

FOSTER'S BREWING GROUP LIMITED CONCISE ANNUAL REPORT 1999

building returns



front section

Building shareholder value	2
Chairman's statement and financial highlights	
Building returns to shareholders	4
President and CEO: Questions & Answers	
Senior management	7
The building blocks	8
Business unit details	



10

building on solid foundations

Foster's steps up
A premium wine strategy
VB: tradition of excellence



12

building enjoyment

Backing a winner
Pubs that are fun
The thrill of great sport



14

building brand growth

Top-selling beer brands
Foster's tackles Asia
The Wolf Blass story

back section

Corporate governance	24
The Board of Directors	26
Directors' report	27
Profit and Loss	32
Balance Sheet	33
Cash Flow Statement	34
Discussion and analysis	35
Profit and Loss	
Balance Sheet	
Cash Flow Statement	
Notes to the financial statements	36
Auditors' report	38
Share details	39
Shareholder information	40
Directory	



16

building a global business

A global marketing team
Strategic Asian refocus
The wine markets that matter



18

building smart business extensions

Wine clubs: the strategy
Residential estates that work
Winemakers to the world



20

building for the future

E-commerce potential
The Napa and the Barossa
Innovation in Fiji



22

building a winning team

Foster's Sports Foundation
Helping teams win
Our teams

“Foster’s is strongly focused on achieving what it takes to be a pre-eminent investment choice: building brands, building margins and, most importantly, **building returns.**”

Ted Kunkel
President and Chief Executive Officer

building shareholder value

The shareholders of Foster's Brewing Group enjoyed a landmark year in 1998/99. The company's outstanding results, with strong contributions from every business, boosted earnings per share (pre-abnormals) by more than 33% and allowed the Board to recommend a 25% increase in the final dividend for the year. The phrase "building shareholder value" became more meaningful than ever, with the company's rate of return exceeding its cost of capital for the first time in many years.

As most of you will know, I have announced my intention to retire as Chairman and a member of the Board of Foster's Brewing Group at the end of the Annual General Meeting on October 25 this year. The reason for my departure is that I have agreed to accept the Chairmanship of a major bank and have therefore decided to reduce my other commitments.

I am pleased that Foster's is in such a sound position at a time when I am leaving the company. This year's results, which showed a 32.6% increase in profit before abnormals, confirmed that the company is now moving forward confidently with the fundamentals in place: a solid platform for growth, a healthy balance sheet and a strong management team. The sustained profit performance of CUB, combined with excellent growth in the wine business, augurs well for the future. Successful efforts to promote the Foster's brand worldwide and to reshape the company's Asian strategy will also increasingly contribute to Foster's Brewing Group's ability to produce consistently good returns.

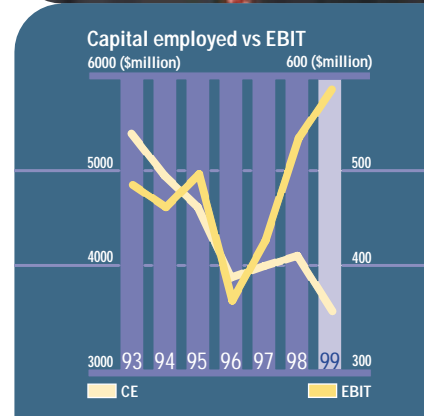
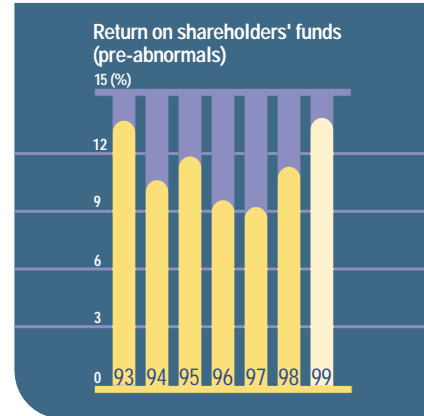
During my time with Foster's, there have been many changes and much improvement in the company's performance and the breadth of its businesses. The problems which remained as a hang-over of the past were resolved satisfactorily. The acquisition of Mildara Blass and subsequently of its wine clubs division has been one of the most successful measures taken to rebuild the company, and the efforts of Ray King, who will retire this year as Managing Director of Mildara Blass, have been invaluable.

