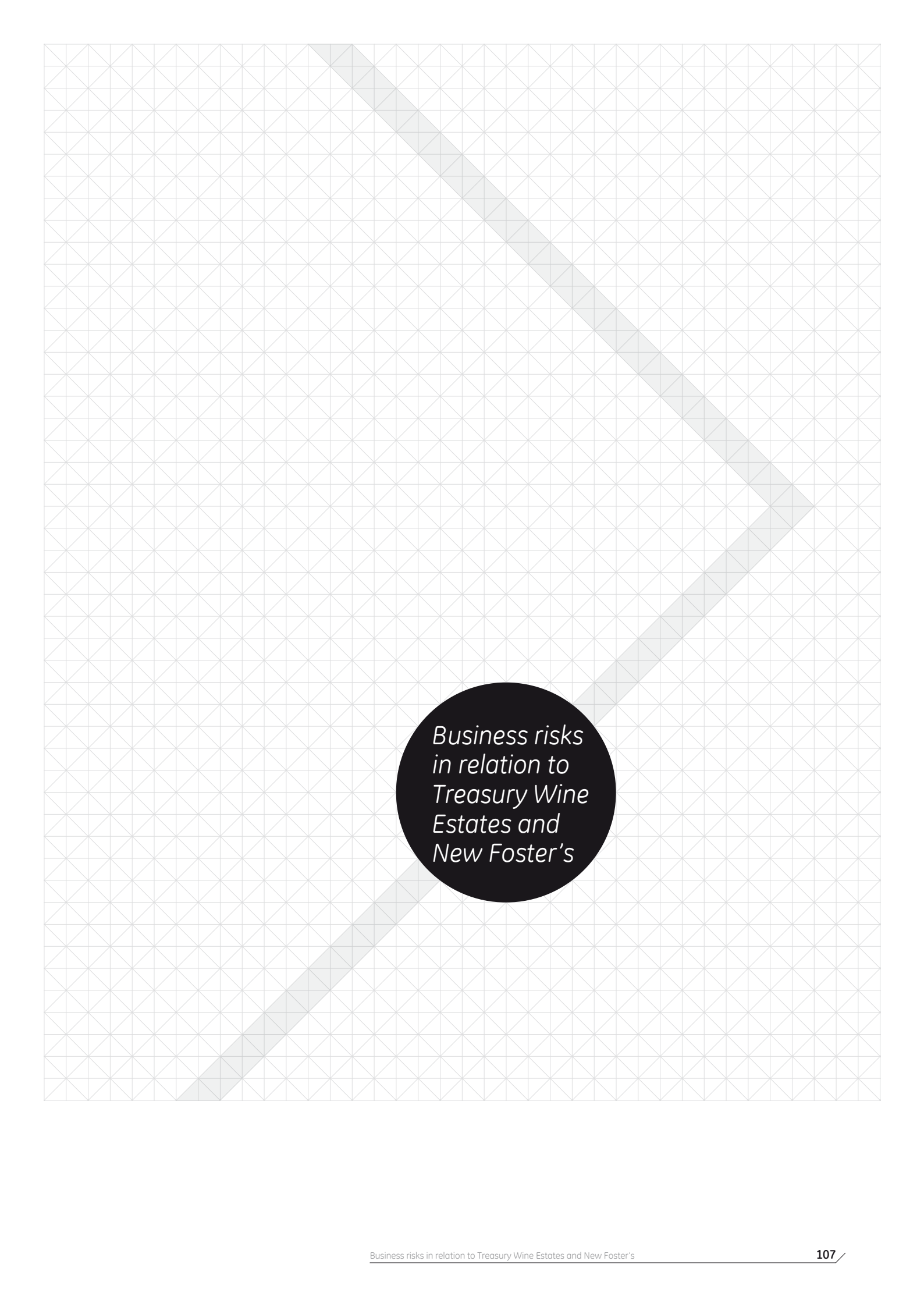
If the Demerger proceeds, the Foster's DRP will continue to be available to eligible New Foster's shareholders.

7.14 Material changes in financial position since most recent balance date

The most recent published financial statements of Foster's are the financial report for the half year ended 31 December 2010, which was released to ASX on 15 February 2011. To the knowledge of Foster's Directors, there has not been a material change in the financial position of Foster's since 31 December 2010, except as disclosed in this Booklet or otherwise in announcements to ASX.

Foster's last annual report, for the year ended 30 June 2010, was released to ASX on 17 September 2010.

Foster's will provide, free of charge, a copy of its financial statements for the half year ended 31 December 2010 to any person who requests a copy before the Scheme is approved by the Court. An electronic copy may be accessed at www.fostersgroup.com.



*Business risks
in relation to
Treasury Wine
Estates and
New Foster's*

8. Business risks in relation to Treasury Wine Estates and New Foster's

8.1 Overview

This Section outlines a number of risks that may affect Treasury Wine Estates and New Foster's following the Demerger.

The risks set out in this Section may adversely affect the future operating or financial performance or prospects of Treasury Wine Estates and New Foster's, and investment returns or value of Treasury Wine Estates Shares and Foster's Shares. Some of these risks may be mitigated by appropriate controls and systems as further described below, but others will be outside Treasury Wine Estates and New Foster's control and may not be able to be mitigated.

Many of these risks are risks to which Treasury Wine Estates' and New Foster's businesses (and, therefore, Foster's Shareholders) are already currently exposed, while others arise as a result of the Demerger. In order to facilitate the understanding of the risks described below, these risks have been categorised either as "new or increased risks" specific to Treasury Wine Estates or New Foster's, or "existing risks" specific to either of Treasury Wine Estates or New Foster's, or both. However, this categorisation should not be construed as limiting the description of the relevant risks or the effect of those risks on Treasury Wine Estates or New Foster's. In particular, the scale and impact of some existing risks may be increased as a consequence of each of Treasury Wine Estates and New Foster's being smaller than Foster's is today. Further, the risks set out in this Section are not an exhaustive list of all of the risks to which the businesses of Treasury Wine Estates and New Foster's could be exposed.

This Section should be read in conjunction with Sections 4, 5, 6 and 7 which include further details on Treasury Wine Estates and New Foster's and Section 2 which sets out the advantages, disadvantages and risks of the Demerger.

8.2 Risks specifically associated with the Demerger

The risks outlined in this Section 8.2 specifically arise or increase as a consequence of the Demerger proceeding.

(a) New or increased risks specific to Treasury Wine Estates

(i) Share market

In addition to the general market risk outlined in Section 8.3(c)(iii), Treasury Wine Estates will have a significantly different profile from Foster's so that the trading history of Foster's will not be directly relevant to the trading of Treasury Wine Estates Shares on ASX.

(ii) Financing

Following the Demerger, Treasury Wine Estates will have debt on its balance sheet which will be affected by movements in the credit market. Its ability to refinance that debt on favourable terms or to raise further finance for its business will depend upon future credit market conditions and Treasury Wine Estates' operating performance.

(iii) Future dividends and franking capacity

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 (excluding individually material items and subject to the Corporations Act) as dividends to Treasury Wine Estates Shareholders. However, there is no assurance that Treasury Wine Estates will pay dividends at any particular level or with any particular regularity.

Treasury Wine Estates will also be restricted by the Corporations Act in the amount of dividends that it is able to pay to Treasury Wine Estates Shareholders. Under changes to the Corporations Act last year, a company may only pay dividends if:

- the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- it is fair and reasonable to the company's shareholders as a whole; and
- the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

Had the Demerger been effected on 31 December 2010, Treasury Wine Estates Limited would have had positive net assets. Treasury Wine Estates Limited's net assets may fluctuate from time to time and this may affect the amount of dividends that it will be able to pay.

Upon Demerger, Treasury Wine Estates' franking account balance will be nil. The current Treasury Wine Estates' Board has confirmed that Treasury Wine Estates intends to frank its dividends to the extent practicable, although this is expected to be less than 100%. Whether any given dividend can be franked will be affected by Treasury Wine Estates' franking account balance. The franking account balance will be affected by the amount of Australian income tax paid by Treasury Wine Estates (see Section 5.10(b)). Treasury Wine Estates will operate in a number of geographical regions, resulting in a substantial proportion of Treasury Wine Estates' earnings being derived outside Australia and which therefore, will not be subject to Australian income tax.

(iv) Supplier and customer arrangements

Treasury Wine Estates is party to certain contractual and commercial arrangements which have been negotiated and entered into prior to the Demerger. Following the Demerger, Treasury Wine Estates will be a smaller business than Foster's is today, and upon the expiry of any of these arrangements will have to negotiate and enter into new arrangements in its own right. As a result of its reduced size, which could lead to a reduction in economies of scale, the business may not have the leverage to negotiate new arrangements on the same terms as those of the previous arrangements in some categories. However, market conditions will ultimately determine the commercial arrangements that are able to be negotiated.

(v) Transfer of customers to Treasury Wine Estates

Many customers who purchase wine products from Foster's in Australia have entered into contracts with Foster's Australia. In connection with the Demerger, Foster's Australia and Treasury Wine Estates have written, or will write, to these customers to confirm that Treasury Wine Estates is willing to supply wine products to these customers on terms which match their current agreement with Foster's Australia. Whilst a number of key customers have already provided their consent, it is possible that some customers may elect not to accept Treasury Wine Estates' offer.

(vi) Information technology systems failure

In addition to the general information technology systems failure risk outlined in Section 8.3(c)(vi), a failure of Treasury Wine Estates' information technology systems to transition smoothly as a result of the Demerger and provide the necessary support for Treasury Wine Estates' operations may potentially have significant adverse effects on the operations of the business and levels of customer service.

Until full separation is achieved (expected to be in early 2013), New Foster's will be responsible for the delivery of a stand-alone separated information technology environment to Treasury Wine Estates. Failure to deliver this project on time could potentially lead to increased cost to both New Foster's and Treasury Wine Estates.

During the transitional period both Treasury Wine Estates and New Foster's will have shared information technology applications and infrastructure and will need to adhere to a governance structure to ensure integrity of the joint information technology environment and prioritisation of projects. Failure to comply with this process may lead to information technology systems failure and may potentially have significant adverse effects on the operations of the business and levels of customer service.

(vii) Transition services

The end of the term for the provision of various services under the transitional services arrangements depends on the achievement of certain milestones under the Core Operations Project. If these milestones are delayed, there is a risk that the term of these contingent services will be extended for an equivalent period to the delay given Treasury Wine Estates may not be able to independently provide such services to itself or acquire those services from third parties on commercially satisfactory terms.

(b) New or increased risks specific to New Foster's

(i) Financing

Following the Demerger, New Foster's will retain substantially all of the external debt on Foster's balance sheet, but will not be able to rely on the cash flow of the Treasury Wine Estates business to repay this debt. An increased debt burden may affect New Foster's ability to repay existing debt, refinance existing debt on favourable terms as well as raise further finance for its business and to pursue new business opportunities.

(ii) Future dividends and franking capacity

New Foster's dividend policy will be determined by the New Foster's Board and may change over time. The current Foster's Board has confirmed that New Foster's will target a dividend payout ratio of not less than 80% of New Foster's consolidated net profit after tax (excluding individually material items and subject to the Corporations Act) as dividends to New Foster's shareholders. However, there is no assurance that New Foster's will pay dividends at any particular level or with any particular regularity.

New Foster's will also be restricted by the Corporations Act in the amount of dividends that it is able to pay to its shareholders.

Under changes to the Corporations Act last year, a company may only pay dividends if:

- the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- it is fair and reasonable to the company's shareholders as a whole; and
- the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

Had the Demerger been effected on 31 December 2010, Foster's Group Limited would have had positive net assets. Foster's Group Limited's net assets may fluctuate from time to time and this may affect the amount of dividends that it will be able to pay.

Historically, Foster's has franked some proportion of the dividends paid to Foster's Shareholders. The current Foster's Board has confirmed that, following the Demerger, New Foster's intends to continue to frank its dividends to the extent practicable. However, whether any given dividend can be franked will be affected by New Foster's franking account balance, which, among other things, is affected by taxes paid or refunded (including as a result of the Ashwick litigation referred to in Section 7.10).

(iii) Concentration

Following the Demerger, New Foster's will rely on the sale of a more limited number of product categories, in particular beer, and will have a less diversified portfolio of alcohol beverages. This exposes New Foster's to a potential loss of earnings if consumer preferences shift away from beer products or if New Foster's is unable to produce beer for any reason.

(iv) Supplier and customer arrangements

New Foster's is party to certain contractual and commercial arrangements which have been negotiated and entered into prior to the Demerger. Following the Demerger, New Foster's will be a smaller business than Foster's is today, and upon the expiry of any of these arrangements will have to negotiate and enter into new arrangements in its own right. As a result of its reduced size, which could lead to a reduction in economies of scale, the business may not have the leverage to negotiate new arrangements on the same terms as those of the previous arrangements in some categories. However, market conditions will ultimately determine the commercial arrangements that are able to be negotiated.

(v) Liability under transition service arrangements

Under the transition service arrangements (see Section 3.10), New Foster's will provide Treasury Wine Estates with certain transition services, including information technology services. A breach by New Foster's of any of these arrangements could result in New Foster's incurring liability as described in Section 3.10.

8.3 Existing risks

Many of the risks faced by Foster's at present will continue to be faced by New Foster's and Treasury Wine Estates following the Demerger. Investors are already exposed to these risks through their investment in Foster's, although the impact of these risks may be increased as a consequence of each of New Foster's and Treasury Wine Estates being smaller than Foster's is today.

(a) Existing risks specific to Treasury Wine Estates

Treasury Wine Estates is exposed to a number of risks specific to the wine industry which can contribute to substantial volatility in earnings. Key existing risks are discussed in more detail below:

(i) Competition

Treasury Wine Estates operates in a competitive business environment in Australia and internationally. Each of the markets in which Treasury Wine Estates operates is characterised by competition on the basis of quality, price and brand awareness which can be heightened during periods of grape oversupply. Consequently, Treasury Wine Estates' financial performance, revenues and market share may be adversely affected by the actions of its competitors, such as price discounting or increased marketing initiatives, and Treasury Wine Estates' response to such actions.

(ii) Agricultural factors

Winemaking and grape growing are subject to a variety of agricultural factors beyond Treasury Wine Estates' control, such as disease, pests, rainfall and extreme weather conditions. To the extent that any of the foregoing impacts the quality and quantity of grapes available to Treasury Wine Estates for production of its wines, the results of its operations could be adversely affected.

(iii) Third party distributors

In certain markets and channels, Treasury Wine Estates utilises independently-owned distributors to distribute its products. Further, in on-premise and off-premise channels, Treasury Wine Estates relies on retailers and hospitality providers to sell its products to consumers. See Section 4.4 for further information.

Generally, distributors and retailers also sell products that compete with Treasury Wine Estates' products. Treasury Wine Estates cannot prevent distributors or retailers from giving its competitors' products higher priority, thereby reducing their efforts to sell Treasury Wine Estates products and Treasury Wine Estates may not be able to quickly replace such distributors or retailers.

(iv) Foreign exchange rates

Treasury Wine Estates is exposed to the effect of foreign exchange rate fluctuations.

The impact from movements in exchange rates on Treasury Wine Estates' earnings incorporates both transaction and translation impacts. Further information is set out in Section 5.3(c). Adverse foreign exchange rate movements may require an increase in the sales price of Treasury Wine Estates' products, which may also impact upon wine consumers' spending patterns.

(v) Portfolio and cost structure misalignment

Wine sales are affected by consumer preferences, which are in turn driven by industry trends and market perceptions of different types of wines (including different varietals and the geographic region they are sourced from). Certain types of wines are at times more popular than others and, accordingly, the portfolio of wine products sold by Treasury Wine Estates may not be aligned with consumer preferences. If there is a decline in consumption of Treasury Wine Estates products for one of these reasons, Treasury Wine Estates may not be able to respond quickly due to the lead time required to switch grape varietals and to manufacture certain wine products. A decline in consumption of Treasury Wine Estates products for this and any other reason may also result in the under utilisation of wine production assets, the resolution of which may require changes to Treasury Wines Estates' production footprint.

(vi) Damage to warehouses and storage tanks

Treasury Wine Estates owns or leases wine production, bottling and packaging assets and stores wine that is undergoing maturation or is finished product, in various warehouses and storage tanks. Damage to or destruction of these facilities could result in the loss of production capability or the loss of significant volumes of wine, impacting the quantity of wine available for particular brands and vintages and hence adversely impacting Treasury Wine Estates' financial results. It cannot be certain that the financial impact of any such event would be mitigated, fully or partially, by insurance.

(b) Existing risks specific to New Foster's

(i) Competition

New Foster's will continue to operate in a highly competitive business environment. Each of the markets in which New Foster's competes is characterised by competition on the basis of quality, price and brand awareness. Consequently, New Foster's financial performance, revenues and market share may be adversely affected by the actions of its competitors, such as price discounting or increased marketing initiatives, and Foster's response to such actions.

(ii) Foreign exchange rates

New Foster's is exposed to the effect of foreign exchange rate fluctuations, although not to the same extent as Treasury Wine Estates. This arises from New Foster's selling imported products in Australia and due to certain input costs, for example aluminium and sugar, being linked to US\$ prices. In general, a strong A\$ relative to the US\$ results in lower cost of goods sold for US\$ denominated imported products and input costs.

Further, New Foster's is also exposed to an earnings translation impact in relation to its earnings in international markets, as measured in A\$.

(iii) Damage to facilities and warehouses

Foster's owns or leases production, bottling and packaging facilities and warehouses. Damage to or destruction of these facilities could result in the loss of production capability or the loss of stock, adversely impacting New Foster's financial results. It cannot be certain that the financial impact of any such event would be mitigated, fully or partially, by insurance.

(iv) Litigation and disputes

In addition to the general litigation risk outlined in Section 8.3(c) (ix), Foster's is currently involved in two taxation disputes which are discussed in Sections 7.10 and 7.11.

(v) Distribution of third party brands in Australia

New Foster's currently distributes and sells certain third party brands in Australia under the terms of distribution contracts with the brand owner. There is a risk that these distribution contracts may be terminated or not renewed upon their expiry.

(c) Existing risks faced by both Treasury Wine Estates and New Foster's

(i) Key brands

Treasury Wine Estates and New Foster's success in generating profits and increasing its market share is based on the success of its key brands. Reliance on key brands makes Treasury Wine Estates and New Foster's vulnerable to brand damage from negative publicity, product tampering or recalls, unauthorised use of its brands or ineffective brand management by Treasury Wine Estates or New Foster's or their licensees.

(ii) Economic climate

Changes in the general domestic and international economic climate may have an adverse impact on the operating and financial performance of Treasury Wine Estates and New Foster's. These general economic conditions are influenced by such factors as government regulatory policies, economic growth, interest rates, inflation, employment levels and consumer and business sentiment.

(iii) Market

The price of Treasury Wine Estates Shares and Foster's Shares may be impacted by external factors over which Treasury Wine Estates and New Foster's and Treasury Wine Estates Directors and New Foster's Directors have no control. These external factors include economic, political and regulatory conditions in Australia and overseas, investor sentiment in the local and international stock markets as well as other factors such as international hostilities and acts of terrorism.

(iv) Regulation

The businesses of Treasury Wine Estates and New Foster's are highly regulated in many markets in which they sell their products. These regulations govern many parts of their operations, including the manufacturing, marketing, advertising, distribution and sales of their products. The alcohol industry in a particular market could be subjected to changes or additions to existing regulations which could increase the cost of goods or restrict Treasury Wine Estates' and New Foster's ability to sell or market their respective products.

(v) Private labels

Treasury Wine Estates and New Foster's sell their products through a number of retailers which have "generic" or private labels for their wine, beer, cider and spirits offerings. These private label products compete with the sale of Treasury Wine Estates and New Foster's products to end customers. An increase in the focus of these retailers on their private label wine or private label beer, cider and spirits offerings could result in a decline in sales of Treasury Wine Estates and New Foster's products respectively.

(vi) Information technology systems failure

Treasury Wine Estates' and New Foster's customer service relies on each company's ability to satisfactorily manage high turnover volumes and a large number of customers and suppliers. A severe disruption to the information technology systems may significantly impact the operations and value of Treasury Wine Estates and New Foster's.

(vii) Taxation

The ability of Treasury Wine Estates or New Foster's to obtain the benefit of existing tax losses and claim other beneficial tax attributes will depend on future circumstances and may be adversely affected by changes in ownership, business activities, levels of taxable income and any other conditions relating to the use of the tax losses or other attributes in the jurisdictions in which the companies operate.

Changes in taxation laws (or their interpretation) in Australia and other countries where either Treasury Wine Estates or New Foster's has operations could materially affect Treasury Wine Estates' or New Foster's financial performance and impact on their ability to obtain the benefit of existing tax losses and claim other beneficial tax attributes. In addition, governments may review and impose additional or higher excise or other taxes on alcohol, which may have an adverse effect on consumer buying patterns and may adversely impact Treasury Wine Estates' and New Foster's financial results.

Further, the determination of the taxation treatment of investments, activities or transactions requires an interpretation of the relevant taxation laws and significant judgment in circumstances where there may be differing but reasonable interpretations which may be adopted. Consistent with other companies of the size and diversity of Treasury Wine Estates and New Foster's, Treasury Wine Estates and New Foster's may be the subject of periodic information requests, investigations and audit activities by the ATO and tax authorities in other jurisdictions in which the companies operate.

(viii) Accounting

Changes in accounting or financial reporting standards may adversely impact the reported financial performance of Treasury Wine Estates and New Foster's. In addition, Treasury Wine Estates and New Foster's may be impacted by accounting policies adopted after the Demerger which are different to the existing policies and differences in interpretations of accounting standards.

(ix) Litigation

Exposure to litigation brought by third parties such as customers, regulators, employees or business associates could negatively impact on Treasury Wine Estates' and New Foster's financial performance through increased costs, payments for damages and reputational damage.

(x) Employees

Treasury Wine Estates and New Foster's compete in labour markets to attract and retain their employees and management team. The competitive nature of these labour markets may result in the loss of key employees from time to time or make it difficult and costly to attract or retain employees.

Interruptions at Treasury Wine Estates' or New Foster's workplaces arising from industrial disputes, work stoppages and accidents may result in production losses and delays. Renegotiation of collective agreements may increase Treasury Wine Estates' or New Foster's operating costs and may involve disputes.

While a strong emphasis is placed on the implementation of occupational health and safety standards, the risk of a serious injury or fatality remains possible. The occurrence of such events may have an adverse effect on the productivity and operations of Treasury Wine Estates or New Foster's.

(xi) Political climate and location

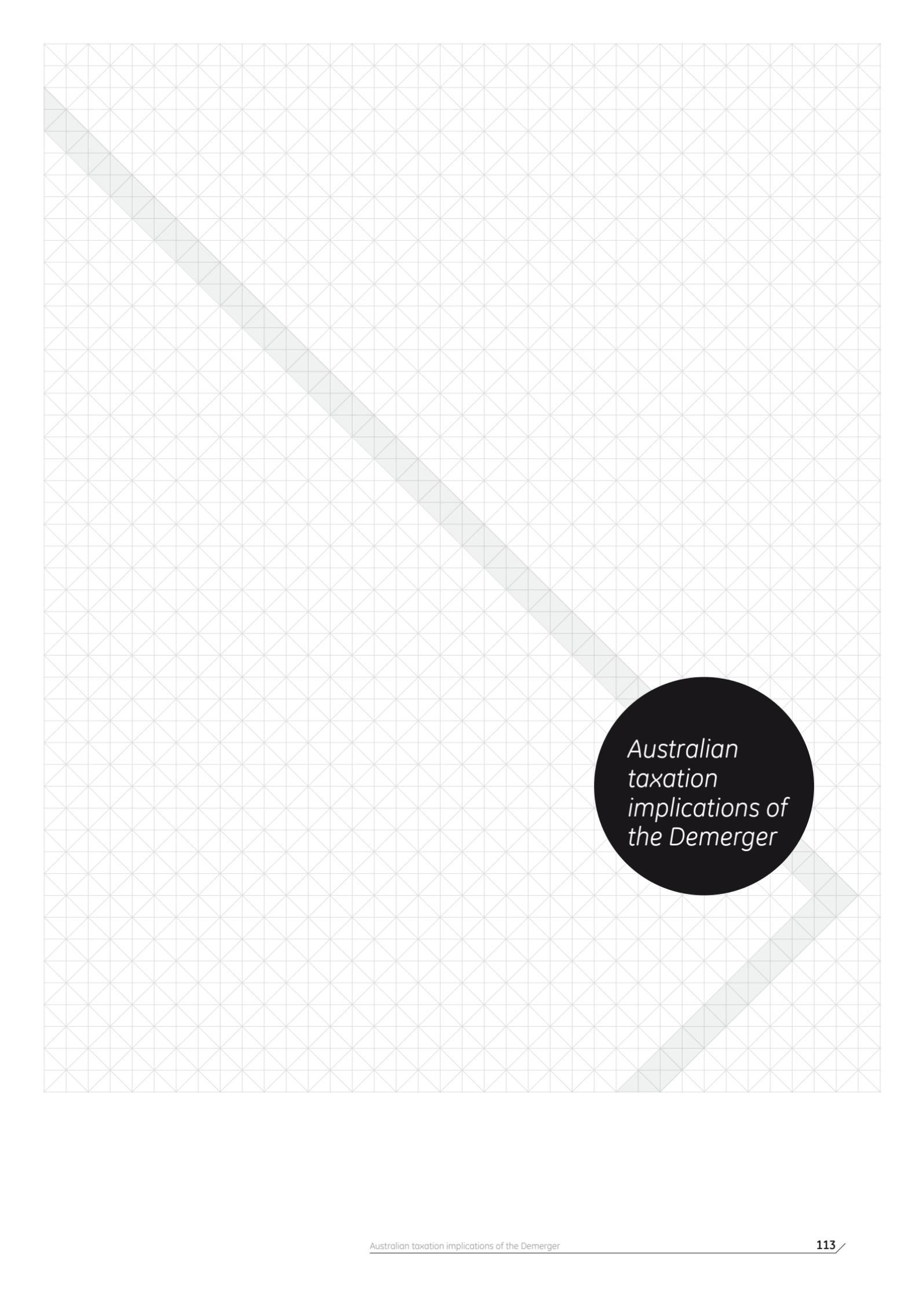
Treasury Wine Estates and New Foster's both operate in a number of countries. Each of the countries in which Treasury Wine Estates and New Foster's operate is subject to different political, economic and legal conditions. Consequently, changes to fiscal or regulatory regimes applying in the relevant jurisdictions, policies relating to foreign trade or difficulties interpreting and complying with local laws may affect the profitability of each of Treasury Wine Estates' and New Foster's foreign operations, and its ability to maintain and repatriate funds from those operations.

