

**25 October 2011**

**Foster's Group Limited 2011 Annual General Meeting**

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

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

A live webcast of the Annual General Meeting can be viewed at [www.fostersgroup.com](http://www.fostersgroup.com). An archive of proceedings will also be available from the Foster's website.

**Further information:**

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## **Foster's Group Limited 2011 Annual General Meeting**

### **Chairman's Address** **David Crawford**

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This is potentially, an historic AGM for this great company. It could be Foster's last AGM if SABMiller's proposal to acquire the company proceeds.

SABMiller's proposal will be put to Foster's shareholders at a meeting to be convened in early December, where you will have the opportunity to vote on that proposal.

I will discuss SABMiller's proposal in more detail in a moment.

It has been a busy three years for Foster's.

In February 2009 we announced the outcomes of a comprehensive six-month Wine Strategy Review. I discussed the major initiatives from this Review in detail at the 2009 AGM. In summary, we concluded that shareholder value would be best enhanced by separating the Beer and Wine Businesses.

However, at that time the Global Financial Crisis was creating unprecedented volatility and uncertainty in equity and debt markets.

Accordingly, we deferred structurally separating the Beer and Wine businesses until financial conditions improved.

We then embarked on a major cost reduction programme which has delivered over \$100 million per annum, restructured management and separated where possible back office functions.

In May this year, following shareholder approval of a demerger, the Wine Business was successfully separated and listed on the ASX under a new name, Treasury Wine Estates (TWE).

Foster's returned to its roots and focused on beer. John Pollaers was appointed CEO of the Beer business in April last year, and became CEO and Managing Director of Foster's in May 2011 following the separation of TWE.

John will shortly give you a comprehensive update on the beer business and the successful turnaround he and his team have implemented.

I want to acknowledge the success of the strategy put in place by John and the management team over the past 18 months.

This strategy has realised significant benefits and put the company in a strong position to realise shareholder value.

### **Shareholder Returns**

In a year of significant economic uncertainty and substantial business change, Foster's has maintained a position of strong financial health.

## *Chairman and CEO Address*

The company produced solid operating results, delivered excellent cash flows and shareholders received healthy dividends.

Let me outline for you the value generated for an investor who has held Foster's shares and TWE shares since 25 May 2010, the date the proposed demerger was announced.

Such an investor would continue to own TWE shares, which have a current share price of \$3.90, or the equivalent of \$1.30 per Foster's share.

They would have received total dividends of 42.5 cents per Foster's share, paid by both Foster's and TWE, and they continue to own their shares in Foster's which are currently trading at \$5.31 per share.

When all of these components are combined, such an investor would have realised a 37 per cent return on their shareholding in Foster's since the day before the announcement of the demerger.

That is a remarkable achievement, particularly when it is considered that over the same period, the S&P/ASX200 Accumulation Index has increased by only 6 per cent.

### **SABMiller**

SABMiller, the world's second-largest brewer, announced its interest in acquiring your company in June this year for \$4.90 cash per share, to be reduced by the amount of any dividends or distributions paid or declared by Foster's.

Your Board unanimously rejected the offer as it believed that the offer significantly undervalued your company in the context of a change of control.

Following discussions between Foster's and SABMiller last month, SABMiller significantly improved its original offer.

By now you will be aware of the components of the offer. It comprises:

- \$5.10 per share pursuant to a scheme of arrangement under which SABMiller will acquire all shares in Foster's;
- 30 cents per share pursuant to an equal capital reduction; and
- the 13.25 cents per share 2011 final dividend for Foster's shareholders who owned shares on 7 September, which was paid on 3 October.

As such, shareholders who owned shares on 7 September will receive total cash of \$5.5325 per share.

Your Board believes that this significantly improved offer from SABMiller is compelling and represents the inherent value in your great company, its brands and people.

Additionally, the revised proposal delivers certain cash proceeds in an uncertain global economic environment.

The transaction consideration of \$5.40 represents a premium of 24 per cent to the dividend adjusted volume weighted average price of Foster's shares for the first five trading days following the demerger, of \$4.34.

## *Chairman and CEO Address*

This was achieved when global equity markets were experiencing a period of decline.

The S&P/ASX 200 Accumulation Index declined by 11 per cent from the date of the demerger to the day before the Scheme Implementation Deed was signed.

The transaction consideration of \$5.40 is an increase of approximately 63 cents, or 13 per cent, from SAB Miller's original offer.

In the absence of a superior proposal, your Board unanimously recommends SABMiller's revised offer, and recommends that you vote in favour of the transaction.

An Explanatory Booklet containing information relating to the proposal, the reasons for the Board's unanimous recommendation, and details of shareholder meetings to vote on the Capital Return and Scheme, is expected to be sent to you shortly.

The shareholder meetings are expected to be held in December, when you will have the opportunity to vote on the proposal.

To conclude, it has been a year of transformation and important progress.