The ability of this company to facilitate transitions at the highest levels of the management and the Board is another indication of the inherent strength of Foster's and its confident approach to taking on new directions. I am pleased that Frank Swan will be succeeding me as Chairman of the company. Frank is an excellent Director and has had extensive experience in the international beverage business. The shareholders of the company can be assured that in a whole range of areas, from corporate governance to responsible gaming to global acquisitions, Foster's is now consistently aiming to achieve the highest standards of performance.

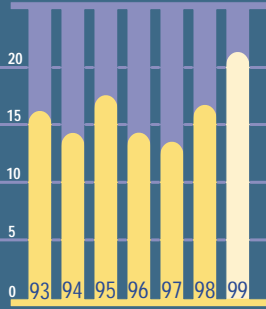
The future is, indeed, very bright for the company. It has a globally-recognised brand upon which strong growth in world beer markets is being regularly sustained. This is supplemented by a wine business that is one of the most profitable in the world.



John T Ralph AO Chairman



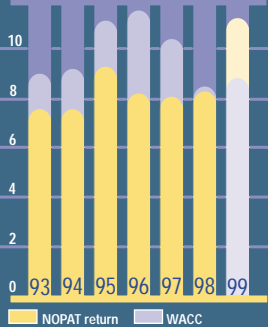
Earnings per share (pre-abnormals) 25 (cents)



^ The company's strong profit performance underpinned a 33.3% rise in earnings per share, before abnormals, to 21.2 cents.

< An increasing rate of return on share-holders' funds reflects the results of a combination of rigorous capital management policies and continuing profit growth.

Net operating profit after tax return vs weighted average cost of capital 12(%)



^ Foster's achieved a record rate of return on funds employed, with net operating profit after tax return exceeding the weighted average cost of capital.

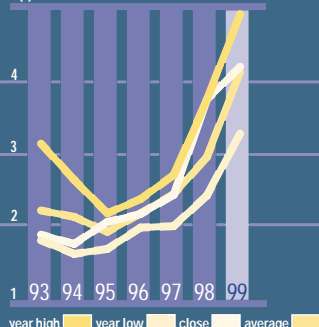
< Profits continued their upward trajectory, while capital employed was lower, thus delivering a sharp increase in returns.

“This year's results, which showed a 32.6% increase in profit before abnormals, confirmed that the company is now moving forward confidently.”

Summary of Group Profit

Year ended June	99 \$m	98 \$m	% change
EBIT			
Carlton and United Breweries	466.3	421.2	10.7
Mildara Blass	119.9	82.5	45.3
Molson Breweries	–	74.7	n/a
Foster's Asia	(24.2)	(42.2)	42.7
Foster's International	11.0	2.1	423.8
Property and Investments	45.5	28.6	59.1
Corporate	(32.4)	(32.1)	(0.9)

Share price 5 (\$)



< Foster's share price performed strongly during the year, confirming market confidence in the company.

building returns to shareholders

Does volatility in the share price concern you?

No. Markets are influenced by many factors which can affect short-term share prices. The trend is what is important. Over the past year, the share price has risen by 34% and it is 81% higher than two years ago. That trend reflects the market's expectation that the company will continue to add value for its shareholders through its business and investment strategies.

This year, for the first time in Foster's modern history, our rate of return on funds employed exceeded our cost of capital. Shareholders know what that means – every day we open for business we are now indisputably creating value. We have worked hard to achieve that, with every business striving to lift the company's overall performance. It is no longer enough for Foster's to focus on being competitive in global product markets – now we must be competitive in global equity markets. That recognition drives our efforts to make Foster's a premium investment choice.

Everybody is talking about e-commerce and the way in which it will transform business. Foster's hasn't been a prominent participant so far – are you planning to take up the challenge?

Certainly we are planning to take up the challenge. We recognise that emerging technologies could radically alter customer relationships. Foster's is taking the initiative to use technology on three levels – firstly, to enhance customer service, secondly, to improve internal efficiencies and thirdly, to develop new products and services for consumers. The e-commerce mindset is already well established in many areas of our business, partly because it is a natural extension of some of the technology and logistics competencies we already have. Cellarmaster and CUB, in particular, are already testing the e-commerce waters, and we have a clear strategy on how to take these initiatives forward. We are already using our strong distribution competencies to help out other e-commerce companies by providing the delivery support they need to back up the promises they make on their internet sites.

