FOSTER'S GROUP

26 October 2010

Foster's Group Limited 2010 Annual General Meeting

Foster's Group Limited will today address shareholders at its Annual General Meeting to be held in Melbourne, commencing at 10:30am.

Attached is a copy of the Address delivered by the Chairman, David Crawford and the Address delivered by the CEO, Ian Johnston.

A live webcast of the Annual General Meeting can be viewed at www.fostersgroup.com. An archive of proceedings will also be available from the Foster's website.

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Foster's Group Limited 2010 Annual General Meeting

Chairman's Address
David Crawford

The Annual Report incorporating the 2010 financial accounts was made available to shareholders on 17 September 2010.

The report outlines a fundamentally strong business, but one buffeted by the effects of a rising Australian dollar, soft consumer demand in some key markets and the ongoing structural imbalance in Australian wine. In this macro climate, we believe Foster's made important progress in the past year.

I don't intend to cover the Report in detail. I will, however, make a few opening comments and introduce our Chief Executive Officer, Ian Johnston, to provide an overview of our current performance.

When the Board completed the Wine Strategic Review in early 2009, we were clear that swift actions were required. A number of initiatives were identified which would 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 salesforce, marketing and supply functions, and pursuing a company wide cost reduction and efficiency program.

At the time we considered alternative capital structures and ownership options for the wine business, but given the then economic climate and the related impact on capital markets, the immediate priority was on performance improvement.

By concentrating on performance improvement we are now in a position where the transformation agenda is largely complete and delivering the expected benefits.

As we tracked the improving performance and watched the recovery in capital markets we announced in May our intention to consider a proposal to demerge Beer and Wine.

Of course, this decision is still subject to completion of a detailed evaluation of the issues, costs and benefits to Foster's shareholders, and an ongoing assessment of prevailing economic and capital market conditions.

The proposal recognises that while our beer and wine businesses are market leaders, they operate in separate market segments with different strategic and operating characteristics.

The Board believes there are potential shareholder benefits of a demerger including increased transparency; greater investment choice; and improved strategy and capital flexibility for separated beer and wine businesses.

Since May, management and the Board, supported by expert advisers, have been assessing the financial, corporate and logistical considerations and associated costs and benefits of a demerger.

The work so far has given the Board comfort that the underlying assumptions are robust. Since the announcement, the Foster's share price has also risen to its highest point in almost two years – reflecting strong investor support for this initiative. If a demerger proposal is recommended by the Board and approved by shareholders, it can be achieved in the first half of calendar 2011.

I want to now emphasise three points to you as shareholders.

First, the Board has made no final decision to recommend a demerger and will not do so until the full analysis of all costs, benefits and other considerations are complete.

Second, should the Board believe the decision to demerge is in the best interests of shareholders, it will recommend that option, in a detailed information memorandum – with an opinion by an independent expert – to assist shareholders in the assessment of the demerger.

It will ultimately be up to you as shareholders to vote on that recommendation, and if it is rejected then under the rules that apply to a shareholder vote of this type, the demerger will not proceed.

Thirdly, the demerger scenario under consideration is one in which each Foster's shareholder will automatically receive new shares in a separately listed wine business – while retaining their existing Foster's Group Limited shares.

Thus, post the demerger, Foster's Group Limited shareholders will, in effect, hold shares in two separately listed companies. Once approved, no payment or action is required from an existing shareholder.

Another issue I wish to address is to explain the net loss in the last year, and the subsequent inability to declare a final dividend for 2010.

As required under Australian and International accounting standards, the Board reviews the carrying values of our assets on a 6 monthly basis to ensure that they are carried at appropriate values to comply with those standards.

As a result of a review in May this year, your Board recognised the need to record an impairment charge. This was confirmed in the end of June financial accounts, with a charge of just under $1.3 billion recorded against goodwill, agricultural assets and property, plant and equipment in our wine business.