(xii) Catastrophic events

Treasury Wine Estates' and New Foster's operations could be impacted by accidents, natural disasters or other catastrophic events which could materially disrupt its operations. Such events could occur through the impact of natural disasters or as a result of human error or negligence. In certain circumstances, insurance policies operate to mitigate this risk. It cannot be certain that the financial impact of any such event would be mitigated, fully or partially, by insurance.

(xiii) Terrorism

Treasury Wine Estates' and New Foster's operations and earnings may be affected by acts of terrorism, either directly through product tampering or business disruption or indirectly through the impact on business conditions in any of the countries in which Treasury Wine Estates or New Foster's operates. Acts of terrorism may also result in a deterioration of consumer confidence. This may lead to a reduction in spending on discretionary purchases, including alcohol beverages, which could adversely affect the revenues and financial results of Treasury Wine Estates or New Foster's.



*Australian
taxation
implications of
the Demerger*

9. Australian taxation implications of the Demerger

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17 March 2011

The Directors
Foster's Group Limited
77 Southbank Boulevard
SOUTHBANK VIC 3006

Foster's Group Limited - Demerger Outline of Australian taxation implications

This letter has been prepared at the request of the directors of Foster's Group Limited (**Foster's**) for inclusion in the Booklet relating to the proposed demerger from Foster's of Treasury Wine Estates Limited (**Treasury Wine Estates**).

Unless the context otherwise requires, capitalised terms in this letter have the meaning given in the Booklet.

The following is a general outline of the main Australian taxation implications for Foster's Shareholders who are residents of Australia for income tax purposes, hold their Foster's Shares as a long term investment on capital account, are not subject to the rules concerning the taxation of financial arrangements contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (**TOFA Rules**) in respect of their Foster's Shares and participate in the Capital Reduction and the Scheme (**Participating Australian Shareholders**).

1 Introduction

It is proposed that Treasury Wine Estates will be demerged from Foster's by way of the Capital Reduction and the Scheme. On the Implementation Date, Foster's will undertake the Capital Reduction (such that the Foster's share capital account will be reduced by the amount of the Capital Reduction) and, under the Scheme, each Participating Australian Shareholder will be entitled to receive one Treasury Wine Estates Share for every three Foster's Shares the Participating Australian Shareholder is registered as holding as at the Record Date.

2 Scope and currency

This outline relates solely to matters governed by, and should be interpreted in accordance with, the laws of Australia as in force and as interpreted at 9.00am (Melbourne time) on the date of this letter. Future amendments to taxation legislation, or its interpretation by the courts or Australian taxation authorities, may take effect retrospectively and/or affect the conclusions drawn. This outline does not take into account or anticipate changes in the law (by legislation or judicial decision) or practice (by ruling or otherwise) after that time.

This outline is not a complete analysis of Australian taxation laws which may apply in relation to the Demerger. The outline is also not exhaustive of all taxation implications which could apply in the circumstances of any given Foster's Shareholder. In particular, special rules apply to certain shareholders such as persons not resident in Australia for income tax purposes, holders of Foster's ADSs, tax exempt organisations, listed investment companies, insurance companies, superannuation funds, banks, Foster's Shareholders who hold their Foster's Shares other than by way of long term investment or as trading stock and Foster's

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Shareholders, who are subject to the TOFA Rules in respect of their Foster's Shares or who hold their Foster's Shares as a result of participating in an employee share scheme. This outline does not address any of the above circumstances or special rules.

All Foster's Shareholders, and particularly those Foster's Shareholders not covered by this outline as noted above, should consult with their own independent taxation advisers regarding the Australian and, if applicable, foreign, taxation implications of participating in the Demerger given the particular circumstances which apply to them.

This letter has been prepared based on information provided by Foster's and is given for the benefit of the directors of Foster's. It is not to be relied upon by any other person and should only be used by Foster's Shareholders as a guide for obtaining their own independent taxation advice.

3 Australian taxation implications

3.1 Income tax

(a) Class ruling application

Foster's has applied to the Australian Commissioner of Taxation (**Commissioner**) for a class ruling confirming certain income tax implications of the Demerger for Participating Australian Shareholders.

The class ruling application is principally concerned with confirming that Participating Australian Shareholders will be entitled to choose demerger tax relief in respect of the taxation impact of the Demerger on their Foster's Shares under the Australian capital gains tax (**CGT**) regime. The class ruling application also seeks confirmation that any dividend that arises or is deemed to arise under the Demerger will not be assessable to Participating Australian Shareholders and that the Commissioner will not apply the anti-avoidance rules applicable to demergers.

Foster's has received a draft class ruling setting out the Commissioner's preliminary but considered view confirming the above income tax implications of the Demerger for Participating Australian Shareholders. However, as at the date of this letter, the final class ruling is yet to be issued. This is consistent with normal practice and the final class ruling is not expected to be issued until after the Demerger is implemented. The Commissioner may or may not issue a final class ruling that is consistent with the above draft class ruling. Accordingly, set out below are the implications for Participating Australian Shareholders in circumstances where demerger tax relief does or does not apply. However, the outline is based on the assumption that the Commissioner will not apply the demerger anti-avoidance rules to treat any part of the Capital Reduction as an unfranked dividend, and therefore does not address the implications if the Commissioner were to do so.

(b) CGT consequences

The Capital Reduction will result in a CGT event happening in relation to each Foster's Share held by a Participating Australian Shareholder.¹ The CGT consequences will depend on whether demerger tax relief is available, a choice is made to apply it and the Foster's Shares held by a Participating Australian Shareholder were acquired before 20 September 1985 (**Pre-CGT Foster's Shares**) or on or after 20 September 1985 (**Post-CGT Foster's Shares**).

¹ CGT event G1.

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(c) Implications for Participating Australian Shareholders if demerger tax relief is available

(i) Implications for Participating Australian Shareholders who choose demerger tax relief

Post-CGT shares

If demerger tax relief is available and a Participating Australian Shareholder chooses demerger tax relief in respect of their Post-CGT Foster's Shares², any capital gain that arises as a result of the CGT event happening in relation to each of their Foster's Shares will be disregarded.

The first element of the cost base and the reduced cost base of each Post-CGT Foster's Share and corresponding Treasury Wine Estates Shares held by a Participating Australian Shareholder immediately after the Demerger will be determined as follows:

- calculate the total of the cost bases of the Post-CGT Foster's Shares held (worked out just before the Demerger); and
- apportion the result of the above calculation between the Foster's Shares and Treasury Wine Estates Shares held after the Demerger, having regard to the market values (or a reasonable approximation thereof) just after the Demerger of the Foster's Shares and the Treasury Wine Estates Shares. We understand that New Foster's will advise Participating Australian Shareholders of these amounts after the Demerger.

Participating Australian Shareholders will be treated as having acquired the corresponding Treasury Wine Estates Shares on the same date as their Post-CGT Foster's Shares for the purpose of determining the availability of the CGT discount in respect of any subsequent disposal of those shares (see 3.1(e)(ii) below).

Pre-CGT shares

Participating Australian Shareholders who hold Pre-CGT Foster's Shares will be entitled to disregard any capital gain realised as a result of CGT event G1 happening to their Pre-CGT Foster's Shares.

Further, by choosing demerger tax relief, they will be taken to have also acquired the corresponding Treasury Wine Estates Shares under the Demerger before 20 September 1985 for the purpose of determining the CGT implications in respect of any subsequent disposal of those shares (see 3.1(e)(ii) below).

(ii) Implications for Participating Australian Shareholders who do not choose demerger tax relief

Post-CGT shares

Participating Australian Shareholders who hold Post-CGT Foster's Shares and who do not choose demerger tax relief:

- must reduce the cost base and reduced cost base of the Foster's Shares by

² By preparing their income tax returns in a manner consistent with this choice.

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the amount of the Capital Reduction (but not below zero); and

- if the Capital Reduction amount exceeds the cost base, will realise a capital gain to that extent.

In calculating any assessable capital gain, Participating Australian Shareholders may adjust the cost base of their Post-CGT Foster's Shares to include indexation in respect of Post-CGT Foster's Shares acquired before 21 September 1999 (until the quarter ended 30 September 1999; see 3.1(e)(ii) below). Alternatively, individuals and trustees of trusts (other than trusts that are complying superannuation entities) may be entitled to the 50% CGT discount in respect of the amount of any capital gain (i.e. after taking into account current year or carry forward capital losses) if the Capital Reduction happens to their Post-CGT Foster's Shares that were acquired at least 12 months before the Capital Reduction.

The cost base and reduced cost base of the Post-CGT Foster's Shares and the corresponding Treasury Wine Estates Shares will be apportioned as set out at 3.1(c)(i) above. The Treasury Wine Estates Shares will be treated as having been acquired on the same date as their Post-CGT Foster's Shares for the purpose of determining the availability of the CGT discount in respect of any subsequent disposal of those shares (see 3.1(e)(ii) below).

Pre-CGT shares

Participating Australian Shareholders who hold Pre-CGT Foster's Shares and who do not choose demerger tax relief will still be entitled to disregard any capital gain realised as a result of the CGT event happening to their Pre-CGT Foster's Shares.

However, the corresponding Treasury Wine Estates Shares will be treated as having been acquired on the Implementation Date. The first element of the cost base and reduced cost base of the Treasury Wine Estates Shares will need to be determined under the ordinary CGT cost base rules. Participating Australian Shareholders in these circumstances should obtain their own independent taxation advice in this regard.

(iii) Demerger dividend

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.

(d) Implications for Foster's Shareholders if demerger tax relief is not available

If demerger tax relief is not available, Participating Australian Shareholders:

- who hold Post-CGT Foster's Shares may realise an assessable capital gain as a result of the CGT event happening to their Post-CGT Foster's Shares and should see the discussion at 3.1(c)(ii) above in this regard;
- who hold Pre-CGT Foster's Shares will be entitled to disregard any capital gain realised as a result of the CGT event happening to their Pre-CGT Foster's Shares;

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- will be treated as having acquired the Treasury Wine Estates Shares corresponding to their Foster's Shares on the Implementation Date. The first element of the cost base and reduced cost base of the Treasury Wine Estates Shares will need to be determined under the ordinary CGT cost base rules. Participating Australian Shareholders in these circumstances should obtain their own independent taxation advice; and
- will be required to include the demerger dividend (see 3.1(c)(iii) above) in their assessable income for the income year in which it is received. Whether and to what extent such a dividend will be franked will depend on a number of factors, including Foster's franking account balance at the time.

(e) Implications of holding Foster's Shares and Treasury Wine Estates Shares after the Demerger

(i) Dividends

Participating Australian Shareholders will be required to include dividends in respect of Foster's Shares and Treasury Wine Estates Shares they hold after the Demerger in their assessable income for the income year in which the dividends are paid.

Dividends may be franked, i.e. have franking credits for tax paid by the relevant company attached to the dividends. As for their Foster's Shares, to be entitled to franking credits, a Participating Australian Shareholder must be a "qualified person" by satisfying the "holding period rule", or qualifying for an exemption from that rule.

On the assumption that a Participating Australian Shareholder is a "qualified person", the tax treatment of dividends received from New Foster's and Treasury Wine Estates will depend on the character of the shareholder as follows:

- **Individuals** – The dividend plus any franking credit will be included in the individual's assessable income. A tax offset for the amount of the franking credit will be available to offset the tax payable on the individual's assessable income. Any excess tax offset (after offset against tax payable) should be refundable to the individual.
- **Companies** – The dividend plus any franking credit will be included in the company's assessable income. A tax offset for the amount of the franking credit will be available against tax payable on the company's taxable income. A company that is a franking entity may be able to credit its franking account with the franked amount of the dividend which may enable the company to pay franked dividends to its own shareholders.
- **Trustees (excluding trustees of superannuation funds)** – If Australian resident beneficiaries of a trust are presently entitled to a distribution of the net income for the year in which the dividend is derived by the trust, generally the franked dividend should flow through to, and be taxable in the hands of, the beneficiaries in accordance with their particular tax status and profile (subject to the trust having positive net income and the beneficiaries also satisfying the qualified person rules referred to above).

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(ii) Sale of shares

Participating Australian Shareholders will need to consider the CGT implications of any subsequent disposal of Foster's Shares or Treasury Wine Estates Shares.

A capital gain will arise to the extent the capital proceeds from the disposal of shares exceed the cost base of the shares held by a Participating Australian Shareholder.

A capital loss will be incurred to the extent the capital proceeds are less than the reduced cost base (effectively the cost base of an asset excluding certain items, such as deductible expenditure) of the shares held by a Participating Australian Shareholder.

Any capital gain or capital loss on the disposal of Foster's Shares and Treasury Wine Estates Shares acquired, or deemed to have been acquired, before 20 September 1985 will be disregarded.

For the purpose of determining whether a Participating Australian Shareholder will realise a capital gain or a capital loss in respect of the disposal of Foster's Shares or Treasury Wine Estates Shares acquired, or deemed to have been acquired, on or after 20 September 1985, the cost base or reduced cost base of the Foster's Shares and Treasury Wine Estates Shares will depend on whether demerger tax relief is available and, if so, whether a Participating Australian Shareholder chooses that relief (see 3.1(c) and 3.1(d) above).

The capital gains, after applicable discounts, and any capital losses of a taxpayer from all CGT events are aggregated to calculate the taxpayer's net capital gain or loss for the income tax year. A net capital gain is included in the assessable income of the taxpayer and may be subject to income tax. A net capital loss may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains (subject to satisfaction of loss recoupment tests for certain taxpayers).

With respect to Foster's Shares and Treasury Wine Estates Shares acquired, or deemed to have been acquired, at or before 11.45am on 21 September 1999, Participating Australian Shareholders may adjust the cost base of their shares to include indexation (by reference to changes in the Consumer Price Index) from the calendar quarter in which the shares were acquired until the quarter ended 30 September 1999.

Individuals and trustees of trusts (other than a trust that is a complying superannuation entity) who do not index, or are not entitled to index, the cost base of their shares may be entitled to discount the amount of their capital gain from the disposal of Foster's Shares or Treasury Wine Estates Shares (i.e. after taking into account current year or carry forward capital losses) by 50%.

The above CGT discount will only be available if the disposal by the Participating Australian Shareholders happens to shares they acquired at least 12 months before the disposal (noting that the time of acquisition may be determined in accordance with the principles set out at 3.1(c) and 3.1(d) above).

Although trustees of trusts may be entitled to the above CGT discount, special rules apply in respect of beneficiaries of such trusts. Participating Australian Shareholders

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that are trustees should consult with their own independent tax advisers regarding the income tax implications of distributions attributable to discount capital gains.

Participating Australian Shareholders that are companies (not acting as trustees) will not be entitled to any discount in respect of their net capital gains on disposal of their Foster's Shares or Treasury Wine Estates Shares.

(f) Sale facility

Participating Australian Shareholders who individually hold 1,000 Foster's Shares or fewer as at the Record Date may elect to have all the Treasury Wine Estates Shares which they would receive under the Demerger sold on ASX by the Sale Agent pursuant to the Sale Facility. The Australian income tax implications of participating in the Demerger under the Sale Facility will depend on whether the relevant Foster's Shares are Pre-CGT Foster's Shares or Post-CGT Foster's Shares, whether demerger tax relief is available and, if so, whether a Participating Australian Shareholder chooses that relief. The Australian income tax implications will generally be the same as those set out in 3.1(c), 3.1(d) and 3.1(e)(ii) above.

3.2 Goods and services tax (GST)

The transfer of the Treasury Wine Estates Shares and any other distribution as a result of the Capital Reduction and the Scheme will not be subject to GST.

3.3 Stamp duty

Foster's Shareholders will not be subject to stamp duty in any Australian State or Territory in respect of the transfer of the Treasury Wine Estates Shares to them under the Scheme.

Yours faithfully

Corrs Chambers Westgarth



Reynah Tang
Partner



*Investigating
Accountant's
Report*

10. Investigating Accountant's Report



The Directors
Foster's Group Limited
77 Southbank Boulevard
Southbank, Victoria, 3006

17 March 2011

Dear Directors

Subject: Investigating Accountant's Report on Historical Financial Information and Financial Services Guide

We have prepared this report on certain historical financial information presented by Foster's Group Limited (**Foster's** or the **Company**) for its Beer business (**New Foster's**) and Wine business (**Treasury Wine Estates**) for inclusion in the Scheme Booklet dated on or around 17 March 2011 relating to the structural separation to create separate entities for New Foster's and Treasury Wine Estates (the **Demerger**).

Expressions defined in the Scheme Booklet have the same meaning in this report.

The nature of this report is such that it should be given by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services licence. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

The Company has requested PricewaterhouseCoopers Securities Ltd to prepare this Investigating Accountant's Report (the **Report**) covering the following information:

- (a) New Foster's pro forma consolidated income statements for the years ended 30 June 2008, 30 June 2009 and 30 June 2010, and the six months ended 31 December 2010 set out in Table 14 which assumes completion of the proposed transactions and/or adjustments described in Sections 7.2 and 7.3(a) of the Scheme Booklet
- (b) New Foster's pro forma consolidated cash flow statements for the years ended 30 June 2008, 30 June 2009 and 30 June 2010, and the six months ended 31 December 2010 set out in Table 17 which assumes completion of the proposed

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transactions and/or adjustments described in Sections 7.2 and 7.4(a) of the Scheme Booklet

- (c) New Foster's pro forma consolidated balance sheet as at 31 December 2010 set out in Table 19 which assumes completion of the proposed transactions and/or adjustments described in Sections 7.2 and 7.5 of the Scheme Booklet

((a), (b) and (c) collectively the **Pro Forma New Foster's Financial Information**)

- (d) Treasury Wine Estates pro forma consolidated income statements for the years ended 30 June 2008, 30 June 2009 and 30 June 2010, and the six months ended 31 December 2010 set out in Table 1 which assumes completion of the proposed transactions and/or adjustments described in Sections 5.2 and 5.3(a) of the Scheme Booklet

- (e) Treasury Wine Estates pro forma consolidated cash flow statements for the years ended 30 June 2008, 30 June 2009 and 30 June 2010, and the six months ended 31 December 2010 set out in Table 5 which assumes completion of the proposed transactions and/or adjustments described in Sections 5.2 and 5.4(a) of the Scheme Booklet

- (f) Treasury Wine Estates pro forma consolidated balance sheet as at 31 December 2010 set out in Table 6 which assumes completion of the proposed transactions and/or adjustments described in Sections 5.2 and 5.5(a) of the Scheme Booklet

((d), (e) and (f) collectively the **Pro Forma Treasury Wine Estates Financial Information**)

(the Pro Forma New Foster's Financial Information, and Pro Forma Treasury Wine Estates Financial Information collectively form the **Historical Financial Information**).



This Report has been prepared for inclusion in the Scheme Booklet. We disclaim any assumption of responsibility for any reliance on this Report or on the Historical Financial Information to which this Report relates for any purposes other than the purpose for which it was prepared.

Scope of review of Historical Financial Information

The Historical Financial Information has been derived from the audited or reviewed financial statements of the Company and management information. The financial statements were audited or reviewed by PricewaterhouseCoopers who issued unqualified audit opinions or review opinions on them. The Historical Financial Information incorporates such pro forma transactions and/or adjustments described in Sections 5.2, 5.3(a), 5.4(a), 5.5(a), 7.2, 7.3(a), 7.4(a) and 7.5 (**the Pro Forma Adjustments**) as the Directors considered necessary to present the Historical Financial Information on a basis consistent with the internal restructure described in Section 3.1 and the demerger elements described in Section 3.2. The Directors are responsible for the preparation of the Historical Financial Information, including the determination of the Pro Forma Adjustments.

We have conducted our review of the Historical Financial Information in accordance with Australian Auditing Standards applicable to review engagements. We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- an analytical review of the audited financial performance of the Company for the relevant historical periods;
- a review of work papers, accounting records and other documents;
- a review of the Pro Forma Adjustments and supporting work papers used to compile the Historical Financial Information;
- a comparison of consistency in application of the recognition and measurement principles under Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in the Foster's half year report to 31 December 2010 and Annual Report for the year ended 30 June 2010; and
- enquiry of Directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Historical Financial Information.



Review statement on Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the Pro Forma Treasury Wine Estates Financial Information and the Pro Forma New Foster's Financial Information has not been properly prepared on the basis of the Pro Forma Adjustments
- the Pro Forma Adjustments do not form a reasonable basis for the Pro Forma Treasury Wine Estates Financial Information and the Pro Forma New Foster's Financial Information
- the Historical Financial Information as set out in tables 1, 5, 6, 14, 17 and 19 of the Scheme Booklet, does not present fairly:
 - (g) the pro forma income statements of Treasury Wine Estates and New Foster's for the years ended 30 June 2008, 30 June 2009 and 30 June 2010, and the six months ended 31 December 2010, assuming completion of the Pro Forma Adjustments;
 - (h) the pro forma cash flow statements of Treasury Wine Estates and New Foster's for the years ended 30 June 2008, 30 June 2009 and 30 June 2010, and the six months ended 31 December 2010, assuming completion of the Pro Forma Adjustments; and
 - (i) the pro forma balance sheets of Treasury Wine Estates and New Foster's as at 31 December 2010, assuming completion of the Pro Forma Adjustments

in accordance with the recognition and measurement principles prescribed under Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in the Foster's half year report to 31 December 2010 and Annual Report for the year ended 30 June 2010.

Subsequent events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary course of business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.



Independence or disclosure of interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of the Demerger other than the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.

Liability

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this Report in the Scheme Booklet in the form and context in which it is included. The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this Report in the Scheme Booklet. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the Scheme Booklet.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our Report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Jock O'Callaghan'.

Jock O'Callaghan
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

A handwritten signature in black ink, appearing to read 'Andy Welsh'.

Andy Welsh
Authorised Representative of
PricewaterhouseCoopers Securities Ltd



PRICEWATERHOUSECOOPERS SECURITIES LTD FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 17 March 2011

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("PwC Securities") has been engaged by Foster's Group Limited ("Foster's") to provide a report in the form of an Independent Accountant's Report in relation to the certain historical financial information presented by Foster's Group Limited (the "Company") for its Beer business ("New Foster's") and Wine business ("Treasury Wine Estates") for inclusion in the Scheme Booklet dated 17 March 2011.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("FSG") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Appendix A – Financial Services Guide

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on an hourly basis and as at the date of this Report amount to approximately \$1.6 million (excl. GST).

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. In relation to Fosters, PricewaterhouseCoopers is the auditor.