What we do intend to be is a highly effective participant. CUB now has the right, internet-ready computer platform, so that the back-end systems can support anything we want to do. Similarly, Cellarmaster, which established one of the first five wine company internet sites in the world back in 1995, has spent years preparing for the new relationships it is now forming with internet service providers. Everyone at Foster's is very aware of the consumer-interface advantages our business naturally provides, and how those can be leveraged to best effect in e-commerce terms.



But at the same time, we are also determined to bring our customers and business partners – publicans, retailers and wine producers – along with us on our e-commerce journey. We intend to share with them not only the enormous benefits of our product reach, but also the opportunities our marketing expertise, comprehensive database and distribution capabilities will provide in facilitating e-commerce transactions. Some of the areas we are already developing include the use of extranets to link global marketing teams or to build links between customers and suppliers, the use of intranets to facilitate product development and manufacture, and use of the internet to build our consumer knowledge and tailor marketing initiatives.

“The trend reflects the market’s expectation that the company will continue to add value for its shareholders.”

Gaming seems to be a substantial contributor to CUB’s profit growth, via the Australian Leisure and Hospitality (ALH) business. Aren’t you concerned about the impact gaming seems to be having in the community?

Naturally we are concerned about problem gamblers, just as we are concerned about problem drinkers. There is no point in taking a “head-in-the-sand” approach and not admitting that these problems exist and must be tackled. Foster’s has never ducked that responsibility. As we have with responsible alcohol use, we are working at government, industry and business levels to self-regulate the negative aspects of gaming, as well as actively responding to recent concerns. ALH has established a Code of Conduct for all hotels with gaming machines, including guidelines for reducing gaming advertising outside hotels, training of staff to assist problem gamblers, prominent display of problem gambling signage, and the control of ATM locations. In addition, we are building relationships with local communities in order to address their potential concerns.

Importantly, we are also making our hotels the sort of places where gaming is just one element in a total entertainment package, offered alongside sports bars and live shows and bistros, in safe, clean facilities. The vast majority of people who enjoy gaming machines in our hotels are not problem gamblers, but rather, people who enjoy gambling as entertainment. It is important that those people, the majority of our patrons, have access to the leisure options they enjoy, but are also able to enjoy gaming in a relaxed and comfortable setting, with alternative activities available – in other words the most conducive environment for gambling in moderation.

The past year has seen Foster’s consolidate its position in wine clubs. You also recently announced the retirement of the MD of Mildara Blass, Ray King, and his replacement by the MD of Cellarmaster, Terry Davis. Does this signal a stronger move into wine clubs and less emphasis on traditional wine operations?

One very important characteristic of the past year’s initiatives has been the focus on business balance and extension. For CUB, that means developing pubs and leisure facilities beside traditional beer operations. For Mildara Blass, the obvious extension is wine clubs. The low-capital-intensity, high-return wine club business, including the two new wine clubs in Germany and Holland, provides a fantastic balance for our traditional, capital-intensive wine-making operations. We have no intention of diminishing our involvement in premium wine-making – Mildara Blass is after all, the operation which produced this year’s Jimmy Watson Trophy-winning wine and which has spent the past year developing plans for a new \$30 million centre-of-excellence winery in the Barossa Valley. These are just two things that underline Mildara Blass’ continuing commitment to traditional wine-making activities, conducted with modern flair. Wine clubs, with the focus very much on education and service

for wine consumers, is a complementary operation in both philosophical and financial terms.

That view of our wine business is one shared by both our outgoing Mildara Blass MD, Ray King, and his nominated successor, Terry Davis. Ray will leave us at the end of this year after 17 years with Mildara Blass, including the past three years within the Foster’s business, during which Ray has overseen a spectacular expansion of both operations and profits. Ray’s vision for Mildara Blass, and particularly his strong focus on building returns in a traditionally low-return business, has placed Mildara Blass within the top three most profitable wine companies in the world today.

Terry Davis, who has built Cellarmaster into the world’s second largest wine club operator and has successfully overseen its transition into Mildara Blass, is equally focused on building returns while maintaining the whole scope of wine-making operations. In fact, Cellarmaster has been a major wine producer in Australia for many years, and the operation’s involvement with premium wines and wine-makers is an important part of its successful formula. Terry will bring his own style to the top job at Mildara Blass, building on a strong track record in managing the logistics and consumer marketing aspects of the wine business.

“This year, for the first time in Foster’s modern history, our rate of return on funds employed exceeded our cost of capital. Shareholders know what that means – every day we open for business we are now indisputably creating value.”