There were two primary causes of this non-cash write down. The first was that, a different discount rate or 'cost of funds' was applied to the separate wine assets. This increased discount rate reflected changes in the underlying funding costs in the business and the separated beer and wine structures.

The second main cause of the impairment is the significant appreciation of the Australian dollar against the US dollar and Pound sterling. Business performance was an additional but less significant factor in this impairment valuation.

The impairment charge was recorded against 2010 earnings as required under accounting rules, generating a net loss for the year.

Since our Company Constitution requires dividends to be paid out of company profits, the impairment and the net loss limited the ability for Directors to declare a final dividend.

Changes to the Corporations Act announced in late June now allow companies greater scope to pay dividends in situations such as that which faced Foster's at the close of 2010.

Directors now wish to reflect this change in our Constitution and a resolution will be put to shareholders later in this meeting to amend the Company Constitution to allow greater flexibility to Directors to declare dividends. Should that resolution be passed, your Directors intend to immediately declare a dividend per share of 15.25 cents.

This dividend is intended as close as possible, to reflect the amount the Board would have paid from 2010 earnings if it was able to do so at 30 June 2010. The dividend will be paid on or about December 2nd and will be equal to, but about seven weeks later, than a normal Final Dividend payment.

Going forward the Board expects to return to a more predictable dividend ratio and timing.

To conclude, while at a Board level our deliberations are focussed on a potential demerger, I can assure you that there is nothing more critical than improving returns from our current business. This is the KPI set for our management team led by the CEO.

In pursuing this goal, it should be recognised that current market challenges are significant. Ian will speak more to this in a moment.

Regardless of those challenges, we remain a great company. We now have a talented operational leadership team, unique brands and are developing greater confidence around our medium term business outlook. Our balance sheet remains robust and we continue to generate solid earnings and excellent cash flows.

I'd like to now hand over to Chief Executive, Ian Johnston, to speak more about our current performance and outlook.

Chief Executive Officer's Address
Ian Johnston

Thank you David and also welcome from me.

It has been an eventful year since I last addressed you.

As David mentioned, we have substantially completed our Transformation Agenda, structurally separated our Australian businesses and strengthened our senior leadership across the Group with a number of new external appointments and internal promotions.

Our business fundamentals are much improved and, as a result, our business held up well compared to many others in some very testing trading conditions during the 2010 financial year.

Results Summary

To briefly outline our 2010 results, we increased cash flow after dividends by over 20% to $375 million, and reduced our net debt by $427 million to further strengthen our balance sheet.

When we look at the operating results, adverse currency movements had a major impact in the period. They caused Net Profit and Earnings Per Share pre material items and agricultural charge of SGARA to decrease around 4%.

If the impacts of these negative currency movements are stripped out, our results show net profit and earnings per share both increased 4.8% for the year.

Transformation Agenda

These financial outcomes are to a large degree the result of initiatives flowing from the Foster's Transformation Agenda, begun almost two years ago. Our new organisation structure and senior leadership teams are now in place. And the successful separation of the Australian business into fully integrated beer and wine structures now sets the foundation for the next stage of business growth.

Portfolio development and new product innovation is underway in all markets. Sales and marketing capability is being improved and expanded and route to market upgrades have been completed in the Nordics, Canada and in major US markets. The vineyard, winery and wine brand divestment process is well advanced with outcomes slightly ahead of our expectations.

Also on target is the realisation of $100 million of cost reduction benefits set to be achieved in the 2011 financial year with all programs now complete. Benefits of $83 million were realised in the 2010 results, including $48 million in the second half.

And additional efficiency benefits have also been achieved through continuous improvement programs.

The Transformation Agenda has been a turning point for Foster's as we commit to a future as 'pure play' beer and wine businesses subject to the ongoing demerger process which the Chairman outlined earlier. While many benefits have already accrued, the new leadership, newly emerging cultures and the focus on continuous improvement we have built for these businesses sets a solid foundation for the future – whether as separate divisions of Foster's or as independent businesses.