While contending with economic and business challenges, Foster's laid out an ambitious strategy, successfully navigated the demerger, and implemented a number of key initiatives which have stabilised the business.

During the past year our balance sheet has remained strong, Foster's has generated solid earnings and impressive cash flows, and shareholders have been rewarded with excellent returns, especially when compared to the performance of the major stock market indices.

I thank all of Foster's staff for remaining focused on the company's turnaround despite the considerable distractions of the proposed acquisition and, before it, the demerger.

The team at Foster's has maintained its "business as usual" focus since the revised offer was recommended by the Board.

I thank you all, Foster's shareholders, for your support of this company.

Given its iconic status, many Australians have a special link to Foster's and its brands.

Subject to the acquisition proceeding, I believe this new future is very positive for the company, and its staff, and a compelling outcome for shareholders.

On behalf of the Board, I thank John and all of Foster's employees, former executives and staff, shareholders and past and present directors for their contribution to the company.

I now hand over to John Pollaers to speak in more detail about our performance.

## **Chief Executive Officer's Address**

### **John Pollaers**

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Thank you David.

I would like to welcome you here today and thank you all for your continued support.

It is a privilege to run Australia's largest brewer.

A company that owns seven of the top ten beer brands and has an extraordinary heritage.

A history that stretches back to the amalgamation of six breweries: Carlton; McCracken's; Castlemaine; The Shamrock; The Victoria; and Foster's in 1907.

And even further back to the founding of the Cascade Brewery in 1824, when Tasmanian Tigers still roamed the state.

I joined this company 18 months ago as managing director of CUB. What I found was a business that was still generating significant cash flow, but had lost its edge.

We were less efficient than we needed to be, we were investing less in our brands than we needed to, and we were unable to focus all of our resources specifically on doing what we do best: brewing and selling Australia's favourite beers and ciders.

With significant support from the Board, I am very proud of what our team has achieved since then, turning around this company's performance on a variety of measures and setting it up for even greater success in the future.

Through the course of the year we became a stand-alone beer company, separating from our wine business. This is the first time in a decade we have been able to pursue this single-track strategy focused on one core business of selling beer and cider.

We put a clearly articulated strategy in place.

We implemented an urgent internal reform program focused on sales and marketing excellence and execution based on the principle 'do everything we do better'.

Importantly, we reinvested in our brands and drove innovation, which are at the core of our business. Brand investment in fiscal 2011 was up over four percent compared to the previous year.

We have also focused on cost leadership, realising significant savings during the year, as well as clearly defining programs that will deliver efficiencies over the next five years.

These changes led to us arresting CUB's trend of market share decline, and delivered strong gains in the critical on-premise channel.

Many of the benefits of our turnaround strategy will be realised in the coming years, but immediate improvements were already evident in our full year results.

Foster's delivered \$816.7 million of earnings before interest and tax for the full year to June 2011.

This result was achieved under the shadow of very difficult economic conditions – some of the hardest we have seen in twenty years.

Total beer volumes for the entire industry were down 6 percent due to seasonal weather and

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a very challenging consumer environment. As most people are aware, this consumer environment is impacting the whole Australian retail sector.

All of our efforts have been directed at getting the fundamentals in place to maximise shareholder returns.

I would like to spend a few minutes outlining some of the initiatives that have helped position us as one of the most attractive brewing assets in the world.

Our sales and marketing arms are core to our success and we have invested in ensuring we deliver outstanding execution in both these fields.

We needed to do more than simply increase promotion and advertising spend. We had to get our entire organisation in better shape to support our brands.

We focused on our relationships with customers, putting in place sale programs with our top accounts and ensuring they were more performance-based.

In addition, we implemented new standards for in-store execution and sales team training.

We also improved our contract and venue compliance to ensure that we were getting returns on our investments. Over the year, we increased contract compliance from 54 to 90 percent. We also gained contracts in an additional 760 venues and gained 2,200 additional taps.

All these results were immediate, as we gained significant market share in the on-premise channel.

We undertook a significant talent upgrade with 70 percent of senior sales and marketing teams new to their roles since June 2010.

### ***Summer Campaign – Increased Brand Investment***

On the marketing front, we own some of the greatest and most recognised brands in Australia.

Growing and investing in these brands is critical.

As I said earlier, we have seven of the top ten beer brands in Australia.

Each segment demands a unique approach to ensure our beers deliver the flavour and refreshment profiles our consumers demand.

Summer is always an exciting time for us. It is our busiest time of the year and we plan a massive campaign across Australia over the next few months.

Next week we will launch Victoria Pale Lager. This is a new refreshing and crisp full strength beer and will be one of CUB's biggest innovations of the year. We are very excited by it and it will be matched by one of our largest national marketing spends – both print and outdoor.

Also, we are launching our new Crown Lager marketing campaign. Crown is Australia's historic premium lager; originally brewed for dignitaries and diplomats, and later released to mark Queen Elizabeth's first visit to Australia – we are delighted to welcome her back here this week.