“ We have ended the year with the business more streamlined and well-positioned to capitalise on the key emerging markets and surrounding regional opportunities we have identified.”

You promised to halve your losses in Asia last year, which you have virtually achieved. But what does the future hold for you in the region now that you have fewer breweries?

In reality, the past year has been one of expansion as well as consolidation for Foster's in Asia. The sale of two loss-making China operations was very positive for us, not only in terms of cutting costs and losses, but also as a means of rebalancing our region-wide strategy. We have ended the year with the business more streamlined and well-positioned to capitalise on the key emerging markets and surrounding regional opportunities we have identified.

In China, we now have one large and modern brewery in Shanghai, capable of satisfying our requirements for that market. China is still a tough, competitive marketplace, but we are happy to seek medium-term margin and volume growth from what is an ideal location, in China's most sophisticated urban centre and within the country's populous and dynamic Yangtze Delta region.

Our two Vietnam breweries had their first full year of operation and made significant advances in their markets in the centre and south of the country, while our new Indian brewery, opened during the year, is already unable to satisfy strong demand for Foster's, the country's first locally-brewed international beer. We will be seeking to double capacity there.

Together, the four breweries represent the framework for continuing volume growth in Asia. There is no doubt that Asia is one of the great growth markets for beer in the future. So we're not surprised to see Foster's Lager already posting a 70% increase in sales across the region, and we are carefully and strategically developing our business to position ourselves for the future without over-extending our assets or over-estimating the rate of margin improvement. We will continue to address the losses, aiming to halve the total again in the current financial year. We can't afford not to be in Asia, and we can afford, with the strength of our balance sheet, to carry some short-term and diminishing losses, in the interests of investing for future growth and, ultimately, shareholder benefit.

Australia's largest international event for decades, the Sydney 2000 Olympic Games, seems like a great opportunity for Foster's. What are you doing to leverage your involvement, both domestically and globally?

The Foster's brand, an Australian icon overseas and a symbol of all that is good and fun about the Australian lifestyle, obviously has some strong and natural synergies with the Sydney 2000 Olympic Games. We are building on these through three formal mechanisms – CUB's position as an Official Supporter of the Games, the positioning of Foster's Lager as the Official Beer of the Games and through the endeavours of our Foster's Sports Foundation, which has distributed nearly \$1 million to aspiring Australian Olympians.

There are a lot of good philosophical reasons why we are pursuing these activities. This company's commitment to broad and empathetic community involvement, and to developing a performance- and team-oriented workforce, are just two of the motivating factors in our Olympic involvement. A company like Foster's Brewing Group, one of Australia's premier employers and corporate citizens, simply must be involved with an event which means so much to this country and its people.

But obviously there are great business opportunities for us as well through our association with the Olympics. In Australia, CUB has a number of marketing strategies in development to bring its pre-eminent brands, Foster's, VB and Crown Lager, into the Olympic spotlight, with a diverse range of activities planned to leverage the division's Olympic Supporter status.

Foster's Lager will get the star treatment it deserves during the Olympic Games, and in fact, will move into the positioning that literally thousands of overseas visitors, including hundreds brought to Australia by Foster's overseas brewing and marketing partners, will expect their favourite Australian beer to have in its homeland.

Foster's International and Foster's Asia are already reaping the benefits of the natural Foster's/Sydney Olympics connection, with a steady stream of international journalists – expected to build to close to 25,000 during the Games – seeking out Foster's for inclusion in a broad range of Olympics-related media coverage.

So everyone at Foster's, or associated with us internationally, is working our Olympic Games association hard. There is significant expenditure of time and money involved, at many levels of the organisation and its alliances both domestically and globally. But we do believe very strongly that the Sydney 2000 Olympic Games is worth it – it represents not only the greatest single marketing opportunity we have ever encountered, but also the ideals of sportsmanship, achievement and teamwork which are deeply entrenched in the psyche of Foster's Brewing Group.

senior management



Ted Kunkel

**President and Chief Executive Officer
Foster's Brewing Group**

A working life dedicated to the beer and wine industry has underpinned Ted Kunkel's successful efforts to transform the company. Challenging roles with CUB and Foster's Canadian interests culminated in his appointment to the CEO position in 1992.