7. Complaints

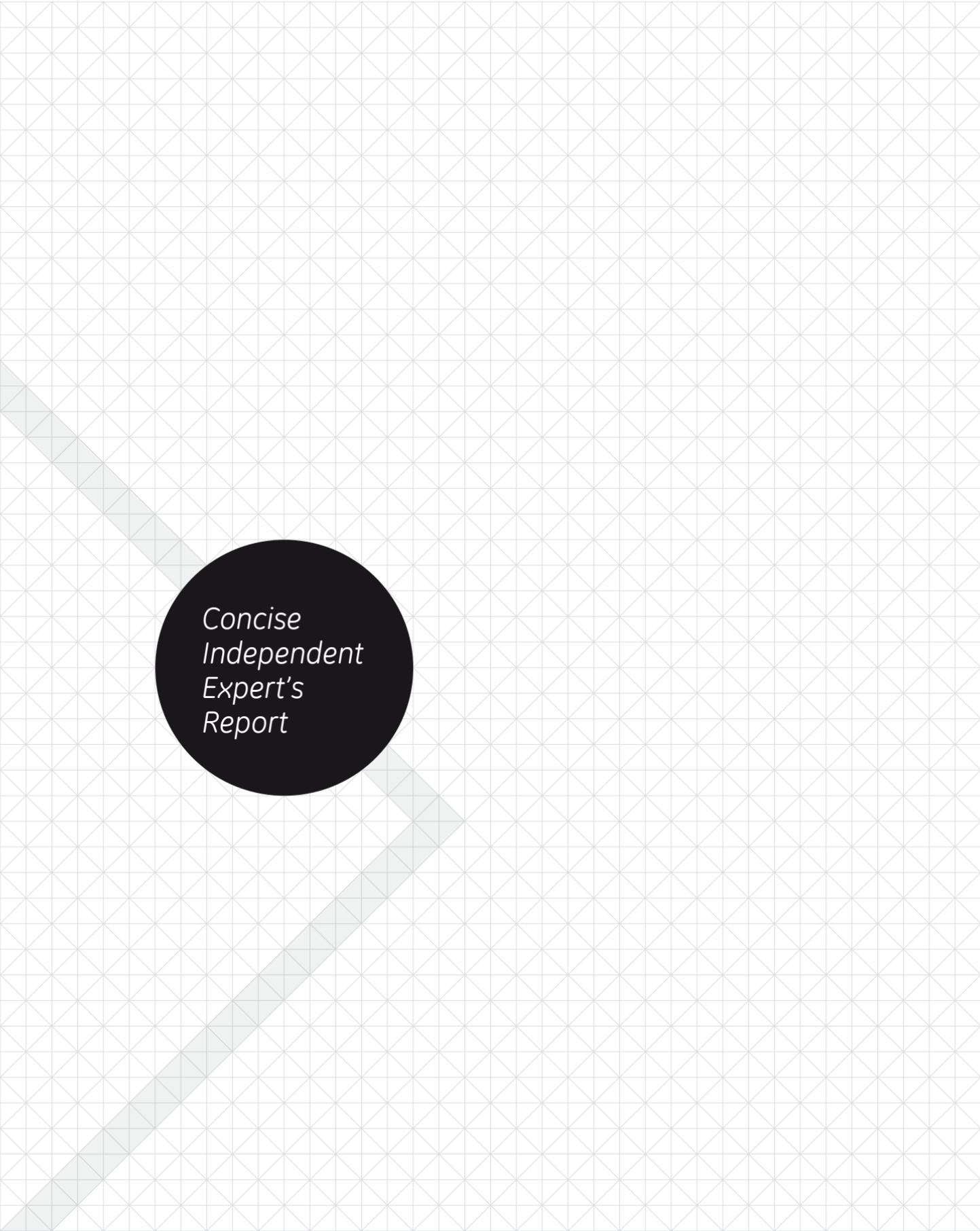
If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("FOS"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Jock O'Callaghan
2 Southbank Boulevard
SOUTHBANK VIC 3006



*Concise
Independent
Expert's
Report*

GRANT SAMUEL



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17 March 2011

The Directors
Foster's Group Limited
77 Southbank Boulevard
Southbank VIC 3006

Dear Directors

Proposed Demerger of Treasury Wine Estates Limited from Foster's Group Limited

1 Introduction

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 business ("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 followed the operational separation of Foster's Beer and Wine businesses that had been implemented following the release 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);

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- 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.

Holders of Foster's partly paid shares will be entitled to participate in the Proposed Demerger on broadly the same basis as holders of Foster's fully paid shares. Holders of partly paid shares will be entitled to receive one Treasury Wine Estates share for every three Foster's partly paid shares held¹. 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.

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 sale agents that have 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 ("electing small shareholders").

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.

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 hold¹. 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.

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 and by Foster's shareholders representing 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.

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

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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.

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.

This concise report contains a summary of Grant Samuel's opinion and main conclusions and is extracted from Grant Samuel's full report. In Grant Samuel's opinion, this concise report contains all the material information contained in the full report. A copy of this concise report will accompany the Notice of Meeting and Booklet ("the Booklet") to be sent to shareholders by Foster's. The full independent expert's report from which this summary has been extracted is available on the Foster's website and will be mailed to Foster's shareholders on request.

2 Summary of Opinion

Opinion

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.

Background

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 own². 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 equal to their ownership interest in Foster's immediately prior to the implementation of the Proposed Demerger.

The decision to pursue the Proposed Demerger follows initiatives implemented as a result of the Wine Strategy Review which was released in February 2009. The Wine Strategy Review concluded that Foster's had been ineffective in responding to the challenges of the wine industry, that initiatives in the Americas had been poorly executed and that the multi-beverage model implemented in Australia following the Southcorp Limited 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 undertake 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 services arrangements will apply for various time periods following the Proposed Demerger.

² Rounded up or down to the nearest whole Treasury Wine Estates share.

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Benefits

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 that was implemented following the release 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.

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*Costs, Disadvantages and Risks*

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). However, approximately \$74.1 million (before tax) 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 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.

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.

Conclusion

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. The reasons for this opinion are set out on pages 16 and 17 of this concise report.

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3 Key Conclusions

- **The Proposed Demerger will not affect the ownership or economic interests of Foster's shareholders.**

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. There will be no impact on the ownership or economic interests of Foster's shareholders in the underlying businesses of Foster's.

Accordingly, the Proposed Demerger is not a control transaction. It is therefore not appropriate to assess the Proposed Demerger using the "fair" and "reasonable" tests. Rather, Grant Samuel has evaluated the Proposed Demerger by evaluating the expected advantages, disadvantages, costs and risks of the Proposed Demerger, considering the overall impact of the Proposed Demerger on the shareholders of Foster's and forming a judgement as to whether the expected benefits outweigh the disadvantages, costs and risks.

- **The Proposed Demerger will provide shareholders with increased flexibility in managing their investment exposure to Foster's businesses.**

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. For example, the higher growth, lower gearing, 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 strong cash flow, lower risk, domestic Beer business of New Foster's or the higher growth, more risky 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.

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. Treasury Wine Estates has commenced and will continue to undertake investment marketing campaigns and road shows in order to maximise awareness and interest in the company following the Proposed Demerger. This should provide buying support during any share register transition. However, the short term net effect of these factors is difficult to predict.

- **The Proposed Demerger enhances the capability of New Foster's and Treasury Wine Estates to pursue their strategic objectives.**

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.

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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.

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, and to pursue opportunities in emerging regions, without having to compete with the Beer business for an allocation of capital.

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.

- **The Proposed Demerger allows appropriate capital structures to be established for New Foster's and Treasury Wine Estates.**

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 EBITS³ 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.

Based on book values, New Foster's will have pro forma gearing⁴ of 90.4% as at 31 December 2010 as it will retain all of Foster's existing US\$144A notes and bank debt. This level of gearing is substantially higher than Foster's gearing as at 31 December 2010 of 40.9% (based on book values). 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 ratio⁵ 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.

³ 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.

⁴ Gearing is net borrowings divided by net assets plus net borrowings.

⁵ Leverage ratio is net borrowings divided by earnings before net interest, tax, depreciation, amortisation, investment income and material and non-recurring items ("EBITDA") and provides a measure of the level of debt supported by earnings.

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The pro forma gearing of Treasury Wine Estates as at 31 December 2010 of 5.1% (based on book values) and leverage ratio of 0.5 times⁶ is conservative and below the 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 \$300 million, following an initial drawdown under new syndicated bank facilities of \$200 million upon implementation of the Proposed Demerger. It will also be able to raise capital from equity markets if deemed appropriate.

■ **The Proposed Demerger should enhance the prospects of a takeover offer for Treasury Wine Estates and New Foster's.**

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 should increase the likelihood of shareholders receiving a takeover offer for New Foster's and/or Treasury Wine Estates 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 the 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.

■ **The Proposed Demerger may result in greater focus on the part of the Boards and management of New Foster's and Treasury Wine Estates.**

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.

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

⁶ Leverage ratio is net borrowings divided by earnings before net interest, tax, depreciation, amortisation, investment income, material and non-recurring items and SGARA, where SGARA is self generating and regenerating assets as defined in AASB 141 Agriculture ("EBITDAS"), and provides a measure of the level of debt supported by earnings.

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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, and make it easier to more closely link the remuneration of management to the performance of the businesses over which management has direct control.

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.

- **The Proposed Demerger is likely to enhance the investment transparency of Foster's Beer and Wine businesses. However, given that considerable information about the operations, strategies and prospects of both businesses is already available, the incremental benefits may be limited.**

One of the benefits typically associated with a demerger is an enhanced market valuation of the demerged entities resulting from greater transparency about the demerged entities' operations, strategies and future prospects.

In the case of Foster's, the potential for a share market re-rating as the result of greater transparency is not as obvious. 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, EBITDAS and EBITs) 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 New Foster's and Treasury Wine Estates businesses, as part of the overall process whereby analysts and the broader market estimate an aggregate value for the group. Most of the analysts that cover Foster's attribute a separate value to the Wine business. Brokers tend to apply a "sum of the parts" approach to valuing Foster's utilising EBITDAS or EBITs 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. However, given that considerable information about the operations, strategies and prospects of both businesses is already available, the incremental benefits may be limited.

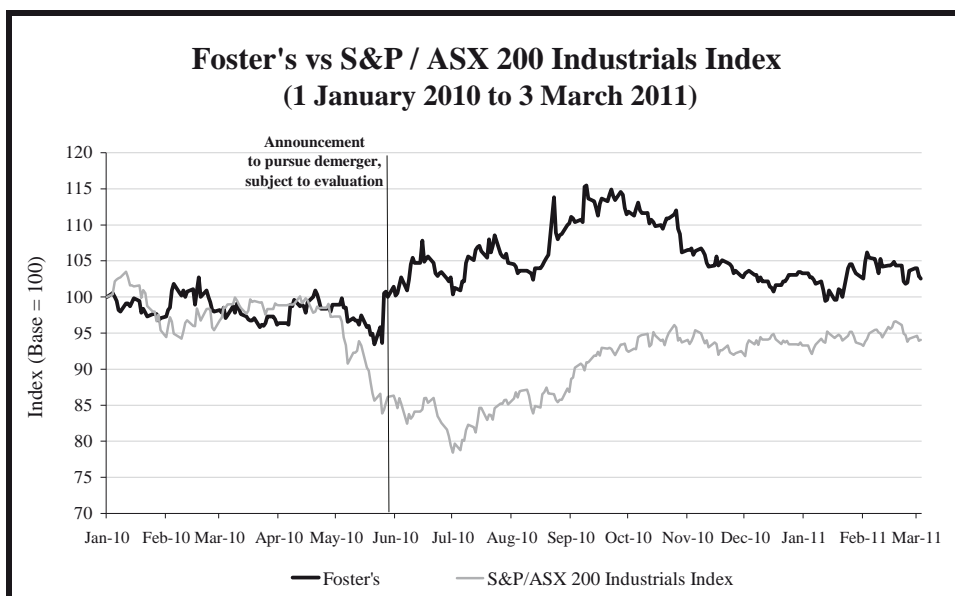
- **There may be some potential for an increase in the aggregate market capitalisation of New Foster's and Treasury Wine Estates over time. However, it should be recognised that the strong share price performance of Foster's following the initial announcement of the Proposed Demerger suggests that the Foster's share price already reflects the expected benefits of the Proposed Demerger, at least to some extent. There would be a real risk of a fall in the Foster's share price if the Proposed Demerger was not approved.**

A demerger can result in an increased market valuation of the demerged entities through the promotion of enhanced investor flexibility, through improved investment transparency, through the anticipation of performance improvements, or through an expectation that the demerged entities will become the subject of fully priced acquisition proposals.

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Foster's shares materially outperformed the S&P/ASX 200 Industrials Index in the months following the initial 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:



Source: IRESS

Movements in the Foster's share price since the original announcement of the Proposed Demerger reflect a number of factors, potentially 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 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 particular, 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 risk of a non-trivial fall in the Foster's share price.

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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.
- **Treasury Wine Estates and New Foster's will continue to face a challenging external environment.**

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.

- **New Foster's and Treasury Wine Estates will be smaller companies than the current Foster's, which will have some adverse consequences.**

The Proposed Demerger will result in the splitting of Foster's into two smaller entities (although each will still be of a meaningful size), which will have some adverse consequences:

- there will be a loss of the 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.

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 business 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. In any event, shareholders will be able to replicate the

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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.

Nevertheless, the smaller size of New Foster's and Treasury Wine Estates as independent entities will make them less able to readily absorb the financial and business impact of any significant events as they will have a greater relative impact;

- the split into two smaller entities will potentially reduce liquidity and therefore reduce the attractiveness of New Foster's and Treasury Wine Estates for some investors. However, it should be recognised that both entities will still be of a meaningful size (in the context of their respective sectors). 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, and both will continue to be included in the S&P/ASX 200 Index, which is the key index for institutional and index based investors. 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.

Given the relative size of the Beer and Wine business, 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. On the other hand, it is also reasonable to expect that many Australian investors with a focus on yield and a preference for 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. It is equally possible that there may be investors who are attracted to Treasury Wine Estates as a pure wine company, who may not have been interested in Foster's in its current structure.

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. However, in Grant Samuel's view the adverse effect on investor interest of lower liquidity (if any) is unlikely to be significant; and

- as separate entities, New Foster's and Treasury Wine Estates will have to raise their own finance to fund growth, as well as product and brand development. New Foster's interest expense is expected to be higher than currently incurred by Foster's.

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. Upon implementation of the Proposed Demerger, New Foster's is expected to have available facilities totalling at least \$3,106.0 million, of which approximately \$1,954.6 million was drawn down as at 31 December 2010 on a pro forma basis. New Foster's is expected to maintain the existing Foster's credit ratings of BBB and Baa2 from Standard & Poor's ("S&P") and Moody's Investor Services ("Moody's") respectively.

New Foster's will enter into cross currency swaps with financial institutions 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. There is no increase in the value of the debt obligation. Any future impact on funding costs will depend on the differential between United States and Australian interest rates, where interest rates remain at variable rates. The

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cross currency swap arrangements will also give rise to an increase in the counterparty credit risk faced by New Foster's.

Immediately following the Proposed Demerger, Treasury Wine Estates will have in place a multi-currency \$500 million syndicated bank loan facility consisting of a three year \$200 million tranche and a five year \$300 million tranche. Upon implementation of the Proposed Demerger, Treasury Wine Estates is expected to have net debt of approximately \$140 million comprising gross debt of \$200 million and cash of \$60 million (in addition to working capital). Treasury Wine Estates is not expected to seek a credit rating in the short term.

■ **The Proposed Demerger involves other disadvantages, costs and risks, but these are not considered to be major drawbacks.**

The Proposed Demerger involves other disadvantages. These include:

- 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. While certain services will be covered by shared services arrangements for a transitional period, ultimately each of the separate companies will have to support these overheads from their own resources. 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. Cost saving initiatives to be 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;
- whilst Treasury Wine Estates intends to frank dividends to the maximum extent possible, the dividends are unlikely to be fully franked (at least in the short term) given that Treasury Wine Estates will have a zero franking account balance following the Proposed Demerger and generates significant offshore earnings. This may not be attractive to Australian shareholders who invest in Foster's for dividend yield. Foster's has historically paid fully franked dividends, and New Foster's is likely to be able to continue to pay fully franked dividends as the majority of New Foster's earnings are generated in Australia and subject to Australian taxation. New Foster's is expected to target a dividend payout ratio of not less than 80% of net profit after tax⁷, which is higher than the Foster's payout ratio over the past five years of 70% of net profit after tax. Treasury Wine Estates is expected to target a lower dividend payout ratio of 55-70% of net profit after tax⁷. 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;
- one-off transaction costs of the Proposed Demerger of approximately \$151.4 million (\$107.5 million after tax) will be incurred. 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 \$74.1 million (before tax) of these costs will have been incurred or committed at the time Foster's shareholders' vote on the Proposed Demerger. The total one-off transaction costs,

⁷ Excluding individually material items and subject to the Corporations Act.

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while significant, 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;

- 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;
- whilst Foster's has been preparing for the separation of the Beer business from the Wine business for some time, neither New Foster's nor Treasury Wine Estates have a track record of operating as standalone entities.

The Chair and two directors of Foster's will continue as Chair and directors of New Foster's. Further non-executive directors will be appointed upon implementation of the Proposed Demerger. The Chief Executive Officer nominated for New Foster's currently leads Foster's Australian and Pacific beer business, Carlton & United Breweries, and the senior management team will remain largely unchanged. On the other hand, the Chief Executive Officer has not previously held this position for a publicly listed Australian company.

Similarly, two directors of Foster's will remain as Chair and director of Treasury Wine Estates. Additional non-executive directors will be appointed upon implementation of the Proposed Demerger. Whilst the management team will largely remain in place, the Chief Executive Officer has not been 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 Foster's 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; and

- 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.
- **The Proposed Demerger is not expected to give rise to any adverse 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 Australian Taxation Office ("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.

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Shareholders should refer to Section 9 of the Booklet for more information regarding the taxation implications of the Proposed Demerger and should consult their own professional adviser if in any doubt as to their personal situation.

■ **The Proposed Demerger is more attractive than alternative approaches to dealing with the Wine Business.**

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 has continued to assess market and economic conditions, and to consider the potential options, including retention of the status quo, to increase shareholder value. 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. With the restructuring and cost saving initiatives arising from the Wine Strategy Review in place and an improvement in equity markets, Foster's believes that the timing is now right to implement a structural separation of the Beer and Wine businesses through the Proposed Demerger.

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.

■ **In Grant Samuel's opinion, the Proposed Demerger is, on balance, in the best interests of Foster's shareholders.**

New Foster's and Treasury Wine Estates have very different characteristics, strategies, growth and return profiles. They require different management capabilities and are likely to appeal to different sets of investors.

In Grant Samuel's view, 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, although no direct performance improvements should be expected in the short term. At the same time, the Proposed Demerger should enhance the investment appeal of the businesses, in part because it will allow those investors that attribute greatest value to New Foster's and Treasury Wine Estates to become the price setting investors in each company. The Proposed Demerger should increase the prospects for shareholders of realising full underlying value for Treasury Wine Estates and/or New Foster's through a takeover transaction. Quantifying these benefits is not possible and their impact may only become apparent over the medium term. Whilst none of the benefits on its own is likely to justify the Proposed Demerger, in Grant Samuel's view the benefits are collectively compelling. The strongly positive market response to Foster's initial demerger announcement on 26 May 2010 appears to reflect investor

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anticipation of these benefits. In the event that the Proposed Demerger was not approved, there would be a risk of a non-trivial fall in the Foster's share price. The costs, disadvantages and risks of the Proposed Demerger principally relate to one-off transaction costs and increased corporate and operating costs. These are not material having regard to the scale of New Foster's and Treasury Wine Estates.

Grant Samuel believes that Foster's shareholders are ultimately likely to be better off if the Proposed Demerger proceeds, notwithstanding the costs, disadvantages and risks. Accordingly, in Grant Samuel's view, the Proposed Demerger is, on balance, in the best interests of Foster's shareholders.

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

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 held⁸. 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.

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

⁸ Rounded up or down to the nearest whole Treasury Wine Estates share.

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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.

- **In Grant Samuel's opinion, the capital reduction will not materially prejudice Foster's ability to pay its existing 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 totalling approximately \$1.25 billion. The capital reduction will ultimately be satisfied by Foster's procuring the transfer of the 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 elements of the Proposed Demerger and future earnings will be reduced because New Foster's will no longer have the benefit of the earnings 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 ⁹	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	2,682.0	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 ¹⁰	1.8	1.0	3.1
Leverage ratio	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

⁹ Includes transaction costs.

¹⁰ Current ratio is current assets divided by current liabilities.

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Following the Proposed Demerger, New Foster's will 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.

Treasury Wine Estates is expected to have pro forma external debt of \$200 million and cash of approximately \$60 million (in addition to working capital) following the Proposed Demerger. 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 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\$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%. However, 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 ratio¹¹ 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 (ratings of BBB from S&P and Baa2 from Moody's). S&P and Moody's have indicated that New Foster's is expected to retain these investment grade credit ratings following the Proposed Demerger. Treasury Wine Estates will not seek to be a credit rated company;
- 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.

¹¹ Leverage ratio is net borrowings divided by EBITDA before individually material items and provides a measure of the level of debt supported by earnings.

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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.

4 Other Matters

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 own 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 securities in New Foster's or Treasury Wine Estates. This is an 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.

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 Grant Samuel's methodology, evaluation or conclusions as a result of issuing the drafts.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act, 2001. The Financial Services Guide is included as an Appendix to this concise report.

This concise report is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is available on the Foster's website or to Foster's shareholders on request.

The opinion is made as at the date of this concise report and reflects circumstances and conditions as at that date.

Yours faithfully

GRANT SAMUEL & ASSOCIATES PTY LIMITED

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Appendix 1

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.

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Appendix 2

Background on Demergers

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 through 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.

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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/Australia, 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

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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
<ul style="list-style-type: none"> transparency investor attraction and interest enhanced flexibility to shareholders clarity in capital allocation flexibility in raising capital better targeted incentives and management focus independence and strategic flexibility to undertake growth initiatives 	<ul style="list-style-type: none"> loss of synergies transaction costs duplication of corporate costs increased financing costs loss of diversification reduced liquidity and rating in key indices

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 studies¹ 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 withdrawn²;
- several studies³ 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 study⁴ found that long term value creation only exists for the demerged subsidiary not the parent and another study⁵ 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 activity⁶. 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;

¹ 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.

² K. Alli, G. Ramirez and K. Yung, "Withdrawn Spin-offs: An Empirical Analysis", The Journal of Financial Research, Winter 2001.

³ 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.

⁴ Thomas Kirchmaier, "The Performance Effects of European Restructures", Centre for Economic Performance, London School of Economics and Political Science, May 2003.

⁵ Rodger Rüdisüli, "Value Creation of Spin-offs and Carve-outs", Doctoral Dissertation, University of Basel (Switzerland), May 2005.

⁶ 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.

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- mitigation of information asymmetry⁷. 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 focus⁸ 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 decisions⁹. 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 report¹⁰ 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.

⁷ S. Krishnaswami and V Subramaniam, "Information asymmetry, valuation and the corporate spin-out decision" *Journal of Financial Economics*, Volume 53, No. 1, July 1999.

⁸ 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.

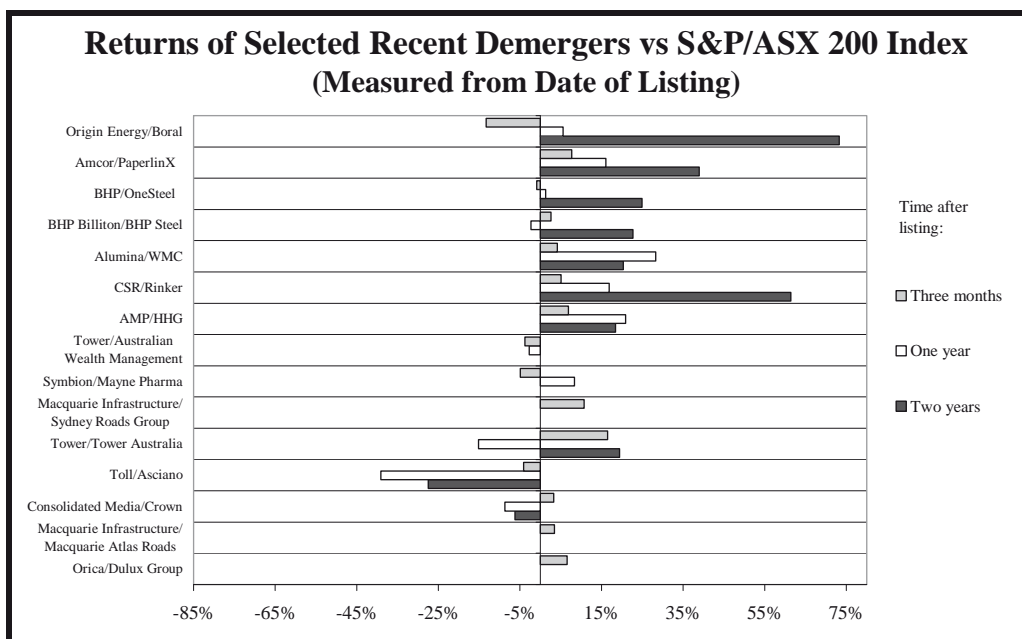
⁹ R. Gertner, E. Powers and D. Scharfstein, "Learning About Internal Capital Markets From Corporate Spinoffs", November 2000.