Carlton & United Breweries

Looking first to Carlton & United Breweries, the business delivered a solid result in a more challenging national beer market.

Earnings increased 5% to just over $900 million for the year and included a $34 million benefit from cost reductions.

Carlton & United Breweries continues to be an outstanding generator of free cash with cash flow after net capital expenditure up 9% to $934 million, a cash conversion of just over 100%.

CUB's off-premise market share in beer remained relatively stable at between 50 and 51% throughout the year while net sales revenue per case increased just over 5%.

Investing in Beer

CUB owns or distributes the best brands in the country. VB, Carlton Draught, Crown, Cascade, Corona and Strongbow all lead their respective segments.

Carlton Draught is the fastest growing Australian beer brand and the leading draught beer in the country.

Whilst the traditional regular beer category continues to cede share to 'new style' beers, the traditional regular segment remains the largest and most profitable segment with VB and Carlton Draught the firm leaders with a stable 65% plus market share.

In the fast growing domestic premium and imported categories, Crown and Corona respectively are the leading brands with excellent marketing campaigns and entrenched consumer support.

In 2010 we also renewed two very important import agreements with Corona and Asahi. These imported premium beers are a core part of our portfolio.

The craft beer and cider categories are enjoying very strong growth and within these markets, Matilda Bay's Fat Yak is the fastest growing craft brand, and Big Helga the most successful new introduction in the category. In the exciting cider category we have the highest market share and Strongbow, Mercury and Bulmers are standout performers.

Increase Focus in Growth Categories

The clear challenge identified by new Managing Director John Pollaers is for CUB to defend its leadership position in regular, premium and imported beer while building broader strength through innovation. The good news is we start from a great base.

Carlton Dry with net sales revenue growth of 48.6% is the fastest growing brand in the new style category. Pure Blonde is the largest low carbohydrate brand and we continue to expand our new style portfolio with the recent launch of Carlton Natural.

Our portfolio of recent innovation is doing very well, and over the last 2 years has contributed to a 4 percentage point increase in weighting the portfolio to the higher growth categories.

We will also launch three new products next week which we expect to play an important role in expanding this portfolio. Carlton Dry Fusion Black and Pure Blonde White build on already very successful brand franchises. The first entirely new brand in our portfolio for some time – the Great Northern Brewery – will give us new opportunities in the important Queensland and Northern Territory markets.

These new products will help us to maintain our edge in innovation and, as I noted, re-balance our portfolio to growth categories.

Treasury Wine Estates

Looking now to wine. The last twelve to eighteen months has been an important period of transition. We've introduced new leadership and a new business structure, launched a new trading name and made great progress with building a positive business culture including a strong wine ethos.

Highlights in the year were an increasing focus on premium wines, steps to enhance our route to market, product innovation and increased brand investment.

On the back of these changes, the second half of the 2010 financial year showed improved trading results as initiatives began to positively feed into the bottom line.

While on a constant currency basis, earnings rose just over 20% for the year, unfavourable exchange rate movements cut Treasury Wine Estates reported earnings by around 27% to $221 million.

As with beer, cash conversion was again outstanding at 134%.

As the Chairman said in his opening comments, despite signs of improvement at the macro level, the wine industry still faces many of the same issues that have constrained returns for the last couple of years – Australian and New Zealand wine oversupply, soft consumer sentiment in some key markets, negative currency shifts and growing competition from other new world producers.

As I look at each region, however, there are positive signs emerging of a return of consumers' interest in spending again on fine wine.

Treasury Wine Estates Americas

In the Americas, Managing Director Stephen Brauer has appointed new leadership and taken some big steps to refine our brand and product portfolio.

Another major initiative has been the completion of the first phase of the US distributor realignment, covering 15 states that represent around 50% of our US shipments. Our new arrangements with Distributors are mutually beneficial and are structured to improve the sales of our premium and luxury wines.

I'm very pleased to say that this transition to new distributor arrangements is proceeding very well and already beginning to show the positive results we expected.