We continue to drive our other core brands.

VB has a history stretching back to 1854 with its unique Pride of Ringwood hops. Despite shifting consumer trends, VB remains Australia's best selling beer.

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VB continues to outperform its direct competitors in the key NSW and Queensland markets. It will be also the focus of a big summer campaign. You will see plenty of ice cold VB across your TV screens and in your local stores – perfect for a hard earned thirst.

Carlton Draught has now enjoyed 10 years of growth and has the highest share growth of any brand in Australia. It is now the nation's highest selling draught beer with its 'brewery fresh' commitment.

Carlton Dry grew by more than 20 percent for the third year in a row. It is now the highest selling beer in Western Australia, a strong result, and one of the fastest growing brands across the country.

Corona again grew by 15 percent and is now triple the size of any other international beer brand.

Pure Blonde outsold every other low carb beer in Australia and we are just about to launch a new look and feel for the brand.

Our craft beer portfolio also had a strong year. Fat Yak grew by 40 percent and has become one of the highest selling craft beers in the country.

In the cider category, we are the market leader, fuelled by Strongbow's growth and innovation and supported by over 100 percent growth for our Bulmers brand.

We recently entered the premium cider market with Matilda Bay's Dirty Granny. It has recorded sales beyond our expectations.

### ***Consumer Segmentation***

Importantly, we matched this increased brand investment with improved market research. We undertook the largest segmentation model ever done within the Australian alcohol market.

That research has given us exceptional insights into drinking patterns for both males and females. This will help to drive growth through product innovation, marketing, and sales programs.

### ***Cost Leadership***

Importantly, we also improved efficiencies and reduced costs in fiscal 2011.

We focused on improving the efficiencies of our breweries; reaching their highest recorded levels ever.

We benchmark our supply network against world's best practice and we are confident that we have the most efficient operations in Australia.

For example, there is now only a 20-cent per case cost difference between our most modern breweries - Yatala brewery and Abbotsford. This is testament to the on-going efficiency improvements at Abbotsford.

This has also allowed us to lower costs despite lower volumes, which has been one of our major achievements over the past year.

Further, we commenced a cost reduction program that will drive additional benefits. The first phase of the program will deliver \$55 million of annualised benefits before the end of fiscal 2012.

A further program of efficiency initiatives are planned for fiscal 2012 that will deliver additional benefits from 2013. These plans have been important to showing the value that remains in

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this company and helping to maximise shareholder returns.

We have also announced the commencement of a supply footprint review to assess CUB's production and logistics network, as well as our key supplier arrangements.

### ***Strong Management Team***

Finally, ensuring we had the right management team in place has been a key priority. I have put in place an Executive Leadership Team that brings significant domestic and international alcohol industry experience to Foster's.

### ***Beer Market Conditions***

As I mentioned, the economic environment has been one of the toughest we have seen in nearly 20 years.

Like many other consumer categories, beer volumes were impacted by lower consumer confidence as well as been impacted by exceptional weather events during the year.

The market has been in a period of decline since the start of 2010 and reached a low at the start of this year.

The beer category was down 6 percent compared to the previous year.

CUB's Australian beer volume decline was in line with the rest of the market, however strong growth in cider sales saw our overall volume decline by a lower amount of 5 percent.

While there has been some improvement in recent months, consumers remain hesitant given the on-going global economic concerns. Consumer confidence and interest rates will be the key variables impacting the performance of the category over the next 12 months.

We believe that once Australia moves through this period of economic uncertainty, the beer category will return to the long-term trend of moderate growth.

It is still the most popular beverage in the alcohol category. In the drinks market, it represents 'refreshment', and, importantly, it remains a low alcohol alternative to wine and spirits.

### ***Raised in Friendship***

One of the other major achievements we have implemented in the year was the launch of a new brand identity for CUB, including changing its name to Carlton United Brewers.

As part of this, we asked ourselves what kind of company we wanted to be.

We didn't just want to be a great beer company, but the best beer company, and the beer company loved by Australians.

Underpinning this philosophy is the belief that if a whole lot more people raised a beer in friendship the world would be a better place.

We are delighted with our new brand positioning. We see it as a key motivator in reinvigorating the beer industry.

**SABMiller**

The changes that we have made over the past 18 months did not go unnoticed by SABMiller.

As a result of the turnaround strategy we implemented, shareholder returns were maximised with an offer from SABMiller that your board will recommend you accept.

In conclusion, we have worked hard and taken tough decisions to set this business up for success and maximise shareholder returns.

We are already seeing some significant benefits from our work.

We continue to focus on sales and marketing execution; brand reinvestment and innovation; and cost leadership.

The turnaround is by no means complete. We are well aware of the challenges that we still face.

Overall, we delivered significant improvements in fiscal 2011.

Thank you for your strong support over the past 12 months.

I will now hand you back to the Chairman.