¹⁰ Macquarie Research Equities, "Australian Gas Light: Acquisitions, restructures and au revours", 1 November 2005.

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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:



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.

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On the other hand, some studies have found that demergers may negatively impact value and that conglomerates have outperformed the market over some periods¹¹. 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.

¹¹ 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.

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Appendix 3

Market Evidence – Comparable Listed Companies

1 Beer

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 ¹ (millions)	EBITDA Multiple ² (times)			EBIT Multiple ³ (times)			Gearing
		2010 Historical	2011 Forecast	2012 Forecast	2010 Historical	2011 Forecast	2012 Forecast	
<i>Global</i>								
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%
<i>Asia & Pacific</i>								
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%
<i>Americas</i>								
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
<i>Europe</i>								
Carlsberg	DKK90,260.4	9.4	8.4	7.7	12.9	11.2	10.0	27.3%

Source: Grant Samuel analysis⁵

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.

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.

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

2 Wine

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 ⁶ (millions)	EBITDAS ⁷ multiple (times)			EBITS ⁸ multiple (times)			Gearing ⁹
		2010 Historical	2011 Forecast	2012 Forecast	2010 Historical	2011 Forecast	2012 Forecast	
<i>Australia, Asia & Pacific</i>								
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%
<i>North America</i>								
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%
<i>South America</i>								
Vina Concha	CLP836,721.4	14.0	12.3	11.4	18.2	15.4	14.0	6.7%
<i>Europe</i>								
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 analysis¹⁰

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 comparable companies.

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, 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.



12. Additional information

12.1 Foster's Directors

The Foster's Directors as at the date of this Booklet are:

- David Crawford, AO, Non-Executive Director and Chairman;
- Ian Johnston, Executive Director and Chief Executive Officer;
- Margaret Lyndsey Cattermole, AM, Non-Executive Director;
- Paul Clinton, Non-Executive Director;
- Maxwell Ould, Non-Executive Director; and
- Michael Ullmer, Non-Executive Director.

Margaret Lyndsey Cattermole and Maxwell Ould will retire from the Foster's Board with effect from the Effective Date if the Demerger proceeds and assume a position on the Treasury Wine Estates Board.

Ian Johnston will also retire from the Foster's Board and cease to be Chief Executive Officer with effect from the Effective Date if the Demerger proceeds. John Pollaers will become an Executive Director and Chief Executive Officer of New Foster's with effect from the Effective Date.

12.2 Intention of directors

(a) Treasury Wine Estates

Other than as described in this Booklet, the Treasury Wine Estates Directors have indicated to the Foster's Board that it is their present intention following the Demerger to:

- continue the wine business of Treasury Wine Estates, as set out in Section 4;
- not make any major changes to the business of Treasury Wine Estates, except as contemplated within this Booklet; and
- continue the present policies of Treasury Wine Estates relating to the employment of its employees.

(b) New Foster's

Other than as described in this Booklet, it is the present intention of New Foster's following the Demerger to:

- continue the beer, cider and spirits business of New Foster's, as set out in Section 6;
- not make any major changes to the business of New Foster's, except as contemplated within this Booklet; and
- continue the present policies of New Foster's relating to the employment of its employees.

12.3 Interests of Foster's Directors

(a) Interests

Other than the following marketable securities in Foster's, which are held by or on behalf of the Foster's Directors, no marketable securities are held by or on behalf of any Foster's Directors as at the date of this Booklet:

Name of Foster's Director	Direct holdings of Foster's Shares	Indirect holdings of Foster's Shares
David Crawford, AO	9,388	57,882
Ian Johnston	161,291	190,172
Margaret Lyndsey Cattermole, AM	161,707	21,936
Maxwell Ould	34,575	62,187
Paul Clinton	4,073	Nil
Michael Ullmer	10,313	4,016

No marketable securities are held in Treasury Wine Estates by or on behalf of Foster's Directors as at the date of this Booklet.

Foster's Directors who hold Foster's Shares will be entitled to vote at the Meetings and receive Treasury Wine Estates Shares under the Scheme on the same terms as all other Foster's Shareholders.

(b) Agreements or arrangements with Foster's Directors

Other than as set out in Section 12.5 and below, there are no agreements or arrangements made between any Foster's Director and any other person in connection with or conditional upon the outcome of the Demerger.

(c) Payments and other benefits to Foster's Directors, secretaries or executive officers

Other than as described below, it is not intended that any payment or other benefit will be made or given to any director, secretary or executive officer of Foster's or of any corporation related to Foster's as compensation for loss of, or as consideration for or in connection with, his or her retirement from office as director, secretary or executive officer of Foster's or any corporation related to Foster's as a result of the Demerger.

It is intended that the following payments will be made to persons who are currently directors, secretaries or executive officers of corporations related to Foster's as compensation for loss of office, or as consideration for or in connection with their retirement from office, as a result of the Demerger.

(i) Chief Executive Officer (Mr Ian Johnston)

Mr Johnston's last day at Foster's is expected to be on 4 July 2011, to provide adequate time for Mr Johnston to hand over responsibilities following the Demerger.

In addition to his statutory entitlement to accrued leave, upon cessation of his employment, Mr Johnston is entitled, under the terms of his employment agreement (entered into in 2008), to a payment equivalent to 52 weeks of his fixed pay. As a result of recent changes to the Corporations Act limits regarding termination payments to members of the board and management, the payment to Mr Johnston will, with his agreement, be reduced to ensure that this payment does not

exceed the amount provided for under the Corporations Act (which for Mr Johnston is approximately \$1.8 million).

Mr Johnston is eligible to be considered for a short term incentive payment in relation to the year ending 30 June 2011. Mr Johnston's incentive payment (if any) will be determined in accordance with the normal rules of the Foster's short term incentive plan. Under the plan, Mr Johnston is eligible for a target annual bonus of between 0% and 150% of his fixed pay (target is set at 75% of fixed pay). Payments under the plan are subject to a hurdle requirement that an acceptable level of Group EBITs be achieved by Foster's. The amount of any payment under the plan, if any, is then determined on the basis of:

- **Foster's performance** – determines 50% of the amount payable, based on Foster's performance against specified EBITs, net sales revenue, and ROCE objectives; and
- **individual performance** – determines the remaining 50% of the amount payable, based on the Foster's Board's assessment of Mr Johnston's performance against objectives set by the Foster's Board.

Mr Johnston's outstanding 2008 Foster's Long Term Incentive Plan offer, comprising an entitlement to a maximum of 205,800 Foster's Shares, will be performance tested as at 31 March 2011 and, if appropriate, vested prior to the Demerger in accordance with the applicable performance standards. This entitlement fully vests where Foster's Total TSR performance is in the 85th percentile, measured against a peer group of comparable Australian companies and a peer group of international beverage companies. Performance at the median of the peer groups will result in half the maximum number of Foster's Shares vesting.

In addition, and consistent with the treatment for all other Foster's Long Term Incentive Plan participants (as described in Section 12.5(f)(iii)), 121,030 restricted shares allocated upon satisfaction of the performance conditions applicable to tranches one and two of the 2008 Long Term Incentive Plan offer, which remain in trust, will be released to Mr Johnston shortly before the Demerger, together with 69,142 Foster's Shares acquired by Mr Johnston pursuant to salary sacrifice arrangements under the Directors' Share Purchase Plan.

Further, as previously approved by Foster's Shareholders and in accordance with his contract, Mr Johnston has rights over:

- a maximum of 515,400 Foster's Shares pursuant to the 2009 Foster's Long Term Incentive Plan offer which will fully vest where Foster's TSR achieves the 85th percentile against a peer group of comparable Australian companies and a peer group of international beverage companies (measured as at 31 March 2011). Performance at the median of the peer groups results in half the maximum number of Foster's Shares vesting; and
- a maximum of 104,741 Foster's Shares (after pro rating to reflect the shortened performance period) pursuant to the 2010 Foster's Long Term Incentive Plan offer which will vest where performance against targets set for Foster's TSR, Carlton & United Breweries' EBITs and Treasury Wine Estates ROCE are satisfied. The Foster's TSR condition will be tested as at 31 March 2011. Performance against the other conditions will be measured as at 31 December 2010.

(iii) Other executive officers

Amount of payment	Number of persons (approx)
As detailed in Section 12.5(e)(i), certain executives will have Foster's Shares (representing deferred bonuses) released from the deferred bonus version of the Foster's Restricted Share Plan approximately four months earlier than would otherwise be the case.	99
As detailed in Section 12.5(e)(ii), certain executives moving to Treasury Wine Estates will have Foster's Shares released from the targeted offers version of the Foster's Restricted Share Plan approximately four months earlier than would otherwise be the case. These Foster's Shares have been allocated for targeted retention purposes.	11
As detailed in Section 12.5(e)(iii), certain executives moving to Treasury Wine Estates will forfeit Foster's targeted offers received under the targeted offers version of the Foster's Restricted Share Plan but will also receive targeted offers from Treasury Wine Estates to ensure they are not disadvantaged as a result of the transfer of their employment.	15
As detailed in Section 12.5(f)(ii), certain executives will have Foster's Shares granted under tranches one and two of the 2008 Foster's Long Term Incentive Plan offer released approximately four months earlier than would otherwise be the case.	9
As detailed in Section 12.5(f)(iii), certain executives may receive shares approximately four months earlier than originally intended under the final tranche of the 2008 Foster's Long Term Incentive Plan offer. Any vesting remains subject to performance testing and will be pro rated to reflect the shortened period.	9

12.4 Foster's capital structure

As at 4 March 2011, Foster's had on issue:

- 1,935,386,127 Foster's Fully Paid Shares;
- 786,510 Foster's Partly Paid Shares, representing approximately 0.04% of Foster's issued capital.

As at 4 March 2011, 1.28% of the Foster's Fully Paid Shares are comprised of Foster's ADSs.

12.5 Impact of the Demerger on any Employee Share Plans

Subject to the eligibility criteria specified in Section 3.5 and the commentary in this Section 12.5, participants under the Employee Share Plans who are registered as Foster's Shareholders on the Record Date are entitled to participate in the Demerger and will be entitled to receive one Treasury Wine Estates Share for every three Foster's Shares held by or on behalf of the participant as at the Record Date (rounded up or down to the nearest whole Treasury Wine Estates Share).

This Section 12.5 describes the impact of the Demerger on the Foster's Shares which are subject to the Employee Share Plans. It does not discuss any tax consequences for the participants.

(a) Employee Share Grant Plan

Foster's Shares received by participants under the Employee Share Grant Plan may not be disposed of until the earlier of three years after acquisition or when the participant leaves their employment.

For participants who will be employees of New Foster's upon Demerger, the Demerger will not impact on the terms under which the Foster's Shares are held under the Employee Share Grant Plan, including that any restrictions on disposal will continue to apply.

For participants who will be employees of Treasury Wine Estates upon Demerger:

- if their employer in Treasury Wine Estates is the same company which employed them at the time that they received their Foster's Shares, the Demerger will not impact on the terms under which the Foster's Shares are held under the Employee Share Grant Plan, including that any restrictions on disposal will continue to apply; and
- if their employer in Treasury Wine Estates is not the same company which employed them at the time they received their shares, any restrictions on disposal will cease to apply.

(b) Employee share and option plan (Loan Plan)

The employee share and option plan (**Loan Plan**) is a legacy plan that is closed to new participants. Foster's Shares acquired by participants under the Loan Plan may not be disposed of until the loan granted to fund the purchase of the Foster's Shares is paid in full. Participants who leave employment with Foster's must fully repay their loan at which time they are free to sell or transfer their shares.

For participants who will be employees of New Foster's upon Demerger, their Foster's Shares and any Treasury Wine Estates Shares they receive will continue to be restricted under the terms of the Loan Plan until they have paid their loans in full.

For participants who will be employees of Treasury Wine Estates upon Demerger, their loans under the Loan Plan will become payable in full. Foster's intends to contact participants before the Demerger takes effect to make arrangements with the participants for the repayment of their loans and/or sale of their shares.

(c) Employee Share Acquisition Plan

Foster's Shares under the Employee Share Acquisition Plan are held by the trustee for the plan, for and on behalf of participants, subject to the terms of the plan.

Before the Demerger, the Foster's Shares will be released from the Plan and the trustee will transfer legal title to the Foster's Shares to participants. Subject to the eligibility criteria specified in Section 3.5, such participants will hold Foster's Shares which are entitled to participate in the Demerger.

Foster's intends to discontinue the operation of this plan.

(d) Directors' Share Purchase Plan

Foster's Shares under the Directors' Share Purchase Plan are held by the trustee for the plan, for and on behalf of participants, subject to the terms of the plan.

Before the Demerger, the Foster's Shares will be released from the plan and the trustee will transfer legal title to the Foster's Shares to participants. Subject to the eligibility criteria specified in Section 3.5, such participants will hold Foster's Shares which are entitled to participate in the Demerger.

Foster's intends to discontinue the operation of this plan.

(e) Restricted Share Plan

Foster's Shares under the Restricted Share Plan for Australian participants are held by the trustee for the plan, for and on behalf of participants, subject to the terms of the plan. For overseas participants, Foster's Shares under the Restricted Share Plan are held by the participant directly. The implications for overseas participants are the same as those described below, except that there will be no need to transfer legal title to the Foster's Shares to such participants.

(i) Deferred bonus

Before the Demerger, the Foster's Shares will be released from the plan and the trustee will transfer legal title to the Foster's Shares to participants. Subject to the eligibility criteria specified in Section 3.5, such participants will hold Foster's Shares which are entitled to participate in the Demerger. By releasing shares in this way, the restriction period will be brought forward by approximately 4 months. There are no restricted shares relating to deferred bonuses that have vesting dates beyond September 2011.

(ii) Targeted offers

Targeted offers are made by the Board on a non-recurrent basis to attract and retain certain critical employees.

For participants who will be employees of New Foster's upon Demerger:

- for offers which are scheduled to vest in September 2011, subject to the eligibility criteria specified in Section 3.5, the trustee of the plan will transfer legal title to the Foster's Shares to the participants before the Demerger but the Foster's Shares will continue to be subject to a restriction on disposal until vesting. Subject to the eligibility criteria specified in Section 3.5, participants will hold Foster's Shares which are entitled to participate in the Demerger; and
- for offers which are scheduled to vest after September 2011, the trustee will transfer legal title to the Foster's Shares to the participants before the Demerger but the Foster's Shares will continue to be subject to a restriction on disposal until vesting. Subject to the eligibility criteria specified in Section 3.5, participants will hold Foster's Shares which are entitled to participate in the Demerger. Any Treasury Wine Estates Shares received by the participant under the Demerger will also be subject to a restriction on disposal until vesting of the Foster's Shares.

For participants who will be employees of Treasury Wine Estates upon Demerger:

- for offers which are scheduled to vest in September 2011, before the Demerger, the Foster's Shares will be released from the plan and the trustee will transfer legal title to the Foster's Shares to participants. Subject to the eligibility criteria specified in Section 3.5, such participants will hold Foster's Shares which are entitled to participate in the Demerger; and
- for offers which are scheduled to vest after September 2011, these offers will be forfeited. New employee share plans which are to be implemented by Treasury Wine Estates are described in Section 4.7(b). Offers made under these plans will be structured so that participants are not disadvantaged as a result of the transfer of their employment.

(f) Long Term Incentive Plan

Under the Long Term Incentive Plan, participants are granted an entitlement to receive Foster's shares if certain performance standards are achieved over a specified performance period, at which point, Foster's shares are acquired and are held by the trustee for the plan, for and on behalf of participants, subject to the terms of the plan.

(i) Prior vested Foster's Shares

For participants who will be employees of New Foster's upon Demerger, the trustee of the plan will transfer legal title to the Foster's Shares to the participants before the Demerger but the Foster's Shares will otherwise continue to be subject to the same terms and conditions under which the Foster's Shares are held under the Long Term Incentive Plan.

For participants who will be employees of Treasury Wine Estates upon Demerger, their Foster's Shares will be released and the trustee will transfer legal title to the Foster's Shares to the participants before the Demerger. Subject to the eligibility criteria specified in Section 3.5, such participants will hold Foster's Shares which are entitled to participate in the Demerger.

(ii) 2008 offer – tranches one and two

Before the Demerger, the Foster's Shares will be released from the plan and the trustee will transfer legal title to the Foster's Shares to the participants. Subject to the eligibility criteria specified in Section 3.5, such participants will hold Foster's Shares which are entitled to participate in the Demerger.

(iii) 2008 offer – tranche three (not vested)

Before the Demerger, the performance period will be shortened by around 5 months and the performance standards will be assessed over this shortened period. Any vesting of Foster's Shares will also occur on a pro rata basis to reflect the shortened period.

Before the Demerger, the Foster's Shares will be released from the plan and the trustee will transfer legal title to the Foster's Shares to the participants. Subject to the eligibility criteria specified in Section 3.5, such participants will hold Foster's Shares which are entitled to participate in the Demerger.

(iv) 2009 and 2010 offers (not vested)

Under this employee share scheme offer, participants are granted a right to receive Foster's Shares at the time of vesting, subject to fulfilment of performance conditions. Vesting will not occur before the Demerger and participants will not hold any

Foster's Shares under these offers at the time of the Demerger.

For participants who will be employees of New Foster's upon Demerger, Foster's will adjust the performance standards to take into account the Demerger, and will adjust the number of Foster's Shares to which the participant may become entitled, to preserve the value of the offer following the Demerger.

For participants who will be employees of Treasury Wine Estates upon Demerger, the offers will be forfeited in accordance with the terms of the plan. New employee share plans which are to be implemented by Treasury Wine Estates are described in Section 4.7(b). Offers made under these plans will be structured so that participants are not disadvantaged as a result of the transfer of their employment.

(g) Long Term Incentive Plan – US

Under the US Long Term Incentive Plan, participants are granted awards to receive Foster's Shares if certain performance standards are achieved over a specified performance period.

Participants may elect to defer the receipt of all or a proportion of their vested entitlement. Foster's records these deferred entitlements as "phantom deferred shares".

(i) 2008 offer

Before the Demerger:

- participants will receive Foster's Shares in respect of awards which have vested under tranches one and two of the offer; and
- the performance period in respect of the unvested awards (tranche three) will be shortened by around five months and the performance standards assessed over this shortened period. Any vesting of Foster's Shares will also occur on a pro rata basis to reflect the shortened period.

Subject to the eligibility criteria specified in Section 3.5, participants who hold Foster's Shares will be entitled to participate in the Demerger.

(ii) 2009 and 2010 offers (not vested)

Participants under this offer will be employees of Treasury Wine Estates upon Demerger. Offers made to these employees will be forfeited in accordance with the terms of the relevant plan. New employee share plans which are to be implemented by Treasury Wine Estates are described in Section 4.7(b). Offers made under these plans will be structured so that participants are not disadvantaged as a result of the transfer of their employment.

(iii) Vested US Long Term Incentive Plan entitlements subject to deferral arrangements

For participants under this offer who will be employees of Treasury Wine Estates upon Demerger, their "phantom deferred shares" entitlement will be settled in Foster's Shares before the Demerger. Subject to the eligibility criteria specified in Section 3.5, participants who hold Foster's Shares will be entitled to participate in the Demerger.

12.6 Overview of Treasury Wine Estates' constitution

Treasury Wine Estates is an Australian public company registered under the Corporations Act. The following is a summary of the key provisions in Treasury Wine Estates' constitution and the principal rights of Treasury Wine Estates Shareholders as set out in the constitution. This summary is not exhaustive and it does not constitute a definitive statement of the rights and liabilities of Treasury Wine Estates Shareholders. A full copy of the Treasury Wine Estates constitution is available on Foster's website, www.fostersgroup.com.

(a) Share capital

Subject to the constitution, the Listing Rules and the Corporations Act, Treasury Wine Estates' Directors have the power to issue shares, preference shares, rights to shares, instalment receipts, options, debentures and other securities convertible into equity in the share capital of Treasury Wine Estates to any person on such terms and with such rights as the Treasury Wine Estates Directors determine.

Subject to the Corporations Act, Treasury Wine Estates may by resolution convert or reclassify any share capital or issue shares with any preferred, deferred or other special rights or restrictions as to dividends, voting, return of capital, payment of calls or otherwise as the Treasury Wine Estates Directors determine. In the event that Treasury Wine Estates issues different classes of shares in the future, unless the terms of issue, Corporations Act or the Listing Rules provide otherwise, such class rights may be varied by special resolution passed at a separate meeting of the shareholders of the class or by obtaining written consent of the holders of at least 75% of the issued shares of the class.

(b) Distribution of profits

Subject to the Corporations Act, Listing Rules and the constitution, Treasury Wine Estates Directors may determine or declare that a dividend (whether interim, final or otherwise) is payable and fix the amount, time and method of payment. Dividends will be payable to the holders of Treasury Wine Estates Shares as at the record date determined by the Treasury Wine Estates Directors subject to the Settlement Operating Rules. Dividends may be wholly or partly paid by the distribution of specific assets, including securities of Treasury Wine Estates or of another body corporate. To the extent permitted by law, Treasury Wine Estates Directors may resolve to pay a dividend out of any available account, including the capital of Treasury Wine Estates.

Treasury Wine Estates Directors may capitalise amounts otherwise available for distribution of dividends (such as amounts arising from the realisation of assets of, or forming part of the undivided profits of, Treasury Wine Estates).

Treasury Wine Estates Directors may set aside out of the profits of Treasury Wine Estates, any provision or reserve and appropriate to the company's profits any amount previously set aside as a provision or reserve. Such provision or reserve does not have to be kept separate from any other assets of Treasury Wine Estates. Treasury Wine Estates Directors may carry forward any part of the profits that it considers should not be distributed as dividends or capitalised and need not transfer those profits to a reserve or provision.

If distribution of a specific asset or securities is considered impracticable by the Treasury Wine Estates Directors or contrary to any law, Treasury Wine Estates Directors may make a cash payment to those Treasury Wine Estates Shareholders or allocate the assets or securities to a trustee to be sold on behalf of those Treasury Wine Estates Shareholders.

Treasury Wine Estates Directors may require Treasury Wine Estates Shareholders to receive dividends by electronic transfer to a nominated bank account and credit dividends to a company account where a shareholder has not provided bank account details. If a Treasury Wine Estates Shareholder has not claimed a dividend payment for more than 11 calendar months after payment to a company account, the Treasury Wine Estates Directors may reinvest that amount, after deducting reasonable expenses, into shares in Treasury Wine Estates on behalf of, and in the name of, the Treasury Wine Estates Shareholder.

Treasury Wine Estates Directors may establish a dividend reinvestment plan on terms specified by the Treasury Wine Estates Directors under which amounts payable to Treasury Wine Estates Shareholders may be applied in subscribing for or purchasing securities of Treasury Wine Estates. The Treasury Wine Estates Directors may amend, suspend, recommence or terminate any dividend reinvestment plan.

(c) Transfer and transmission of shares

Once Treasury Wine Estates is listed, Treasury Wine Estates Shares will be transferrable on ASX, subject to the Listing Rules, the Settlement Operating Rules, the Corporations Act, and the constitution, by:

- an ASX Settlement transfer; or
- written transfer in any usual form, or any other form approved by the Treasury Wine Estates Directors.

Treasury Wine Estates Directors may:

- decline to register a transfer, or prevent registration of, a transfer of Treasury Wine Estates Shares; or
- request the application of a holding lock to prevent a transfer of Treasury Wine Estates Shares.

This right may be exercised where the transfer is not in registrable form or permitted under the relevant terms of issue, where a lien exists over the relevant Treasury Wine Estates Shares, where the transfer will create a non-marketable parcel or where Treasury Wine Estates is otherwise permitted or required to do so under the Listing Rules or terms of issue of the Treasury Wine Estates Shares.

If the Treasury Wine Estates Directors decline to register a transfer or seek to apply a holding lock, Treasury Wine Estates must give the holder of the Treasury Wine Estates Shares and the broker (if any) a written notice of the refusal.