New brands including The Santa Barbara Wine Company, Tierra Secreta, Colores del Sol, Sledgehammer and Matua Valley are also positioned to take advantage of higher growth categories in the North American markets.

In July the Beringer brand was relaunched with a simplified brand architecture focused on 3 tiers – the Light & Refreshing Collection, Founder's Estate and Luxury.

New packaging has been introduced that strengthens differentiation both across the tiers and against competitors. Beringer remains in very good health as the core of our Californian portfolio, it is the largest brand in US and is still the only US Winery to achieve Wine Spectator's Wine of the Year for both a red and a white wine.

Treasury Wine Estates ANZ

The Australian wine market has held up better with relatively healthier trading conditions at the premium end of the market.

While oversupply continues to drive competition at lower price points, our grape intake in 2010 was balanced and we have substantially reduced prior year surpluses.

Under David Dearie's leadership, our in-market performance in Australia was much improved with bottled table wine growth in line with the category in the second half of the 2010 financial year. Earnings were up just under 20% over the same period.

The volume of our top 10 brands in Australia was up almost 4% on the prior period, with solid gains by Penfolds, Yellowglen and Wolf Blass, complemented by double digit growth in Wynns and Pepperjack.

Our service to customers is improving month by month, as we behave more like a wine company, and restore to our program events like Wynns day and vintage launches and tastings. These events support the outstanding work of our winemakers. Last year we were awarded almost twice as many medals and trophies as our competitors at the major Australian wine shows.

While New Zealand remains a challenging market with an oversupply situation in Sauvignon Blanc, we are confident that we're now well positioned in this important category.

Treasury Wine Estates Europe Middle East and Africa

In Europe, Managing Director Peter Jackson's decision to focus more heavily on the Continental Europe and Nordic markets is paying dividends. These markets now represent more than 45% of volume and 55% of his region's revenue with volume growth in the year of more than 40%.

Under our new direct distribution model we have returned to sector leading growth in key markets and are seeing improvements in revenue per case and margin. We are also achieving new listings in the control markets of the Nordics, plus new listings with Beringer in Denmark, Wolf Blass in Germany and South African wines in the Netherlands.

The UK and Ireland markets will continue to remain challenging with price driven promotional programs and a subdued consumer environment contributing to aggressive competition and low margins.

Treasury Wine Estates Asia

We already have a great platform in Asia, holding leading share positions in a number of countries. In the last year we established a regional head office in Singapore and our increasing investment in capability and increasing distribution position us well to capitalise on regional opportunities.

We already have the top Australian wine brand in Singapore (Wolf Blass), and in Malaysia and in Thailand (Penfolds). And with the most expansive portfolio in China, we have 4 of the top 8 Australian brands. With these positions and local managers in market, Anthony Davie's team is well placed to share in the expected dynamic growth for Australian wine.

Chief Executive Officer

As I said at the opening, it has been an eventful year for Foster's but one in which I'm confident we've set each business on the right path for future growth.

Our strategy – underpinned by the tenets of Growth, Efficiency and Capability – is now entrenched and it is driving our business development.

Over the coming months, we expect to see further improved performance in wine, as our own change initiatives take effect and, hopefully, as key markets begin their slow economic recovery. I'm confident we are positioning ourselves well to capitalise and benefit as the global economies emerge from the downturn and as the wine industry emerges from its negative cycle.

The Australian beer market has seen strong volume growth over the last 2 years driven by a combination of one time factors including government provided stimulus payments. But now as we cycle that growth it is proving impossible for the overall market to continue to grow at the higher rate and we are seeing some corrections and total market volume declines. Market volumes will remain soft for the next few months before we see the beer category return in the new calendar year to the historic long term modest growth trend.

As shareholders, you have a very good business. My executive and the thousands of Foster's people are all working to make it a great one.

We are all committed to that task.

With that, I'd now like to hand back to the Chairman.