Upon death, a Treasury Wine Estates Shareholder's personal representative (in the case of a sole holder), and the survivors (in the case of a joint holder), will be recognised as being entitled to the deceased Treasury Wine Estates Shareholder's shares. Treasury Wine Estates Shares may also be transferred to those entitled to the Treasury Wine Estates Shares where the holder has become bankrupt or is subject to assessment or treatment under any mental health law, where evidence of that person's entitlement has been given to the Treasury Wine Estates Directors.

(d) Non-marketable parcels

Treasury Wine Estates Directors may periodically sell Treasury Wine Estates Shares which constitute less than a marketable parcel in accordance with the Listing Rules, the Settlement Operating Rules and the constitution. Treasury Wine Estates may only dispose such non-marketable parcels once in any 12 month period. It may not dispose of such non-marketable parcels between the announcement of a takeover bid and the end of the offer period under the takeover bid or if it has provided notice of the intended disposal and a holder of a non-marketable parcel requests an exemption.

(e) Proportional takeover provisions

Where an offer has been made under a proportional takeover bid within the meaning of the Corporations Act, the registration of a transfer giving effect to a contract resulting from acceptance of an offer made under such a bid is prohibited unless and until the takeover bid is approved by the Treasury Wine Estates Shareholders (excluding the bidder and its associates).

Subject to the Corporations Act, the proportional takeover provisions in the constitution will cease to apply if not renewed by Treasury Wine Estates Shareholders every three years by a special resolution.

(f) General meetings and notices

General meetings may only be called by Treasury Wine Estates Directors or as otherwise provided in the Corporations Act. The business of a meeting is confined to the business in the notice of meeting and proposed resolutions may not be amended except with the approval of the Treasury Wine Estates Directors or the meeting chair.

The business at a general meeting may not be transacted (except the election of a chair and the adjournment of the meeting) unless a quorum is present. The quorum is three Treasury Wine Estates Shareholders present in person or by proxy and entitled to vote.

The chair is responsible for the general conduct of the meeting, including the procedures to be adopted and the application of those procedures at that meeting. The chair may take action the chair considers necessary to enable that meeting to be carried on in an orderly and proper manner and ensure the safety of all persons at the meeting. The chair may require any person not to enter or leave the place at which the meeting is to be held and refuse entry to any person not entitled to receive notice of the meeting. A determination by the chair binds all Treasury Wine Estates Shareholders and is final.

Notice of a general meeting must be given to each Treasury Wine Estates Shareholder, Treasury Wine Estates Director and the auditor in accordance with the Corporations Act and the Listing Rules.

(g) Voting

Subject to the terms on which the Treasury Wine Estates Shares are issued and the general provisions of the constitution, each eligible Treasury Wine Estates Shareholder may vote in person, or by proxy, attorney or representative.

At any general meeting, an ordinary resolution put to a vote must be determined by a show of hands unless a poll is demanded before the vote, before the result is declared or immediately after the result is declared. A poll may be

demanding by at least five Treasury Wine Estates Shareholders entitled to vote, or Treasury Wine Estates Shareholders with at least 5% of the votes that may be cast on the resolution on a poll. A poll cannot be demanded on the election of a chair or the question of an adjournment.

On a show of hands, each Treasury Wine Estates Shareholder present in person or by proxy, attorney or representative has one vote, and, on a poll every Treasury Wine Estates Shareholder who is present in person or by proxy, attorney or representative has one vote for every Treasury Wine Estates Share held, and a proportionate vote for every partly paid Treasury Wine Estates Share.

Ordinary resolutions are decided on a majority of votes cast by Treasury Wine Estates Shareholders present in person or by proxy. Where the vote is equal, the chair has a casting vote in addition to any vote cast by the chair as a Treasury Wine Estates Shareholder.

Treasury Wine Estates Directors may allow direct voting at a general meeting and prescribe the form, method and timing of giving such a direct vote.

(h) Directors

Treasury Wine Estates Directors are responsible for managing the business of Treasury Wine Estates and may exercise all powers that are not required to be exercised by Treasury Wine Estates in a general meeting.

The minimum number of Treasury Wine Estates Directors is three and the maximum number cannot be more than nine, unless the Treasury Wine Estates Shareholders decide otherwise.

Treasury Wine Estates Directors may appoint a director either as an additional director or to fill a casual vacancy, but the new director must retire, but may be elected, at the next annual general meeting.

No director (other than a managing director) may retain office (without re-election) for more than three years or past the third annual general meeting following the director's appointment, whichever is longer. Where the Corporations Act or Listing Rules require an election of Treasury Wine Estates Directors to be held, and there is no vacancy on the board, the director to stand for election will be the director who has been in office the longest since their last election or appointment. Retiring directors are eligible for re-appointment and can stand for re-election. The managing director does not have to retire by rotation.

Treasury Wine Estates Directors will automatically vacate their office in certain circumstances including resignation, removal from office at a general meeting, death, disqualification from acting as a director, failure to attend Treasury Wine Estates Directors' meetings for more than three months without leave of absence, conviction of an indictable offence where the Treasury Wine Estates Directors do not subsequently confirm the appointment or where subject to assessment under any mental health law and the Treasury Wine Estates Directors resolve that that the person should cease to be a director.

Non-executive Treasury Wine Estates Directors will be remunerated for their services by an amount determined by the Treasury Wine Estates Shareholders or an aggregate amount not exceeding the maximum amount the Treasury Wine Estates Shareholders determine, which is to be divided among the directors in such proportion as they agree, or otherwise equally.

The remuneration for Non-Executive Directors must be a fixed amount or value and not a commission on, or percentage of, profits or operating revenue. Treasury Wine Estates Directors are entitled to be paid all reasonable expenses incurred in connection with attending meetings. If a director performs any extra services, any remuneration received in respect of these services will not form part of the director's remuneration as a director.

Treasury Wine Estates Directors may establish or support, or assist in the establishment or support of, funds and trusts to provide pension, retirement, superannuation or similar payments or benefits to or in respect of the Treasury Wine Estates Directors or former directors and grant pensions or allowances to those persons or their dependants.

The quorum for a Treasury Wine Estates Directors' meeting is two. Treasury Wine Estates Directors may elect a chair for their meetings and that person may chair each subsequent Treasury Wine Estates Directors meeting unless and until the Treasury Wine Estates Directors determine otherwise. The Treasury Wine Estates Directors may also elect a deputy chair for their meetings.

Decisions of the Treasury Wine Estates Directors are made by majority vote of directors entitled to vote. Each director present in person or by alternate has one vote. If the votes are equal on a proposed resolution, the chair has a casting vote in addition to any vote cast by the chair as a director. Treasury Wine Estates Directors may also pass written resolutions if at least 75% of the Treasury Wine Estates Directors entitled to vote on the resolution sign a document containing a statement that they are in favour of the resolution.

Treasury Wine Estates Directors may delegate any powers to a committee of Treasury Wine Estates Directors, and may delegate any of their powers to one director, an employee or any other person.

(i) Executive officers

Treasury Wine Estates Directors may appoint one or more of the Treasury Wine Estates Directors to the office of managing director. Treasury Wine Estates must appoint at least one company secretary. The appointment of an executive officer may be for a period, at the remuneration and on the conditions the Treasury Wine Estates Directors decide. The remuneration payable by Treasury Wine Estates to an executive officer must not include a commission on, or percentage of, operating revenue.

(j) Indemnity and insurance

To the extent permitted by and subject to the Corporation Act, Treasury Wine Estates must indemnify each current and former officer, director and company secretary of Treasury Wine Estates in respect of any liability, loss, damage, cost or expense incurred or suffered in or arising out of the conduct of any activity of Treasury Wine Estates or the proper performance of any duty of that officer, director or company secretary.

Treasury Wine Estates may, to the extent permitted by law, pay an insurance premium for each current or former officer, director and company secretary of the Treasury Wine Estates.

(k) Winding up

If Treasury Wine Estates is wound up, once all the debts and liabilities of the company and the costs, charges and expenses of winding up are satisfied, the excess must be distributed among the Treasury Wine Estates Shareholders in accordance with their respective rights.

The liquidator may with the sanction of a special resolution of the Treasury Wine Estates Shareholders, divide among the Treasury Wine Estates Shareholders the whole or any part of Treasury Wine Estates property and decide how the division is to be carried out as between the Treasury Wine Estates Shareholders.

12.7 Substantial holders of Foster's Shares

The substantial holders of Foster's Shares as at 4 March 2011 are as follows:

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

Foster's has relied on substantial holder notices provided to it before 4 March 2011, which are available on ASX's website, to compile the above table. Information in regard to substantial holdings arising, changing or ceasing after this time or in respect of which the relevant announcement is not available on ASX's website is not included above.

12.8 ASX listing of Treasury Wine Estates

On or about the date of this Booklet, Treasury Wine Estates will apply to ASX for admission to the Official List and for official quotation of Treasury Wine Estates Shares on ASX. Such application will be conditional upon the approval of the Scheme and the Capital Reduction.

Treasury Wine Estates Shares are expected to commence trading on ASX, initially on a deferred settlement basis, on Tuesday, 10 May 2011. Normal trading of Treasury Wine Estates Shares is expected to commence on or about Tuesday, 24 May 2011. Treasury Wine Estates Shares will trade under the code "TWE".

It is the responsibility of each Foster's Shareholder to determine their entitlement to Treasury Wine Estates Shares before trading those shares to avoid the risk of selling Treasury Wine Estates Shares they do not own. If a Foster's Shareholder sells Treasury Wine Estates Shares without receiving confirmation of their entitlement, they do so at their own risk.

Whether or not the Demerger proceeds, Foster's will continue to be listed on ASX and Foster's Shares will continue to be quoted on ASX.

12.9 Consents and disclaimers

Each of the parties named in this Section 12.9 as consenting parties:

- has given and has not, before lodgement of this Booklet with ASIC, withdrawn its written consent to be named in this Booklet in the form and context in which it is named;
- has given and has not, before the lodgement of this Booklet with ASIC, withdrawn its written consent to the inclusion of their respective statements and reports (where applicable) noted next to their names in this Section, and the references to those statements and reports in the form and context in which they are included in this Booklet;
- does not make, or purport to make, any statement in this Booklet other than those statements referred to in this Section in respect of that person's name (and as consented to by that person); and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Booklet.

The term "consent", as used in this Booklet, is used solely in the context of this Booklet and as that term is used in Australia. It is different from, and therefore not to be used as that term is or would be used in the United States, including as defined under securities law in the United States, in particular the Securities Act.

Role	Consenting party
Share Registry	Computershare Investor Services Pty Limited
Australian legal and taxation adviser	Corrs Chambers Westgarth
Independent Expert	Grant Samuel, in relation to the Independent Expert's Report and any statements based on that report
Investigating Accountant	PwC Securities
Auditor	PricewaterhouseCoopers
Foster's new Non-Executive Directors	Paula Dwyer, Judith Swales and Michael Wesslink
Treasury Wine Estates' new Non-Executive Directors	Warwick Every-Burns, Peter Hearl and Paul Rayner

12.10 Disclosure of fees and benefits received by certain persons

The persons named in this Booklet as performing a function in a professional, advisory or other capacity on behalf of Foster's in connection with the preparation or distribution of the Booklet and the professional fees (inclusive of GST) estimated to be payable to them in connection with the Demerger are:

Party	Fees
Computershare Investor Services Pty Limited (as Share Registry)	\$1.5 million
Corrs Chambers Westgarth (as Australian legal and taxation adviser)	\$10.2 million
Grant Samuel (as the Independent Expert)	\$0.8 million
PwC Securities (as the Investigating Accountant)	\$1.8 million
PricewaterhouseCoopers (as auditor)	\$Nil
Other advisory fees and transfer costs	\$51.9million
Total	\$66.2 million

12.11 Foreign selling restrictions

The distribution of this Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. Foster's disclaims all liabilities to such persons. Eligible Shareholders who are nominees, trustees or custodians are therefore advised to seek independent advice as to how they should proceed.

No action has been taken to register or qualify this Booklet, the Demerger or the Treasury Wine Estates Shares, or otherwise permit a public offering of the Treasury Wine Estates Shares, in any jurisdiction outside of Australia, Canada, Germany, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Singapore, Switzerland, the United Kingdom or the United States.

(a) Hong Kong

This Booklet has not been, and will not be, registered as a prospectus under the *Companies Ordinance* (Cap. 32) of Hong Kong (**Companies Ordinance**), nor has it been authorised by the Securities and Futures Commission (SFC) in Hong Kong pursuant to the *Securities and Futures Ordinance* (Cap. 571) of the Laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this Booklet or to permit the distribution of this Booklet or any documents issued in connection with it. Accordingly, the Treasury Wine Estates Shares have not been and will not be offered or sold in Hong Kong by means of any document, other than:

- to "professional investors" (as defined in the SFO and any rules made under that ordinance); or
- in other circumstances which do not result in this document being a "prospectus" (as defined in the Companies Ordinance) or which do not constitute an offer to the public within the meaning of that ordinance.

No advertisement, invitation or document relating to the Treasury Wine Estates Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be assessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Treasury Wine Estates Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Treasury Wine Estates Shares may sell, or offer to sell, such Treasury Wine Estates Shares in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such Treasury Wine Estates Shares.

The contents of this Booklet have not been reviewed by any regulatory authority in Hong Kong.

The securities to be sold under the Sale Facility have not been and will not be offered or sold in Hong Kong other than to professional investors within the meaning of the SFO and in circumstances that do not constitute an offer to the public within the meaning of the Companies Ordinance.

(b) Ireland

This Booklet has not been and will not be filed with or approved by any Irish regulatory authority. No offer of Treasury Wine Estates Shares to the public is made, or will be made, that requires the publication of a prospectus pursuant to Irish prospectus law. Neither this Booklet nor any other offering or related marketing material, has been prepared in accordance with Directive 2003/71/EC on prospectuses or any measures made under that directive or the laws of the Republic of Ireland implementing that directive or of any European Union Member State or European Economic Area (EEA) treaty adherent state that implements that directive or those measures.

This Booklet is directed only at (i) persons outside the Republic of Ireland; or (ii) persons who are members of Foster's at the date of this Booklet. This Booklet may not be downloaded, forwarded or distributed, in whole or in part, to any other person and may not be reproduced in any manner whatsoever and, in particular, should not be forwarded to any other persons located or resident in the Republic of Ireland.

(c) Italy

This Booklet is for the recipient only and may not in any way be downloaded, forwarded or distributed, in whole or in part, to any other person and may not be reproduced in any manner whatsoever and, in particular, should not be forwarded to any person or address in the Republic of Italy.

(d) Japan

The Treasury Wine Estates Shares have not been and will not be registered under article 4, paragraph 1 of the *Financial Instruments and Exchange Law* of Japan (**FIEL**) pursuant to an exemption from the registration requirements as set forth in article 2, paragraph 3, item 2(c) of the FIEL.

(e) Norway

This Booklet has not been produced in accordance with the prospectus requirements under the Norwegian Securities Trading Act 2007. This Booklet has not been approved or disapproved by, or registered with, the Oslo Stock Exchange, the Norwegian FSA (Finanstilsynet) or the Norwegian Registry of Business Enterprises. Treasury Wine Estates Shares have not been and will not be offered or sold to the public in Norway and no offering or marketing materials relating to the shares may be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in Norway. This Booklet is for the recipient only and may not in any way be forwarded to any other person or to the public in Norway.

(f) Singapore

This Booklet and any other materials in connection with the Demerger are not a prospectus as defined in the Securities and Futures Act, Chapter 289 of Singapore (**SFA**) and have not been, and will not be lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, statutory liability under the SFA in relation to the contents of prospectuses does not apply.

This Booklet and any other document or materials in connection with the Demerger may not be issued, circulated or distributed, nor may the Treasury Wine Estates Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor (as defined in section 4A of the SFA) in accordance with the applicable conditions under the SFA; (ii) to a relevant person (as defined in section 275(2) of the SFA) in accordance with the provisions specified in section 275(1) and any other applicable conditions under the SFA; (iii) to any person in accordance with the conditions specified in section 275(1A) of the SFA; or (iv) pursuant to and in accordance with the conditions of any other applicable provision of the SFA.

Persons who receive Treasury Wine Estates Shares in Singapore should seek independent advice as to any applicable on-sale restrictions.

(g) Switzerland

Treasury Wine Estates Shares may not be publicly offered, sold or advertised, directly or indirectly, in Switzerland. Neither this Booklet nor any other offering or marketing material relating to Treasury Wine Estates Shares constitutes a prospectus as such term is understood pursuant to article 652a of the *Swiss Federal Code of Obligations* or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd., and neither this Booklet nor any other offering or marketing material relating to Treasury Wine Estates Shares may be publicly distributed or otherwise made publicly available in Switzerland.

(h) United Kingdom

This Booklet has not been, and will not be, approved by the United Kingdom Listing Authority as a prospectus under the Financial Services and Markets Act 2000. This Booklet is directed only at (i) persons outside the United Kingdom; or (ii) persons who are members of Foster's at the date of this Booklet. Any investment or investment activity to which this or any related document relates is only available to and will only be engaged in with such persons, and persons within the United Kingdom who receive this or any related document (other than persons falling within (ii) above) should not rely on or act upon this communication.

(i) United States

Treasury Wine Estates Shares and Treasury Wine Estates ADSs have not been, and will not be, registered under the Securities Act in reliance on the exemption from registration requirements of the Securities Act provided by section 3(a)(10) thereof. Approval of the Scheme by the Court at the Second Court Hearing (see Section 3.3(d)) will be relied upon by Foster's and Treasury Wine Estates for the purpose of establishing this exemption.

Any Foster's Shareholder or Foster's ADS holder that is not an affiliate of Treasury Wine Estates, and has not been an affiliate of Treasury Wine Estates within 90 days of the date of receipt of such securities, may resell securities received in the distribution of Treasury Wine Estates Shares or Treasury Wine Estates ADSs, as applicable, on the date of receipt of such securities without restriction. Any other Foster's Shareholder or Foster's ADS holder will be subject to restrictions on the timing, manner of sale and volume restrictions on the sale of Treasury Wine Estates Shares or ADSs, respectively.

12.12 ASX and ASIC waivers, confirmations and relief

(a) ASIC confirmations as to disclosure matters

Sub-regulation 5.1.01 of the Corporations Regulations requires that, unless ASIC otherwise allows, this Booklet contains the matters set out in part 3 of schedule 8 to the Corporations Regulations. ASIC has granted the following relief from certain of those disclosure requirements:

(i) *Payments or benefits proposed to be made or given to Foster's Directors and officers*

Clause 8302(d) of part 3 of schedule 8 to the Corporations Regulations requires this Booklet to disclose particulars of any payment or benefit that is proposed to be made or given to any director, secretary or executive officer of Foster's or a related body corporate of Foster's (**Relevant Person**) as compensation for loss of office, or as consideration for or in connection with his or her retirement from office.

ASIC has granted Foster's relief from this requirement such that:

- (A) this Booklet is not required to disclose particulars of payments or benefits which may be made to a Relevant Person in relation to their loss of office or retirement from office, unless:
 - the Relevant Person will lose office or retire from office as a consequence of, or in connection with, the Demerger; or
 - the amount of any payment or benefit which may be made to the Relevant Person upon their loss of or retirement from office may be materially affected by the Demerger;
- (B) this Booklet is not required to state the identity of any Relevant Person who will lose office or retire from office in connection with the Demerger, unless that person is a Foster's Director; and
- (C) this Booklet is not required to state particulars of any payments or benefits to any Relevant Person, other than Foster's Directors, that would otherwise be required to be disclosed under paragraph (A) above, provided that such payments or benefits are disclosed on an aggregate basis and that this Booklet discloses

the number of persons who will receive a payment or benefit that is required to be disclosed under paragraph (A) above and which falls within each successive \$10,000 band, commencing at nil, where the number of Relevant Persons is no less than one.

(iii) *Change in financial position*

Clause 8302(h) of part 3 of schedule 8 to the Corporations Regulations requires the Explanatory Statement to disclose whether, within the knowledge of the Foster's Directors, the financial position of Foster's has materially changed since the date of the last balance sheet laid before a Foster's annual general meeting or sent to Foster's Shareholders in accordance with section 314 or 317 of the Corporations Act.

ASIC has granted Foster's relief from this requirement on the condition that Foster's:

- (A) sets out in this Booklet whether, within the knowledge of the Foster's Directors, the financial position of Foster's has materially changed since the balance date of Foster's financial report for the half year ended 31 December 2010;
- (B) discloses in this Booklet or in announcements to ASX all material changes to Foster's financial position occurring after the balance date of Foster's financial report for the half year ended 31 December 2010;
- (C) discloses in announcements to ASX any material changes to Foster's financial position that occur after the date of lodgement of this Booklet statement for registration by ASIC but prior to the Scheme being approved by the Court; and
- (D) provides, free of charge, copies of the financial report of Foster's and its controlled entities for the half year ended 31 December 2010 to any Foster's Shareholder who requests them prior to the Scheme being approved by the Court.

(b) ASIC declaration as to secondary sales of Treasury Wine Estates Shares

Section 707 of the Corporations Act provides for circumstances where an offer of securities for sale requires disclosure to investors, including where there is a resale of securities within 12 months of their issue (section 707(3)) or transfer (section 707(5)), if the purpose of the original issue or transfer was to enable the resale.

ASIC class order 04/671 (as amended by class order 07/42) purports to provide relief from the resale provisions in section 707(3) of the Corporations Act in the case where the securities are *issued* under a scheme or arrangement without disclosure to investors as allowed for in section 708(17) of the Corporations Act.

ASIC has granted Foster's relief from the resale provisions in sections 707(3), (4), (5) and (6) in the case where:

- a Treasury Wine Estates Shareholder makes an offer of Treasury Wine Estates Shares for sale;
- the Treasury Wine Estates Shares were *transferred* to a Foster's Shareholder or to the Sale Agent (or its related body corporate) under the Scheme within the previous 12 months; and

- the offer is not made within 12 months of a sale or transfer of the Treasury Wine Estates Shares by a person (other than Foster's Australia) who:
 - controls Treasury Wine Estates
 - would have been required by subsection 707(2) of the Corporations Act to give disclosure to investors under Part 6D.2 of the Corporations Act but for section 708 of the Corporations Act; and
 - did not give disclosure to investors under Part 6D.2 of the Corporations Act because of section 708 of the Corporations Act.

(c) ASIC exemption as to Sale Facility

ASIC has granted an exemption from certain requirements of the Corporations Act that Foster's may otherwise be required to comply with in order to operate the Sale Facility, including:

- section 601ED of the Corporations Act in relation to the Sale Facility;
- Divisions 2 to 5 of Part 7.9 of the Corporations Act in relation to an interest in the Sale Facility;
- the requirement to hold an Australian financial services licence for the provision of the following financial services:
 - dealing in an interest in the Sale Facility; and
 - the provision of general advice in relation to an interest in the Sale Facility; and
- Division 5A of Part 7.9 of the Corporations Act to the extent that Foster's invites a person to make an offer to sell Treasury Wine Estates Shares through the Sale Facility.

(d) ASX confirmations and waivers

ASX has:

- confirmed for the purpose of Listing Rule 1.1, condition 3 that Treasury Wine Estates may use an information memorandum (incorporating parts of this Booklet) rather than a prospectus for the purpose of its admission to ASX;
- confirmed to Treasury Wine Estates that the Treasury Wine Estates Pro Forma Historical Financial Information contained in this Booklet may be used for the purpose of the assets test;
- confirmed that Listing Rule 10.1 does not apply to the transfer of Treasury Wine Estates Shares under the Scheme to any of Foster's substantial holders or directors;
- confirmed for the purposes of Listing Rule 10.14 that the conditionally appointed New Foster's Directors may be issued Foster's Shares under the employee incentive plans and arrangements described in Sections 6.6(c)(i) and 12.5; and
- confirmed for the purposes of Listing Rule 10.14 that Treasury Wine Estates Directors may be issued Treasury Wine Estates Shares (and performance rights which grant rights to receive Treasury Wine Estates Shares) under the employee incentive plans and arrangements described in Sections 4.7(b) and 4.8(c)(i).

12.13 Supplementary information

Foster's will issue a supplementary document to this Booklet if it becomes aware of any of the following between the date of lodgement of this Booklet for registration with ASIC and the Effective Date:

- a material statement in this Booklet is or becomes false or misleading;
- a material omission from this Booklet;
- a significant change affecting a matter included in this Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Booklet if it had arisen before the date of lodgement of this Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Foster's may circulate and publish any supplementary document by:

- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document on Foster's website, www.fostersgroup.com; or
- making an announcement to ASX.

12.14 Restrictions on foreign ownership

There are no limitations, either under the laws of Australia or under the Treasury Wine Estates constitution, to the right of non-residents to acquire, hold and vote Treasury Wine Estates Shares other than the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**).

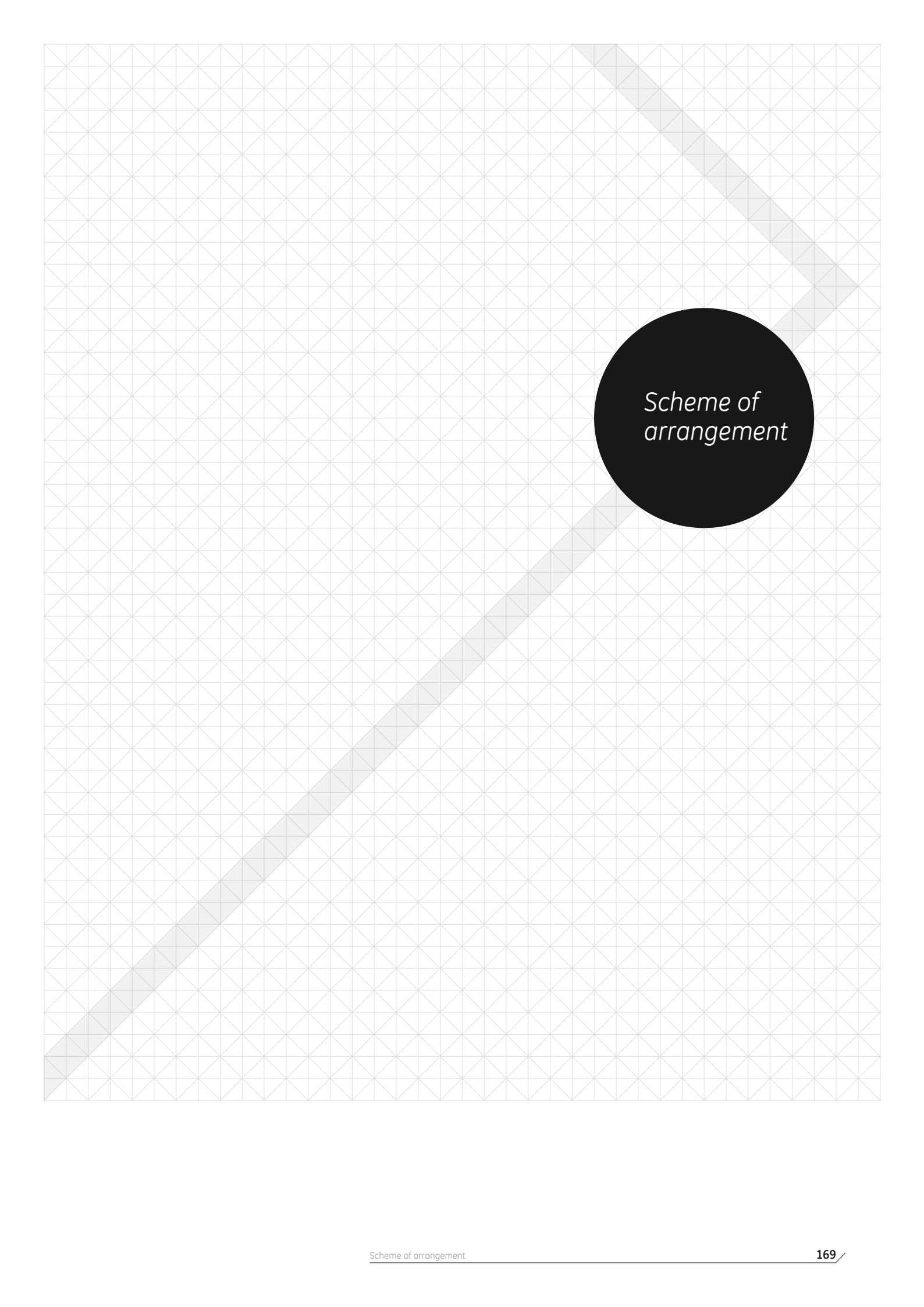
The FATA may affect the rights of certain persons to acquire Treasury Wine Estates Shares. Specifically, the FATA would apply to any acquisition:

- by a foreign person or associated foreign person which would result in a holding of 15% or more of the issued shares, voting power or potential voting power in Treasury Wine Estates; and
- by non-associated foreign persons which would result in a holding by those persons of 40% or more of the issued shares, voting power or potential voting power in Treasury Wine Estates.

Such acquisitions may require notification, review and approval by the Treasurer of the Commonwealth of Australia under the FATA.

Any acquisition of Treasury Wine Estates Shares by a foreign government or one of its related entities may also require notification, review and approval under the Foreign Investment Review Board's policy of January 2011.

Persons who consider that they may be affected by the FATA should seek independent professional advice.



*Scheme of
arrangement*

13. Scheme of arrangement

Date 17 March 2011

Scheme of arrangement

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

between

Foster's Group Limited (Foster's) ABN 49 007 620 886

and

Scheme Participants

Recitals

- A Foster's is a public company incorporated in Victoria. It is admitted to the official list of ASX and Foster's Fully Paid Shares are quoted on ASX.
- B Treasury Wine Estates is a public company incorporated in Victoria. It is, and until the Implementation Date will be, a wholly-owned subsidiary of Foster's.
- C Foster's and Treasury Wine Estates have entered into the Implementation Deed pursuant to which, among other things, Foster's has agreed to propose this Scheme to Foster's Shareholders and each of Foster's and Treasury Wine Estates has agreed to carry into effect the Scheme and all steps required to implement the Scheme and to bring about the Demerger.
- D If the Scheme becomes Effective:
 - (a) Foster's will reduce its share capital by the Capital Reduction Amount in accordance with the Capital Reduction Resolution;
 - (b) in satisfaction of the Capital Reduction and in accordance with the Implementation Deed and the Transfer Agreement, Foster's will be obliged to pay to its subsidiary, Foster's Australia an amount equal to the Capital Reduction Amount so as to procure the transfer by Foster's Australia of the Demerger Shares to each Scheme Participant (or to the Sale Agent);
 - (c) Foster's Australia will transfer the Demerger Shares to each Scheme Participant (or to the Sale Agent); and
 - (d) Treasury Wine Estates will cease to be a subsidiary of Foster's.
- E Treasury Wine Estates has entered into the Deed Poll for the purpose of covenanting in favour of the Scheme Participants to perform its obligations under the Implementation Deed and the steps attributed to it under the Scheme.

Agreed terms

1 Interpretation

1.1 Definitions

In this Scheme, unless the contrary intention appears or the context requires otherwise:

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 or the financial market operated by the Australian Securities Exchange, as the context requires.

ASX Settlement means ASX Settlement Pty Limited ABN 49 008 504 532 as a holder of a licence to operate a clearing and settlement facility.

Business Day means a weekday on which trading banks are open for business in Melbourne, Australia or, where appropriate, a "Business Day" as defined in the Listing Rules.

Capital Reduction means a reduction of the share capital of Foster's by the Capital Reduction Amount to be applied equally against each Foster's Share on issue as at the Record Date in accordance with the Capital Reduction Resolution.

Capital Reduction Amount means \$1,248,161,682.

Capital Reduction Resolution means an ordinary resolution of Foster's Shareholders in the form set out in the notice of general meeting contained in the Demerger Booklet.

CHESS means the clearing house electronic subregister system of share transfers operated by ASX Settlement.

Corporations Act means *Corporations Act 2001* (Cth).

Court means the Supreme Court of Victoria.

Deed Poll means the deed poll dated 17 March 2011 executed by Treasury Wine Estates in favour of Scheme Participants (subject to any amendments permitted by its terms).

Demerger means the demerger of Foster's wine business from Foster's to be implemented through the Capital Reduction and the Scheme in a manner described in the Demerger Booklet.

Demerger Agreement means the agreement dated on or around the 11 March 2011 between Foster's, Treasury Wine Estates, Foster's Australia and Foster's Wine Estates dealing with certain commercial, transitional and legal issues arising in connection with the legal separation of Treasury Wine Estates from Foster's.

Demerger Booklet means the booklet containing the explanatory statement as required by part 5.1 of the Corporations Act relating to the Scheme, notices of meetings in relation to the Scheme and the Capital Reduction Resolution and other information relating to the Demerger.

Demerger Shares means one Treasury Wine Estates Share for every three Foster's Shares held by Scheme Participants at the Record Date (rounded up or down to the nearest whole Treasury Wine Estates Share) and as calculated under clause 3.1(c).

Effective means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

Eligible Shareholder means a Scheme Participant as at the Record Date whose registered address on the Foster's Share Register is in:

- (a) Australia, Canada, Germany, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Singapore, Switzerland, the United Kingdom or the United States; or
- (b) any other jurisdiction in relation to which Foster's reasonably believes that the implementation of the Scheme and the transfer of the Treasury Wine Estates Shares to the Scheme Participant in that jurisdiction is not prohibited, not unduly onerous and not impracticable.

End Date means 31 December 2011 or such later date as is specified by the Foster's Board.

First Court Date means the date on which an application was made to the Court for orders under section 411(1) of the Corporations Act convening the Scheme Meeting to consider the Scheme.

Foster's means Foster's Group Limited ABN 49 007 620 886.

Foster's Australia means Foster's Australia Limited ABN 76 004 056 106.

Foster's Board means the board of directors of Foster's from time to time.

Foster's Directors means directors of Foster's from time to time.

Foster's Fully Paid Shares means fully paid ordinary shares in the capital of Foster's.

Foster's Partly Paid Shares means partly paid ordinary shares in the capital of Foster's.

Foster's Share Register means the register of members of Foster's maintained in accordance with the Corporations Act.

Foster's Shareholder means each person who is registered as the holder of Foster's Shares.

Foster's Shares means either or both Foster's Fully Paid Shares and Foster's Partly Paid Shares.

Foster's Wine Estates means Foster's Wine Estates Limited ABN 55 004 094 599.

Implementation Date means the date on which the Capital Reduction and the Scheme are to be implemented, being the date that is the fourth Business Day after the Record Date, or such other date as Foster's agrees.

Implementation Deed means the demerger implementation deed dated on or around 11 March 2011, relating to the implementation of the Demerger.

Ineligible Overseas Shareholder means a Scheme Participant as at the Record Date who is not an Eligible Shareholder.

Listing Rules means the listing rules of ASX.

Record Date means 7.00pm (Melbourne time) on the fifth Business Day after the Effective Date.

Registered Address means in relation to a Foster's Shareholder, the address shown in the Foster's Share Register.

Regulatory Approvals means such approvals, consents, waivers or other acts from or by Regulatory Authorities as are necessary or, in the reasonable opinion of Foster's, desirable to implement the Scheme.

Regulatory Authorities include:

- (a) ASX and ASIC;
- (b) a government or governmental, semi-governmental or judicial entity or authority;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

Sale Agent means the entity which has been appointed to sell or facilitate the transfer of the Treasury Wine Estates Shares under the Sale Facility.

Sale Facility means the facility to be established and implemented by Foster's under which the Sale Agent will sell Treasury Wine Estates Shares on ASX, the terms of which are described and contained in the Demerger Booklet.

Scheme means the members' scheme of arrangement between Foster's and the Scheme Participants as set out in this document, subject to any alterations or conditions made or required by the Court pursuant to section 411 of the Corporations Act.

Scheme Meeting means the meeting of Foster's Shareholders to be convened by the Court in relation to the Scheme under section 411(1) of the Corporations Act.

Scheme Participant means each person registered on the Foster's Share Register as the holder of Scheme Shares.

Scheme Resolution means the resolution to approve the Scheme to be considered by Foster's Shareholders at the Scheme Meeting.

Scheme Shares means each Foster's Share on issue as at the Record Date.

Second Court Date means the date on which the application made to the Court for an order for the purpose of section 411(4)(b) of the Corporations Act approving the Scheme is heard (or if adjourned to a later date, that later date).

Selling Shareholder means either:

- (a) a Small Shareholder who elects to have all the Treasury Wine Estates Shares that they would otherwise receive under the Demerger sold using the Sale Facility; or
- (b) an Ineligible Overseas Shareholder.

Settlement Operating Rules means the operating rules of ASX Settlement.

Share Registry means Computershare Investor Services Pty Limited ABN 48 078 279 277.

Small Shareholder means an Eligible Shareholder with a Registered Address in Australia or New Zealand and who individually holds 1,000 Foster's Shares or fewer as at the Record Date.

Transfer Agreement means the agreement dated on or around the First Court Date between Foster's and Foster's Australia under which Foster's Australia agrees to pay to Foster's Australia the sum of approximately \$1.25 billion in consideration for the transfer by Foster's Australia of Treasury Wine Estates Shares to Eligible Shareholders or the Sale Agent, on implementation of the Demerger.

Treasury Wine Estates means Treasury Wine Estates Limited ABN 24 004 373 862.

Treasury Wine Estates Share Register means the register of Treasury Wine Estates Shareholders maintained in accordance with the Corporations Act.

Treasury Wine Estates Shareholder means a person who is registered in the Treasury Wine Estates Share Register as a holder of a Treasury Wine Estates Share following implementation of the Scheme.

Treasury Wine Estates Shares means fully paid ordinary shares in the capital of Treasury Wine Estates.

1.2 Construction

Unless expressed to the contrary, in this Scheme:

- (a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
 - (b) words in the singular include the plural and vice versa;
 - (c) each gender includes each other gender;
 - (d) references to persons includes references to individuals, corporations, other bodies corporate or bodies politic;
 - (e) references to paragraphs or clauses are to a paragraph or clause of this Scheme;
 - (f) a reference to a statute, regulation or agreement is to such a statute, regulation or agreement as from time to time amended;
 - (g) a reference to a person includes a reference to a person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;
 - (h) if a time period is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;
 - (i) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
 - (j) the interpretation of a substantive provision is not affected by any heading;
 - (k) a reference to any time is a reference to the time in Melbourne, Australia;
 - (l) a reference to "\$" or "cents" is to the lawful currency of the Commonwealth of Australia; and
 - (m) where the day on which any matter, act or thing is to be done is a day other than a Business Day, such matter, act or thing shall be done on the next Business Day.
- (c) no temporary restraining order, preliminary or permanent injunction or other order is issued by any court of competent jurisdiction and no other legal restraint or prohibition preventing the Demerger is in effect as at 9.00am on the Second Court Date;
 - (d) all Regulatory Approvals are obtained by 9.00am, on the Second Court Date, either unconditionally or on conditions reasonably satisfactory to the Foster's Board;
 - (e) ASX approves the admission of Treasury Wine Estates to the official list of ASX and grants permission for official quotation of Treasury Wine Estates Shares on ASX, subject only to the Scheme becoming Effective and such other conditions as may be acceptable to the Foster's Board;
 - (f) the Demerger Agreement remains in place and has not been terminated as at 9.00am on the Second Court Date; and
 - (g) the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act and an office copy of the order of the Court is lodged with ASIC.

2.2 Certificate in relation to conditions precedent

Foster's will provide to the Court on the Second Court Date a certificate confirming whether all the conditions precedent in the Scheme (other than the condition in clause 2.1(g)) have been satisfied or waived.

2.3 Effective Date

Subject to satisfaction or waiver of all the conditions precedent in clause 2.1 and subject to clause 2.5, the Scheme will be considered to take effect for all purposes on and from the Effective Date.

2.4 End Date

The Scheme will lapse and be of no further force or effect if the conditions precedent set out in clause 2.1 have not been satisfied or waived on or before the End Date.

3 Implementation

3.1 Implementation of the Capital Reduction and Scheme

On the Implementation Date, without the need for any further act by a Scheme Participant:

- (a) Foster's will reduce its share capital by the Capital Reduction Amount in accordance with the Capital Reduction Resolution;
- (b) in satisfaction of the Capital Reduction Amount arising from the Capital Reduction and in accordance with the Implementation Deed and Transfer Agreement, Foster's will be obliged to pay to Foster's Australia an amount equal to the Capital Reduction Amount as consideration for the transfer by Foster's Australia of the Demerger Shares:
 - (i) in the case of a Scheme Participant who is a Selling Shareholder, to the Sale Agent on behalf of that Scheme Participant; or
 - (ii) in all other cases, to the Scheme Participant; and

2 Scheme conditions

2.1 Conditions precedent to the Scheme

The Scheme is conditional upon the following conditions precedent:

- (a) between the date of the Demerger Booklet and the Scheme Meeting, a majority of the Foster's Directors recommend and do not change or withdraw their recommendation to Foster's Shareholders to vote in favour of the Scheme Resolution;
- (b) Foster's Shareholders pass the Scheme Resolution at the Scheme Meeting, and the Capital Reduction Resolution at the General Meeting, by the required majorities;

- (c) Foster's will procure that Foster's Australia:
 - (i) transfers to each Scheme Participant (other than Selling Shareholders) that number of Treasury Wine Estates Shares which is equal to one Treasury Wine Estates Share for every three Foster's Shares held by the Scheme Participant as at the Record Date (rounded up or down to the nearest whole Treasury Wine Estates Share); and
 - (ii) for each Selling Shareholder, transfers to the Sale Agent that number of Treasury Wine Estates Shares which is equal to one Treasury Wine Estates Share for every three Foster's Shares held by the Selling Shareholder as at the Record Date (rounded up or down to the nearest whole Treasury Wine Estates Share).

3.2 Transfer of Treasury Wine Estates Shares

The obligations of Foster's under clause 3.1(c) will be discharged by Foster's procuring:

- (a) the execution of a transfer or transfers of all the Treasury Wine Estates Shares to the Scheme Participants (or in the case of Selling Shareholders, to the Sale Agent) in the numbers determined in accordance with clause 3.1(c); and
- (b) the delivery of the transfer or transfers to Treasury Wine Estates for registration; and
- (c) the registration of the transfers delivered to Treasury Wine Estates under clause 3.2(b) by entering in the Treasury Wine Estates Share Register the name of each Scheme Participant (or in the case of a Selling Shareholder, the Sale Agent) in respect of the Treasury Wine Estates Shares transferred to the relevant Scheme Participant (or the Sale Agent) in accordance with this Scheme.

3.3 Dispatch of holding statements

As soon as practicable after the Implementation Date and in accordance with the Listing Rules, Foster's will procure that Treasury Wine Estates sends to the Scheme Participants (other than Selling Shareholders), holding statements for the Treasury Wine Estates Shares to which they are entitled, by prepaid post to their Registered Address at the Record Date, unless that Scheme Participant has directed otherwise, does not have a Registered Address, or where Foster's and Treasury Wine Estates believe that such Scheme Participant is not known at their Registered Address.

3.4 Selling Shareholders

- (a) In respect of Selling Shareholders, Foster's will:
 - (i) procure that the Sale Agent as soon as reasonably practicable (and in any event not more than 15 Business Days (or, subject to obtaining any necessary ASIC exemptions or waivers, such longer period of time which the Sale Agent and Foster's determine) after the Implementation Date), sells on ASX all the Treasury Wine Estates Shares transferred to the Sale Agent under clause 3.1(c)(iii);
 - (ii) account to each Selling Shareholder for the proceeds of sale of those Treasury Wine Estates Shares (on an averaged basis so that all Selling Shareholders receive the same price for each Treasury Wine Estates Share, subject to rounding to the nearest whole cent); and

- (iii) as soon as practicable, dispatch the proceeds of sale of the Treasury Wine Estates Shares sold under clause 3.4(a) (i), such proceeds to be paid to the Selling Shareholder by:

- (A) depositing or procuring the Share Registry to deposit the amount payable to the Selling Shareholders into an account with any Australian ADI (as defined in the Corporations Act) notified to Foster's (or an agent of Foster's which manages the Foster's Share Register) by an appropriate authority from the Selling Shareholder;
- (B) if, for the purpose of paragraph (A), an account with an Australian ADI has not been notified to Foster's (or an agent of Foster's which manages the Foster's Share Register), or a deposit into such an account is rejected or refunded, dispatching the amount payable to the Selling Shareholders by mail to the Selling Shareholder's Registered Address by cheque in Australian currency drawn on an Australian bank; or
- (C) if paragraph (B) applies and the Selling Shareholder does not have a Registered Address or Foster's believes that the Selling Shareholder is not known at their Registered Address, crediting the amount payable to the Selling Shareholder to a separate bank account of Foster's to be held until the Selling Shareholder claims the amount or the amount is dealt with in accordance with unclaimed money legislation. Foster's must hold the amount on trust, but any benefit accruing from the amount will be to the benefit of Foster's. An amount credited to the account is to be treated as having been paid to the Selling Shareholder when credited to the account. Foster's must maintain records of the amounts paid, the people who are entitled to the amounts, and any transfers of the amounts.

- (b) Foster's, in complying with the terms of clause 3.4(a) in respect of a Selling Shareholder, will be taken to have satisfied and discharged its obligations to the Selling Shareholder under the terms of the Capital Reduction Resolution and the Scheme. A Selling Shareholder will have no claim against Foster's for any entitlement they would have had to Treasury Wine Estates Shares but for the terms of this Scheme.
- (c) Each Selling Shareholder appoints Foster's as its agent to receive on its behalf any notices which may be given by the Sale Agent to that Selling Shareholder.

4 Dealings in Foster's Shares

4.1 Foster's Share Register

Subject to the Corporations Act, the Listing Rules and the Settlement Operating Rules, the establishment of who are Scheme Participants and their respective entitlements, will be determined solely on the basis of the Foster's Share Register.

4.2 Dealings in Foster's Shares by Scheme Participants

For the purpose of establishing who are Scheme Participants and their respective entitlements, subject to the Corporations Act, the Listing Rules and the Settlement Operating Rules, dealings in Foster's Shares will be recognised by Foster's provided that:

- (a) in the case of dealings of the type to be effected on CHESS, the transferee is registered as the holder of the Foster's Shares as at the Record Date; or

- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Share Registry before the Record Date with sufficient time to allow for registration of the transferee on or before the Record Date (and the transferee remains registered as at the Record Date).

4.3 Share splitting

If Foster's reasonably believes that a Scheme Participant has been a party to a shareholding splitting or division in an attempt to obtain an advantage by reference to the rounding provided for in the calculation of each Scheme Participant's entitlement to Treasury Wine Estates Shares, then Foster's reserves the right to round the entitlement of such holdings so as to provide only the number of Treasury Wine Estates Shares that would have been received but for the splitting or division.

4.4 Transfer requests received after the Record Date

Foster's will not accept for registration or recognise for the purpose of establishing who are Scheme Participants and their respective entitlements, any transmission application or transfer in respect of Foster's Shares received after the Record Date.

5 General provisions

5.1 Agreement to become a member of Treasury Wine Estates

Each Scheme Participant who will receive Treasury Wine Estates Shares:

- (a) agrees to become a member of Treasury Wine Estates, to have their name entered in any register of members of Treasury Wine Estates and to accept the Treasury Wine Estates Shares transferred to them and to be bound by the constitution of Treasury Wine Estates; and
- (b) agrees and acknowledges that the transfer of the Demerger Shares to Scheme Participants (or to the Sale Agent) in accordance with clause 3.1(c) constitutes the satisfaction of their entitlement to any part of the Capital Reduction Amount arising from the Capital Reduction, without the need for any further act by a Scheme Participant.

This clause 5.1 does not apply to Selling Shareholders.

5.2 Appointment of agent

Each Scheme Participant, without the need for any further act, irrevocably appoints Foster's as its attorney and agent for the purpose of executing any document or doing any other act necessary to give effect to the terms of the Scheme, including without limitation:

- (a) the execution of any form required to effect the transfer of Treasury Wine Estates Shares to an Eligible Shareholder, the Sale Agent or any other person in accordance with the terms of the Scheme, and the delivery of any such form to Treasury Wine Estates;
- (b) executing any document or doing any other act necessary to give effect to the terms of this Scheme including, without limitation, the communication of the Scheme Participant's agreement or consent under clauses 5.1, 5.4 and/or 5.5 and instructions under clause 5.3; and
- (c) the enforcement of the Deed Poll against Treasury Wine Estates. Foster's, as agent of each Scheme Participant, may sub-delegate its functions under this clause 5.2 to any or all of its directors and secretaries.

5.3 Instructions to Foster's

Except for an Eligible Shareholder's tax file number and instructions relating to the Foster's DRP, all other binding instructions or notifications between an Eligible Shareholder and Foster's relating to Foster's Shares or an Eligible Shareholder's status as a Foster's Shareholder (including, without limitation, any instructions relating to payment of dividends or communications from Foster's) will (to the extent permitted by law), from the Record Date, be deemed, by reason of the Scheme, to be similarly binding instructions or notifications to, and accepted by, Treasury Wine Estates in respect of the Treasury Wine Estates Shares transferred to Eligible Shareholders until those instructions or notifications are, in each case, revoked or amended in writing addressed to Treasury Wine Estates at its share registry.

5.4 Scheme Participants' consent

Each Scheme Participant consents to Foster's doing all things necessary, incidental or expedient to the implementation and performance of the Scheme and acknowledge that the Scheme binds Foster's and all of the Scheme Participants (including those who do not attend the meeting of Foster's Shareholders to approve the Scheme, do not vote at that meeting or vote against the Scheme).

5.5 Amendments to the Scheme

Should the Court propose to approve the Scheme subject to any alterations or conditions, Foster's may, by its counsel, consent to those alterations or conditions on behalf of all persons concerned (including a Scheme Participant).

5.6 Scheme binding

To the extent of any inconsistency between the Scheme and Foster's constitution, the Scheme overrides Foster's constitution and binds Foster's and all Scheme Participants.

5.7 Further steps

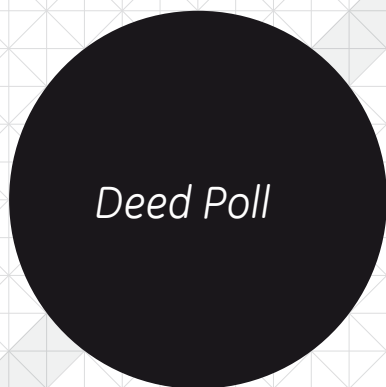
Foster's will execute all deeds and other documents and do all acts and things as may be necessary, incidental or expedient for the implementation and performance of the Scheme and will, on behalf of Scheme Participants, procure Treasury Wine Estates to execute all deeds and other documents and do all acts and things as may be necessary, incidental or expedient for the implementation and performance of the Scheme.

5.8 Costs

Foster's will pay, or will procure that Treasury Wine Estates pays, any costs which are payable on or in respect of the Scheme or on any document referred to in this Scheme by Foster's or by Treasury Wine Estates, including, without limitation, all costs and brokerage payable in connection with the sale and transfer to Eligible Shareholders or the Sale Agent of Treasury Wine Estates Shares in accordance with this Scheme.

5.9 Governing law and jurisdiction

- (a) The Scheme is governed by the laws in force in Victoria, Australia.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of the courts of Victoria, Australia and any courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme.



Deed Poll

14. Deed Poll

This deed poll is made on 17 March 2011

by **Treasury Wine Estates Limited**
ABN 24 004 373 862 of 77 Southbank Boulevard,
Southbank, Victoria 3006 (**Treasury Wine Estates**)
in favour of each holder of ordinary shares in the capital
of Foster's Group Limited ABN 49 007 620 886
(**Foster's**) as at the Record Date
(**Scheme Participants**)

Background

- A On or around 11 March 2011, Treasury Wine Estates and Foster's entered into the Implementation Deed.
- B Under the Implementation Deed, Treasury Wine Estates agreed to enter into this deed poll.
- C Treasury Wine Estates is entering into this deed poll for the purpose of covenanting in favour of Scheme Participants to perform its obligations under the Implementation Deed and the steps attributed to it under the Scheme.

This deed poll provides:

1 Interpretation

1.1 Definitions

Unless indicated otherwise, terms defined in the Scheme have the same meaning as in this deed poll.

1.2 Construction

Unless expressed to the contrary, in this deed poll:

- (a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words in the singular include the plural and vice versa;
- (c) each gender includes each other gender;
- (d) references to persons includes references to individuals, corporations, other bodies corporate or bodies politic;
- (e) references to paragraphs or clauses are to a paragraph or clause of this deed poll;
- (f) a reference to a statute, regulation or agreement is to such a statute, regulation or agreement as from time to time amended;
- (g) a reference to a person includes a reference to a person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;
- (h) if a time period is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;
- (i) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (j) the interpretation of a substantive provision is not affected by any heading;
- (k) a reference to any time is a reference to the time in Melbourne, Australia;

- (l) a reference to "\$" or "cents" is to the lawful currency of the Commonwealth of Australia; and
- (m) where the day on which any matter, act or thing is to be done is a day other than a Business Day, such matter, act or thing shall be done on the next Business Day.

1.3 Nature of deed poll

Treasury Wine Estates acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not party to it;
- (b) under the Scheme, each Scheme Participant appoints Foster's as its agent and attorney to enforce this deed poll against Treasury Wine Estates; and
- (c) Foster's may enforce this deed poll against Treasury Wine Estates in its own name even though Foster's is not a party to this deed poll.

2 Conditions precedent to obligations

2.1 Conditions precedent

Treasury Wine Estates' obligations under this deed poll are subject to the satisfaction of each of the conditions precedent in clause 2.1 of the Scheme or, to the extent permitted by the Scheme, the waiver of those conditions precedent.

2.2 Termination

If the conditions precedent in clause 2.1 of the Scheme are not satisfied on or before the End Date (or such later date agreed by Foster's and Treasury Wine Estates in writing and, if required, approved by the Court), subject to clause 2.3, Treasury Wine Estates' obligations under this deed poll automatically terminate.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Treasury Wine Estates is released from its obligations to further perform this deed poll; and
- (b) Scheme Participants retain the rights they have against Treasury Wine Estates in respect of any breach of this deed poll which occurs before it is terminated.

3 Transfer of Treasury Wine Estates Shares

3.1 Agreement to become members of Treasury Wine Estates

Under clause 5.1(a) of the Scheme, each Scheme Participant (other than Selling Shareholders) agrees to become a member of Treasury Wine Estates, to have their name entered in any register of members of Treasury Wine Estates, to accept the Treasury Wine Estates Shares transferred to them and to be bound by the constitution of Treasury Wine Estates.

3.2 Obligation to update Treasury Wine Estates Share Register

On the Implementation Date, Treasury Wine Estates must enter into the Treasury Wine Estates Share Register:

- (a) each Scheme Participant (other than Selling Shareholders) in respect of the Treasury Wine Estates Shares to which they are entitled under the Scheme; and
- (b) the Sale Agent, in respect of the Treasury Wine Estates Shares transferred to the Sale Agent on behalf of the Selling Shareholders, under the Scheme.

3.3 Holding statements

- (a) In accordance with clause 3.3 of the Scheme, as soon as practicable after the Implementation Date and in accordance with the Listing Rules, Treasury Wine Estates must dispatch or procure the dispatch to:
 - (i) each Scheme Participant (other than Selling Shareholders), holding statements for the Treasury Wine Estates Shares to which they are entitled under the Scheme by prepaid post to their Registered Address as at the Record Date, unless directed otherwise by a Scheme Participant; and
 - (ii) the Sale Agent, holding statements for the Treasury Wine Estates Shares transferred to the Sale Agent on behalf of the Selling Shareholders.
- (b) In the case of Scheme Participants who are joint holders of Foster's Shares, holding statements in relation to Treasury Wine Estates Shares will be dispatched to the holder whose name appears first in the Foster's Share Register as at the Record Date.

4 Other obligations of Treasury Wine Estates

4.1 Official quotation of Treasury Wine Estates Shares

Treasury Wine Estates must apply for admission of Treasury Wine Estates to the official list of ASX and apply for the granting by ASX of permission for official quotation of Treasury Wine Estates Shares to be transferred pursuant to the Scheme on a financial market operated by ASX, subject only to the Scheme taking effect and such other conditions that are acceptable to the Foster's Directors.

4.2 General

Treasury Wine Estates covenants in favour of Scheme Participants to perform:

- (a) the steps attributed to it under, and otherwise comply with, the Scheme as if a party to the Scheme; and
- (b) all steps required of it under, and to otherwise comply with, the Implementation Deed (as it relates to the Scheme).

5 Warranties

Treasury Wine Estates represents and warrants that:

- (a) it is a corporation validly existing under the laws of its place of registration;

- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll; and
- (d) this deed poll is valid and binding on it.

6 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Treasury Wine Estates has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.

7 Notices

7.1 How and where Notices may be sent

A notice or other communication in respect of this deed poll (**Notice**) must be in writing and delivered by hand or sent by pre-paid post or fax to

Attention: Company Secretary
Treasury Wine Estates

Address: 77 Southbank Boulevard, Southbank, Victoria 3006

Fax: +61 3 8626 2002

7.2 Notices to be in legible writing in English

A Notice to or by Treasury Wine Estates must be in legible writing and in English.

7.3 How a Notice must be signed

A Notice must be signed by the person giving the Notice or by a person duly authorised by that person.

7.4 Email not to be used

Email or similar electronic means of communication must not be used to give Notices in respect of this Deed Poll.

7.5 When notices are taken to have been given and received

- (a) A Notice sent by post is regarded as given and received on the Second Business Day following the date of postage.
- (b) A fax is regarded as given and received on production of a transmission report by the machine from which the fax was sent which indicates that the fax was sent in its entirety to the recipient's fax number, unless the recipient informs the sender that the Notice is illegible or incomplete within four hours of it being transmitted.
- (c) A Notice delivered or received other than on a Business Day or after 4.00pm (recipient's time) is regarded as received at 9.00am on the following Business Day and a Notice delivered or received before 9.00am (recipient's time) is regarded as received at 9.00am.

8 General

8.1 Governing law and jurisdiction

- (a) This deed poll is governed by the laws in force in Victoria, Australia.
- (b) Treasury Wine Estates irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in Victoria, Australia and any courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll.

8.2 Waiver

Treasury Wine Estates may not rely on the words or conduct of any Scheme Participant as a waiver of any right unless the waiver is in writing and signed by the Scheme Participant granting the waiver.

In this clause 7.2:

- (a) conduct includes delay in the exercise of a right;
- (b) right means any right arising under or in connection with this deed poll and includes the right to rely on this clause 7.2; and
- (c) waiver includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

8.3 Variation

A provision of this deed poll may not be varied unless the variation is agreed to by Foster's in writing, in which event Treasury Wine Estates will enter into a further deed poll in favour of the Scheme Participants giving effect to the amendment.

8.4 Cumulative rights

The rights, powers and remedies of Treasury Wine Estates and the Scheme Participants under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

8.5 Assignment

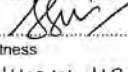
- (a) The rights created by this deed poll are personal to Treasury Wine Estates and each Scheme Participant and must not be dealt with at law or in equity.
- (b) Any purported dealing in contravention of clause 8.5(a) is invalid.

8.6 Further action to be taken at Treasury Wine Estates' expense

Treasury Wine Estates must, at its own expense, do all things and execute all documents necessary to give effect to this deed poll.


Executed as a deed poll in Victoria.

Signed, sealed and delivered by
Treasury Wine Estates Limited by
 the party's attorney pursuant to power
 of attorney dated 2 March 2011 who
 states that no notice of revocation of
 the power of attorney has been
 received in the presence of:



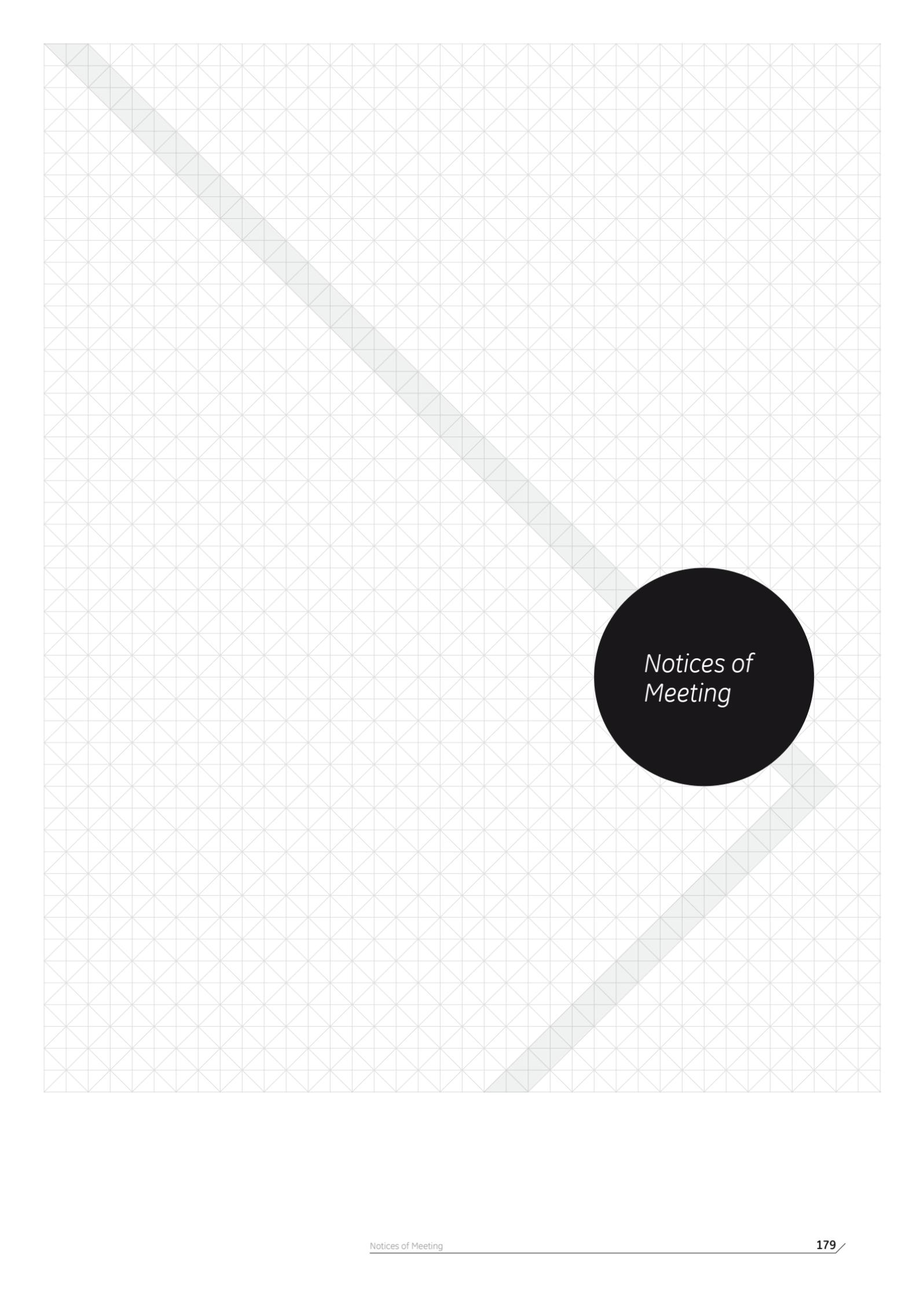
 Witness
HUEIH-HSIEN MAK

 Name of Witness (print)



 Attorney
Anthony J Reeves

 Name of Attorney (print)



*Notices of
Meeting*

15. Notices of Meeting

15.1 Notice of Scheme Meeting

Foster's Group Limited ABN 49 007 620 886

By order of the Court made on 17 March 2011, a meeting of the holders of ordinary shares in Foster's Group Limited (**Foster's**) will be held at Melbourne Recital Centre, 31 Sturt Street, Southbank, Victoria 3006 on Friday, 29 April 2011 at 9.00am (Melbourne time).

The Court has directed that David Crawford, be chairman of the meeting or failing him Maxwell Ould.

Information on the Scheme is set out in this Booklet (of which this notice forms part). Terms used in this notice have the same meaning as set out in the glossary to this Booklet, unless indicated otherwise.

BUSINESS

To consider and, if thought fit, to pass the following resolution:

"That, pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed between Foster's and the holders of its fully paid ordinary shares and partly paid ordinary shares, as contained in and more precisely described in this Booklet (of which the notice convening this meeting forms part) is approved (with or without modification as approved by the Supreme Court of Victoria)."

By order of the Board

Paul D Conroy

Company Secretary
Foster's Group Limited
17 March 2011

EXPLANATORY NOTES

Shareholders who are entitled to vote

Only Foster's Shareholders registered at 7.00pm (Melbourne time) on Wednesday, 27 April 2011 are entitled to vote on the resolution.

Majorities required

In accordance with section 411(4)(a)(iii) of the Corporations Act, the resolution must be passed by:

- a majority in number of Foster's Shareholders present and voting at the meeting in person or by proxy (unless the Court orders otherwise); and
- Foster's Shareholders holding at least 75% of the total number of votes cast by Foster's Shareholders present and voting at the meeting (in person or by proxy).

Court approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without modification) must be approved by an order of the Court. If the resolution put to this meeting is passed by the required majorities and the other conditions to the Scheme are satisfied (including the Capital Reduction Resolution being passed at the General Meeting), Foster's intends to apply to the Court on Wednesday, 4 May 2011 for approval of the Scheme.

How to vote

Foster's Shareholders can vote in either of two ways:

- by attending the Scheme Meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative; or
- by appointing a proxy to attend and vote at the Scheme Meeting on their behalf.

Voting in person (or by attorney)

If possible, Foster's Shareholders should arrive at the meeting venue 30 minutes before the time designated for the Scheme Meeting, so that their shareholding can be checked against Foster's Share Register and attendances noted.

Attorneys should bring with them original or certified copies of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting.

Representatives of companies should bring with them satisfactory evidence of their appointment including any authority under which that appointment is signed (unless previously given to the Share Registry).

Voting by proxy

A Foster's Shareholder entitled to attend and vote at the meeting may appoint a proxy. The person appointed as a proxy may be an individual or a body corporate. If entitled to cast two or more votes, the Foster's Shareholder may appoint one or two proxies.

Where two proxies are appointed, each proxy may be appointed to represent a specific proportion of the Foster's Shareholder's voting rights. If the proportion is not specified, each proxy may exercise half of the Foster's Shareholder's voting rights. Fractional votes will be disregarded.

Foster's Shareholders should read carefully the instructions on the Scheme Meeting Proxy Form and consider how they wish to direct the proxy to vote on their behalf. Foster's Shareholders may direct the proxy to vote "for", "against" or "abstain" from voting on the resolution or may leave the decision to the appointed proxy after discussion at the meeting.

A proxy need not be a Foster's Shareholder.

The Scheme Meeting Proxy Form must be signed by the Foster's Shareholder or the Foster's Shareholder's attorney. Proxies given by corporations must be signed in accordance with the corporation's constituent documents, or as authorised by the Corporations Act.

To be valid, the Scheme Meeting Proxy Form must be received by 12.00 noon (Melbourne time) on Wednesday, 27 April 2011 by one of the following methods:

- (a) by mail or by hand to the registered office of Foster's
- (b) by mail to the Share Registry:

Computershare Investor Services Pty Limited
GPO Box 242, Melbourne, Victoria 3001, Australia;

or by hand to the office of the Share Registry:

Yarra Falls, 452 Johnston Street,
Abbotsford, Victoria 3067, Australia;

- (c) by facsimile to Share Registry on 1800 783 447 (within Australia) or +61 3 9473 2555 (international); or

(d) electronically, either via:

www.investorvote.com.au using the details printed on the personalised Scheme Meeting Proxy Form or **www.fostersgroup.com** and clicking on 'Scheme and General Meeting Proxy'; or

www.intermediaryonline.com for custodian voting (subscribers only).

If the Scheme Meeting Proxy Form is executed under a power of attorney that has not been noted by Foster's, the original or a certified copy of the power of attorney must accompany the Scheme Meeting Proxy Form.

In the case of joint Foster's Shareholders, the names of all joint Foster's Shareholders should be shown and all joint Foster's Shareholders should sign the Scheme Meeting Proxy Form.

Corporations

A corporation that is a Foster's Shareholder or a proxy may elect to appoint a representative in accordance with the Corporations Act, in which case Foster's will require the appropriate "Appointment of Corporate Representative" form to be lodged with or presented to Foster's before the meeting. A form may be obtained from the Share Registry or online at **www.investorcentre.com** under the information tab "Downloadable Forms".

15.2 Notice of General Meeting

Foster's Group Limited ABN 49 007 620 886

Notice is given that a general meeting of the holders of ordinary shares in the capital of Foster's Group Limited (**Foster's**) will be held at Melbourne Recital Centre, 31 Sturt Street, Southbank, Victoria 3006, at the later of 9.15am (Melbourne time) on Friday, 29 April 2011 or the adjournment or conclusion of the Scheme Meeting.

Terms used in this notice have the same meaning as set out in the glossary to this Booklet (of which this notice forms part), unless indicated otherwise.

BUSINESS

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, conditional upon the Scheme becoming Effective, the share capital of the Company be reduced by \$1,248,161,682, and be applied equally against each ordinary share of the Company on issue as at the Record Date, to be satisfied by the Company agreeing to pay to its subsidiary, Foster's Australia Limited ABN 76 004 056 106 (Foster's Australia), an amount equal to \$1,248,161,682 so as to procure the transfer by Foster's Australia of the Demerger Shares in the manner set out in the Scheme and that such reduction be and is hereby approved."

For the purpose of this resolution, **Demerger Shares** means the number of Treasury Wine Estates Shares to be transferred in accordance with clause 3.1(c) of the Scheme.

By order of the Board

Paul D Conroy
Company Secretary
Foster's Group Limited
17 March 2011

EXPLANATORY NOTES

Capital Reduction

The Capital Reduction Resolution at the General Meeting is being put to shareholders to obtain approval under section 256C of the Corporations Act to an equal reduction in Foster's ordinary share capital under section 256B of the Corporations Act by \$1,248,161,682.

The Capital Reduction Resolution is being proposed in connection with the Scheme and the Scheme is conditional on, among other things, the resolution being passed.

The effect on Foster's and its shareholders if the Capital Reduction Resolution is passed, together with all other factors that are material to the making of a decision by shareholders whether to approve the Capital Reduction Resolution, is set out in this Booklet (of which this notice forms part).

If the Capital Reduction Resolution is passed by the required majority, it will take effect provided the Scheme is approved by the required majorities of shareholders and by the Court and all other conditions to the Scheme are satisfied (or waived).

The Foster's Directors are of the view that, taking into account all relevant matters, the Demerger (which includes the Capital Reduction and the Scheme) is in the best interests of shareholders and will not materially prejudice Foster's ability to pay its creditors.

Each Foster's Director recommends that Foster's Shareholders vote in favour of the Capital Reduction Resolution and intends to vote all Foster's Shares controlled by them in favour of that resolution.

Shareholders who are entitled to vote

Only Foster's Shareholders registered at 7.00pm (Melbourne time) on Wednesday, 27 April 2011 are entitled to vote on the resolution.

Majority required

The resolution must be passed by a majority of the votes cast on the resolution (more than 50%).

Voting

How to vote

Foster's Shareholders can vote in either of two ways:

- by attending the General Meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative; or
- by appointing a proxy to attend and vote at the General Meeting on their behalf.

Voting in person (or by attorney)

If possible, Foster's Shareholders should arrive at the meeting venue 30 minutes before the time designated for the General Meeting, so that shareholdings can be checked against Foster's Share Registers and attendances noted. Attorneys should bring with them original or certified copies of the power of attorney under which they have been authorised to attend and vote at the General Meeting.

A representative of a company attending the meeting should bring to the General Meeting satisfactory evidence of their appointment including any authority under which that appointment is signed (unless previously given to the Share Registry).

Voting by proxy

A Foster's Shareholder entitled to attend and vote at the meeting may appoint a proxy. The person appointed as a proxy may be an individual or a body corporate. If entitled to cast two or more votes, the Foster's Shareholder may appoint one or two proxies.

Where two proxies are appointed, each proxy may be appointed to represent a specific proportion of the Foster's Shareholder's voting rights. If the proportion is not specified, each proxy may exercise half of the Foster's Shareholder's voting rights. Fractional votes will be disregarded.

Foster's Shareholders should carefully read the instructions on the General Meeting Proxy Form and consider how they wish to direct the proxy to vote on their behalf. Foster's Shareholders may direct the proxy to vote "for", "against" or "abstain" from voting on the resolution or may leave the decision to the appointed proxy after discussion at the meeting.

A proxy need not be a Foster's Shareholder.

The General Meeting Proxy Form must be signed by the Foster's Shareholder or the Foster's Shareholder's attorney. Proxies given by corporations must be signed in accordance with the corporation's constituent documents or, as authorised by the Corporations Act.

To be valid, the General Meeting Proxy Form must be received by 12.00 noon (Melbourne time) on Wednesday 27 April, 2011 by one of the following methods:

(a) by mail or by hand to the registered office of Foster's or

(b) by mail to the Share Registry:

Computershare Investor Services Pty Limited
GPO Box 242, Melbourne, Victoria 3001;

or by hand to the office of the Share Registry:

Yarra Falls, 452 Johnston Street
Abbotsford, Victoria 3067, Australia;

(c) by facsimile to Share Registry on 1800 783 447 (within Australia) or +61 3 9473 2555 (international); or

(d) electronically, either via:

www.investorvote.com.au using the details printed on the personalised General Meeting Proxy Form or **www.fostersgroup.com** and clicking on 'Scheme and General Meeting Proxy'; or

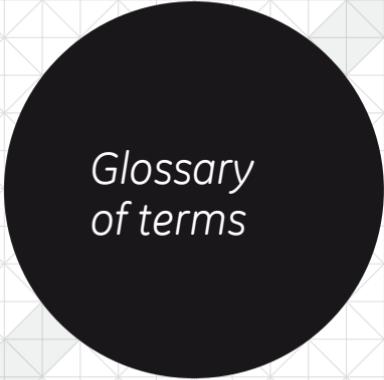
www.intermediaryonline.com for custodian voting (subscribers only).

If the General Meeting Proxy Form is executed under a power of attorney that has not been noted by Foster's, the original or a certified copy of the power of attorney must accompany the General Meeting Proxy Form.

In the case of joint Foster's Shareholders, the names of all joint Foster's Shareholders should be shown and all joint Foster's Shareholders should sign the General Meeting Proxy Form.

Corporations

A corporation that is a Foster's Shareholder or a proxy may elect to appoint a representative in accordance with the Corporations Act, in which case Foster's will require the appropriate "Appointment of Corporate Representative" form to be lodged with or presented to Foster's before the meeting. A form may be obtained from the Share Registry or online at **www.investorcentre.com** under the information tab "Downloadable Forms".



*Glossary
of terms*

16. Glossary of terms

In this Booklet, unless the context otherwise requires:

Term	Meaning
€	Euro.
£	Pound sterling.
3PL Agreements	has the meaning given in Section 3.10(c).
9LE cases	nine litre equivalent cases (measure of volume).
2011, 2014, 2015, 2016 and 2035 US\$144A notes	US\$144A notes, comprising: <ul style="list-style-type: none"> • US\$270 million of 6.785% US\$144A notes due June 2011; • US\$300 million of 4.875% US\$144A notes due October 2014; • US\$700 million of 5.125% US\$144A notes due June 2015; • US\$300 million of 7.875% US\$144A notes due June 2016; and • US\$300 million of 5.875% US\$144A notes due June 2035.
\$ or A\$	Australian dollar unless otherwise stated.
ADS	American depositary share.
ANZ	Australia and New Zealand.
ASIC	Australian Securities and Investments Commission.
associate	has the meaning given in section 12 of the Corporations Act.
ASX	ASX Limited ABN 98 008 624 691 or the financial market operated by the Australian Securities Exchange, as the context requires.
ASX Settlement	ASX Settlement Pty Limited ABN 49 008 504 532 as a holder of a licence to operate a clearing and settlement facility.
ATO	Australian Taxation Office.
Booklet	this document dated 17 March 2011, the Scheme Meeting Proxy Form and the General Meeting Proxy Form.
Business Day	a weekday on which trading banks are open for business in Melbourne, Australia or, where appropriate, a "Business Day" as defined in the Listing Rules.
C\$	Canadian dollar.
CAGR	compound annual growth rate.
Capital Reduction	a reduction of the share capital of Foster's as set out in the Capital Reduction Resolution.
Capital Reduction Resolution	the ordinary resolution to approve the Capital Reduction to be considered at the General Meeting set out in the notice of meeting in Section 15.2.
Cash Conversion	net operating cash flows, before financing costs and tax divided by EBITDA, in the case of New Foster's and EBITDAS in the case of Treasury Wine Estates. The different formulations arise because, under Australian accounting standard AASB 141 "Agriculture", the accounting impacts in relation to SGARA are only applicable to Treasury Wine Estates.
CHESS	the clearing house electronic subregister system of share transfers operated by ASX Settlement Corporation.
Conditions Precedent	the conditions precedent to the Scheme set out in clause 2.1 of the Scheme.
Core Operations Project	has the meaning given in Section 3.10(a).
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	the <i>Corporations Regulations 2001</i> (Cth).
Cost Base Reduction Programmes	has the meaning given in Section 7.8(c).
Court	the Supreme Court of Victoria.
Deed Poll	the deed poll dated 17 March 2011 executed by Treasury Wine Estates relating to the Scheme, a copy of which is contained in Section 14.
Demerger	the proposed demerger of Foster's wine business from Foster's to be implemented through the Capital Reduction and the Scheme on the Implementation Date.

Term	Meaning
Demerger Agreement	the agreement dated on or around 11 March 2011 between Foster's, Treasury Wine Estates, Foster's Australia and Foster's Wine Estates dealing with certain commercial, transitional and legal issues arising in connection with the legal separation of Treasury Wine Estates from Foster's, a summary of which is set out in Section 3.9(d).
Demerger Resolutions	the Capital Reduction Resolution and the Scheme Resolution.
Demerger Tax Deed	the demerger tax deed dated on or around 11 March 2011 between Foster's, Treasury Wine Estates, Foster's Australia and Foster's Wine Estates which deals with the allocation of risks and responsibilities in respect of certain tax matters, a summary of which is set out in Section 3.9(e).
EBIT	earnings before interest and tax, which, unless otherwise stated, is before individually material items.
EBITDA	earnings before interest, tax, depreciation and amortisation.
EBITDAS	earnings before interest, tax, depreciation, amortisation and SGARA.
EBITS	earnings before interest, tax and SGARA which, unless otherwise stated, is before individually material items.
Effective	the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.
Effective Date	the date on which the Scheme becomes Effective.
Eligible Shareholder	a Foster's Shareholder as at the Record Date whose registered address on the Foster's Share Register is in: <ul style="list-style-type: none"> • Australia, Canada, Germany, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Singapore, Switzerland, the United Kingdom or the United States; or • any other jurisdiction in relation to which Foster's reasonably believes that the implementation of the Scheme and the transfer of the Treasury Wine Estates Shares to the Scheme Participant in that jurisdiction is not prohibited, not unduly onerous and not impracticable.
EMEA	Europe, Middle East and Africa.
Employee Share Grant Plan	the plan described in Section 12.5(a).
Employee Share Plans	the Foster's employee share plans described in Section 12.5.
Explanatory Statement	has the meaning given in part 5.1 of the Corporations Act.
F08	financial year ended 30 June 2008.
F09	financial year ended 30 June 2009.
F10	financial year ended 30 June 2010.
First Court Hearing	the day on which an application was made to the Court for orders under section 411(1) of the Corporations Act convening the Scheme Meeting to consider the Scheme, being 17 March 2011.
Foster's	Foster's Group Limited and, where the context requires, its subsidiaries from time to time.
Foster's ADS	an ADS representing a Foster's Fully Paid Share under the deposit agreement dated 2 April 1987 (as amended and restated) between Foster's, the depositary for those ADSs and all owners and holders of those ADSs.
Foster's Australia	Foster's Australia Limited ABN 76 004 056 106.
Foster's Board	the board of directors of Foster's from time to time.
Foster's Cross Guarantee	the deed of cross guarantee dated 26 June 2006 pursuant to ASIC class order 98/1418, the parties to which have been varied by assumption deed dated 27 June 2007.
Foster's Director	a director of Foster's from time to time.
Foster's DRP	has the meaning given in the FAQs.
Foster's Fully Paid Shareholder	each person who is registered on the Foster's Share Register as the holder of Foster's Fully Paid Shares.
Foster's Fully Paid Shares	fully paid ordinary shares in the capital of Foster's.
Foster's Group Limited	Foster's Group Limited ABN 49 007 620 886.

Glossary of terms continued

Term	Meaning
Foster's Partly Paid Shareholder	each person who is registered on the Foster's Share Register as the holder of Foster's Partly Paid Shares.
Foster's Partly Paid Shares	partly paid ordinary shares in the capital of Foster's.
Foster's People Pty Ltd	Foster's People Pty Ltd ABN 51 091 872 641.
Foster's Share Register	the register of members of Foster's maintained in accordance with the Corporations Act.
Foster's Risk and Compliance Committee	the committee which currently oversees compliance with the health, safety and environment management system for Foster's.
Foster's Shareholder	each person who is registered as the holder of Foster's Shares.
Foster's Shareholder Information Line	the information line set up for the purpose of answering enquiries from Foster's Shareholders in relation to the Demerger, being 1300 048 608 (within Australia) or +61 3 9415 4812 (international) on Business Days between 9.00am and 5.00pm (Melbourne time).
Foster's Shares	either or both Foster's Fully Paid Shares and Foster's Partly Paid Shares.
Foster's Wine Estates	Foster's Wine Estates Limited ABN 55 004 094 599.
General Meeting	the extraordinary general meeting of Foster's Shareholders convened to consider the Capital Reduction Resolution and to be held at Melbourne Recital Centre, 31 Sturt Street, Southbank, Victoria 3006, on Friday, 29 April 2011 at 9.15am (Melbourne time) or as soon thereafter as the Scheme Meeting has concluded or been adjourned.
General Meeting Proxy Form	the blue proxy form for the General Meeting which forms part of this Booklet.
General Transition Shared Services Agreement	the agreement described in Section 3.10(b).
Grant Samuel	Grant Samuel & Associates Pty Limited ABN 28 050 036 372.
Implementation Date	the date on which the Capital Reduction and the Scheme are to be implemented, being the date that is the fourth Business Day after the Record Date, or such other date as Foster's agrees.
Implementation Deed	the demerger implementation deed dated on or around 11 March 2011, as amended, relating to the implementation of the Demerger.
Independent Expert	Grant Samuel.
Independent Expert's Report	the report by the Independent Expert, a concise version of which is contained in Section 11.
Ineligible Overseas Shareholder	a Foster's Shareholder as at the Record Date who is not an Eligible Shareholder.
International Beer	the business, comprising earnings from the sale, licensing and distribution of New Foster's Australian beer brands in markets outside of Australia and the Pacific and earnings from a distribution joint venture serving the Middle East.
Investigating Accountant	PwC Securities.
Investigating Accountant's Report	the report by the Investigating Accountant, a copy of which is contained in Section 10.
IT Transition Services Agreement	the agreement described in Section 3.10(d).
Listing Rules	the listing rules of ASX.
Loan Plan	has the meaning given in Section 12.5(b).
Logistics Transition Services Agreement	the agreement described in Section 3.10(c).
Meetings	the Scheme Meeting and the General Meeting.
New Foster's	Foster's and, where the context requires, its subsidiaries, following the Effective Date.
New Foster's Board	the board of directors of New Foster's from time to time following the Effective Date.
New Foster's Director	a director of New Foster's from time to time following the Effective Date.
New Foster's Pro Forma Historical Balance Sheet	has the meaning given in Section 7.2.

Term	Meaning
New Foster's Pro Forma Historical Cash Flow Statements	has the meaning given in Section 7.2.
New Foster's Pro Forma Historical Financial Information	has the meaning given in Section 7.1.
New Foster's Pro Forma Historical Income Statements	has the meaning given in Section 7.2.
NOK	Norwegian krona.
Official List	the official list of ASX.
PwC Securities	PricewaterhouseCoopers Securities Ltd ABN 54 003 311 617.
Record Date	7.00pm (Melbourne time) on the fifth Business Day after the Effective Date.
Regulatory Approvals	such approvals, consents, waivers or other acts from or by Regulatory Authorities as are necessary or, in the reasonable opinion of Foster's, desirable to implement the Scheme.
Regulatory Authorities	include: <ul style="list-style-type: none"> • ASX and ASIC; • a government or governmental, semi-governmental or judicial entity or authority; • a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and any regulatory organisation established under statute.
related body corporate	has the meaning given in the Corporations Act.
S&P	Standard & Poor's.
Sale Agent	the entity which has been appointed to sell or facilitate the transfer of the Treasury Wine Estates Shares under the Sale Facility.
Sale Facility	the facility available to certain Foster's Shareholders, as described in Section 3.8.
Sale Facility Form	the pink sale facility form which accompanies this Booklet or such other form as Foster's may permit or agree to in connection with the sale of Treasury Wine Estates Shares under the Sale Facility.
Scheme	the members' scheme of arrangement under part 5.1 of the Corporations Act between Foster's and the Scheme Participants substantially in the form set out in Section 13 or in such other form as Foster's agrees in writing.
Scheme Meeting	the meeting of Foster's Shareholders to be convened by the Court in relation to the Scheme under section 411(1) of the Corporations Act to be held at Melbourne Recital Centre, 31 Sturt Street, Southbank, Victoria 3006 on Friday, 29 April 2011 at 9.00am (Melbourne time).
Scheme Meeting Proxy Form	the yellow proxy form for the Scheme Meeting which forms part of this Booklet.
Scheme Participant	each person registered on the Foster's Share Register as the holder of Scheme Shares.
Scheme Resolution	the resolution to approve the Scheme to be considered by Foster's Shareholders at the Scheme Meeting set out in the notice of meeting in Section 15.1.
Scheme Share	each Foster's Share on issue as at the Record Date.
Second Court Hearing	the hearing of the application made to the Court for orders pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.
Section	a section of this Booklet.
Securities Act	<i>Securities Act of 1933</i> (United States), as amended.
SEK	Swedish krona.
Selling Shareholder	either: <ul style="list-style-type: none"> • a Small Shareholder who elects to have all the Treasury Wine Estates Shares that they would otherwise receive under the Demerger sold using the Sale Facility; or • an Ineligible Overseas Shareholder.

Glossary of terms continued

Term	Meaning
Settlement Operating Rules	the operating rules of ASX Settlement.
SGARA	accounting impacts in relation to self-generating and regenerating assets, in accordance with Australian accounting standard AASB 141 "Agriculture".
Share Registry	the share registry of Foster's, being Computershare Investor Services Pty Limited ABN 48 078 279 277.
Small Shareholder	an Eligible Shareholder with a registered address in Australia or New Zealand and who individually holds 1,000 Foster's Shares or fewer as at the Record Date.
subsidiary	has the meaning given in the Corporations Act.
TOFA Rules	the rules concerning the taxation of financial arrangements contained in Division 230 of the <i>Income Tax Assessment Act 1997</i> (Cth).
Transfer Agreement	the agreement dated on or around 11 March 2011 between Foster's Group Limited and Foster's Australia under which Foster's Group Limited agrees to pay to Foster's Australia the sum of approximately \$1.25 billion in consideration for the transfer by Foster's Australia of Treasury Wine Estates Shares to Eligible Shareholders or the Sale Agent, upon implementation of the Demerger, a summary of which is set out in Section 3.9(b).
Treasury Wine Estates	Treasury Wine Estates Limited and, where the context requires, its subsidiaries.
Treasury Wine Estates ADS	an ADS representing a Treasury Wine Estates Share under the Treasury Wine Estates American depositary share programme to be established if the Demerger proceeds.
Treasury Wine Estates Board	the board of directors of Treasury Wine Estates from time to time.
Treasury Wine Estates Director	a director of Treasury Wine Estates from time to time.
Treasury Wine Estates DRP	has the meaning given in Section 5.10(d).
Treasury Wine Estates Limited	Treasury Wine Estates Limited ABN 24 004 373 862.
Treasury Wine Estates Pro Forma Historical Balance Sheet	has the meaning given in Section 5.2.
Treasury Wine Estates Pro Forma Historical Cash Flow Statements	has the meaning given in Section 5.2.
Treasury Wine Estates Pro Forma Historical Financial Information	has the meaning given in Section 5.1.
Treasury Wine Estates Pro Forma Historical Income Statements	has the meaning given in Section 5.2.
Treasury Wine Estates Share Register	the register of members of Treasury Wine Estates maintained in accordance with the Corporations Act.
Treasury Wine Estates Shareholder	a holder of a Treasury Wine Estates Share.
Treasury Wine Estates Shares	fully paid ordinary shares in the capital of Treasury Wine Estates.
US\$ or US dollar	United States dollar.
US\$144A note	a US\$ denominated 144A note.
VWAP	volume weighted average price.



*Corporate
directory*

Corporate directory

Foster's Group Limited

ABN 49 007 620 886
Level 5, 77 Southbank Boulevard
SOUTHBANK VIC 3006
Telephone: +61 3 8626 2000
www.fostersgroup.com

Directors

David Crawford, AO
Chairman and Non-Executive Director

Ian Johnston
Chief Executive Officer

Margaret Lyndsey Cattermole, AM
Non-Executive Director

Paul Clinton
Non-Executive Director

Maxwell Ould
Non-Executive Director

Michael Ullmer
Non-Executive Director

Company Secretary

Paul Conroy

Auditor

PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
www.pwc.com.au

Australian legal and taxation adviser

Corrs Chambers Westgarth
Level 32, Governor Phillip Tower
1 Farrer Place
SYDNEY NSW 2000
www.corrs.com.au

Investigating Accountant

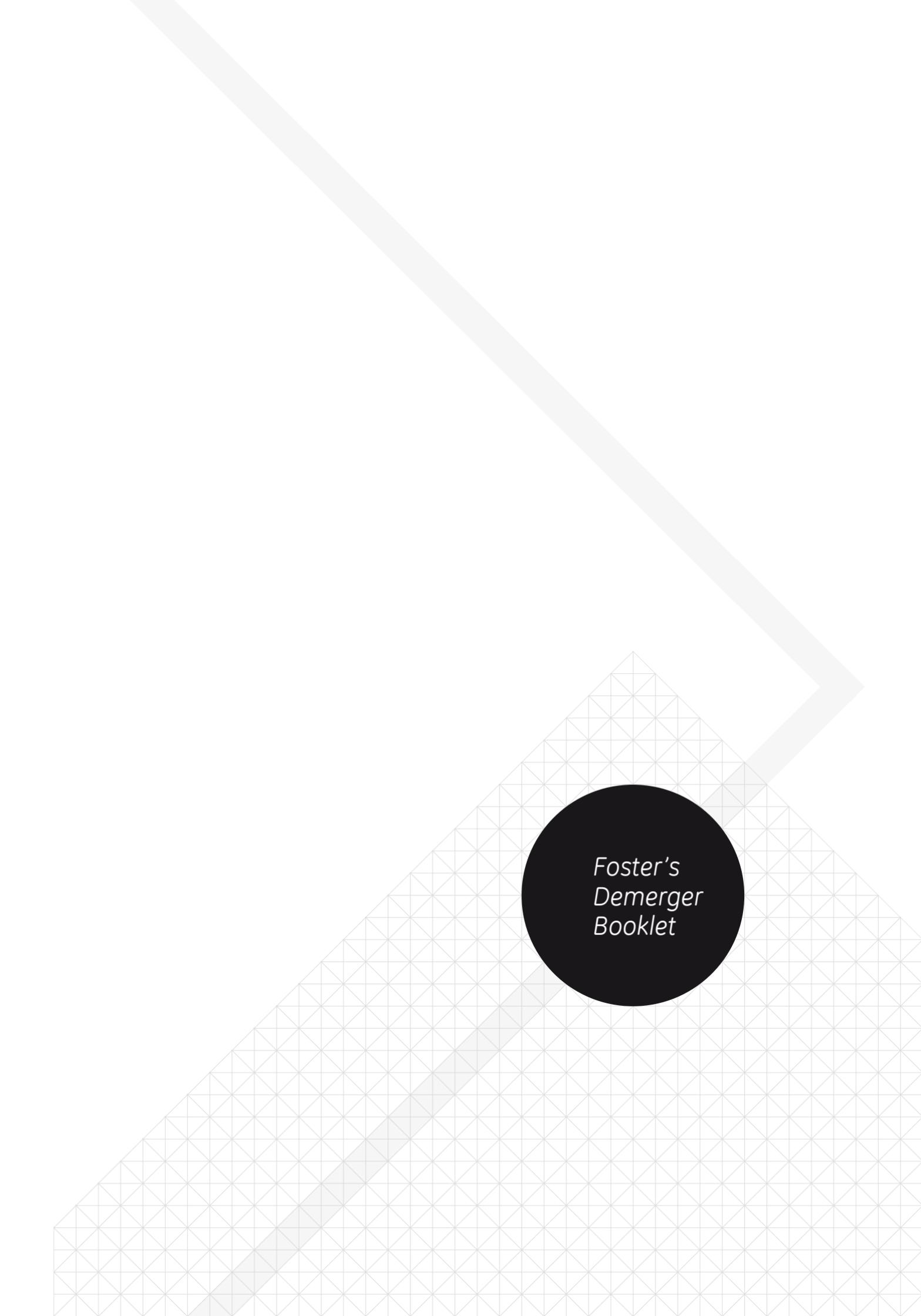
PricewaterhouseCoopers Securities Ltd
Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
www.pwc.com.au

Share Registry

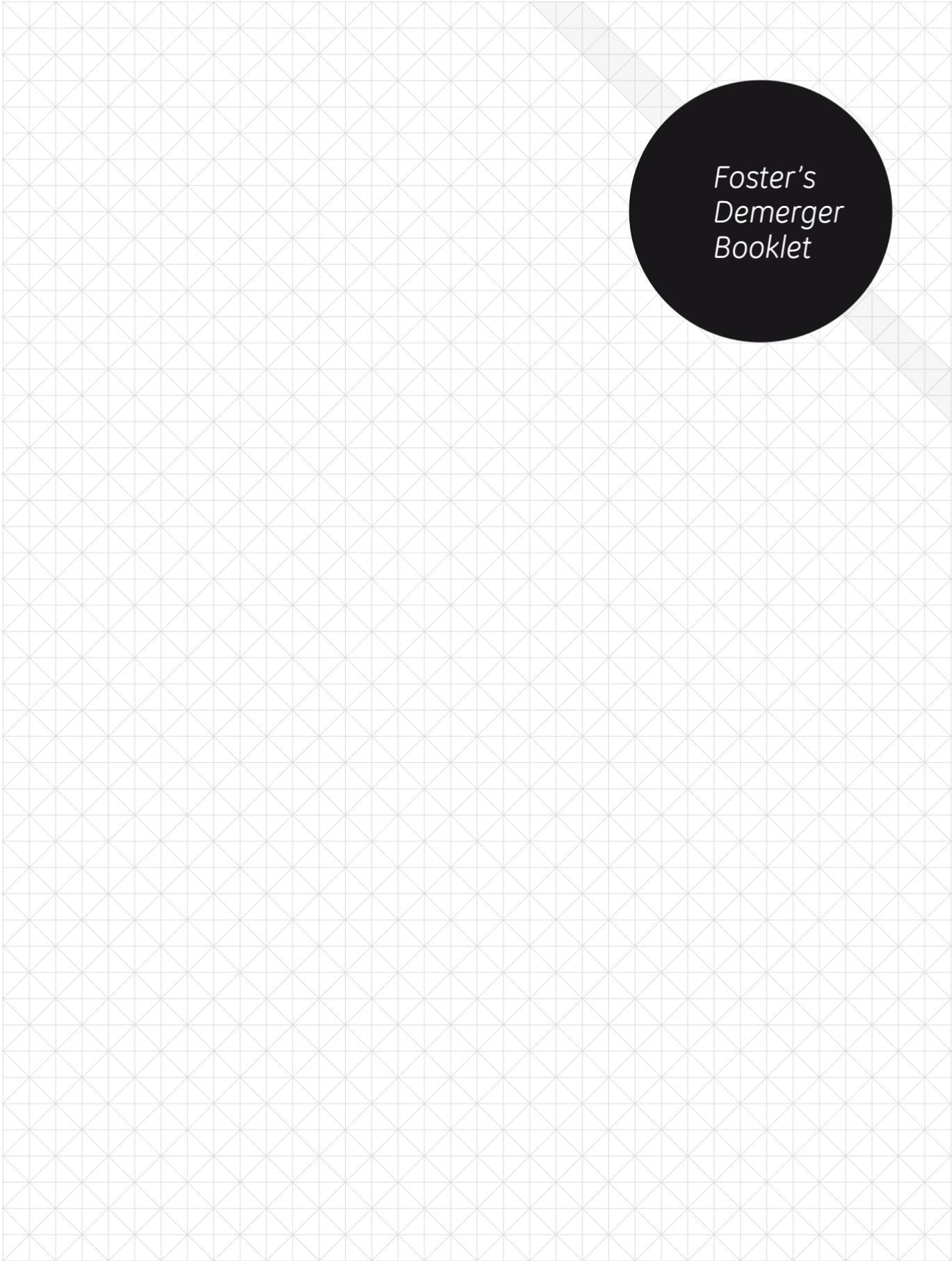
Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
ABBOTSFORD VIC 3067
Telephone: 1300 048 608 (within Australia) or
+61 3 9415 4812 (international)
www.computershare.com.au



Notes



*Foster's
Demerger
Booklet*

The background of the cover is a light gray grid of small squares. A large, dark gray circle is positioned in the upper right quadrant. A diagonal band of slightly darker gray squares runs from the top right towards the bottom right, passing behind the circle.

*Foster's
Demerger
Booklet*

Foster's Group Limited

77 Southbank Boulevard
Southbank Victoria 3006 Australia
Telephone +61 3 8626 2000
Facsimile +61 3 8626 2002

www.fostersgroup.com