Peter Bobeff

**Senior Vice President Commercial Affairs
Foster's Brewing Group**

Following a long and distinguished career with national law firm Corrs Chambers Westgarth, Peter Bobeff brought his skills in commercial and business law to his current position with Foster's in 1992.



Trevor O'Hoy

**Senior Vice President and
Chief Financial Officer
Foster's Brewing Group**

A number of key roles in strategy, hotel management, business planning and change management preceded Trevor O'Hoy's appointment in 1997 as CFO. His background in finance with CUB spans more than 20 years.



Graeme Willersdorf

**Senior Vice President Corporate Affairs
Foster's Brewing Group**

A breadth of knowledge across diverse business areas, including logistics and government affairs, have provided the foundation for Graeme Willersdorf's corporate affairs responsibilities, which encompass all aspects of public affairs globally.



Richard Scully

**Senior Vice President
Foster's International**

The global marketplace, with a focus on beer operations, marketing and general management, has been central to Richard Scully's career for 30 years. After a number of senior roles in North America, the UK and Europe, he joined Foster's in 1995 to drive the flagship brand globally.



Nuno D'Aquino

**Managing Director
Carlton and United Breweries**

Foster's successful Australian brewing division is a monument to the dedication and innovation of Nuno D'Aquino. In 40 years with CUB, including time as Head Brewer at every major brewery, he has built technical excellence and consistent profit growth, founded upon his Lead Enterprise philosophy.



Ray King

**Managing Director
Mildara Blass**

After an illustrious career as one of Australia's leading marketing and wine business strategists, Ray King will retire at the end of 1999. His 17 years with Mildara Blass saw the business grow into a globally-focused, premium-branded operation.



James King

**Managing Director
Foster's Asia**

Managing premium-branded businesses in the vibrant Asian region has been James King's specialty for the past eight years. Nearly 20 years working with the consumer products of Phillip Morris and Kraft preceded his appointment to Foster's Asia in 1996.



John O'Grady

**Managing Director
Lensworth**

In his 17 years with the company, John O'Grady has successfully translated his area of the Foster's business into an efficient asset disposal and property development operation. He has built on a solid financial background previously gained with PricewaterhouseCoopers.



Carlton and United Breweries

Business portfolio

Carlton and United Breweries (CUB) is Australia's leading brewer and produces more than half the nation's beer, as well as a range of innovative adult beverages. CUB is also a major participant in Australia's leisure and entertainment sector through its Australian Leisure and Hospitality Group (ALH), which owns and operates hotels and liquor retail outlets in key locations in Australia's major cities. Other divisions of CUB include BrewTech, a dedicated technology research and implementation unit, and Carlton Special Beverages, a leading marketer and distributor of imported and domestic specialty beverages and spirits.

Key brands

Victoria Bitter, Foster's LightIce, Carlton Cold, Crown Lager, Carlton Draught, Foster's, Cascade Premium, Carlton Midstrength, Carlton Premium Dry, Carlton Light Bitter, sub zero. Key imported brands include Guinness, Corona, Stella Artois, Miller Genuine Draft, and Bacardi.

Scale / Volume

Six Australian breweries: Abbotsford, Kent, Yatala, Cascade, Matilda Bay and Darwin. Two breweries in Fiji and one in Samoa, and a Fijian distillery. Total beer sales for 1998/99: 10 million hectolitres. The ALH portfolio includes 152 hotels and 96 liquor retail outlets.

Major markets

Majority share of the Australian beer market (56%). Market leader in premium, low-alcohol, full-strength and imported beer market segments. Produces Australia's most popular beer, Victoria Bitter. Hotel leisure sites in Victoria, Queensland, South Australia, New South Wales and Western Australia.

Number of employees / Financial indicators

8,513

Capital employed (period end): \$2,407 million
Sales revenue: \$2,165.5 million
Profit before interest and tax: \$466.3 million



Mildara Blass

Business portfolio

Mildara Blass is Australia's leading premium wine producer and one of the world's three most profitable wine companies. Its impressive portfolio of more than 30 premium brands includes some of Australia's best known wines. Operations at Mildara Blass bring together all aspects of wine production, marketing, sales and distribution and include a significant export business, as well as overseas wine-making. Mildara Blass also owns and operates Cellarmaster, one of the world's largest wine club businesses, a 24-hour wine delivery operation and the country's largest contract bottling company.

Key brands

Retail brands: Wolf Blass, Yellowglen, Jamiesons Run, Black Opal, Andrew Garrett, Yarra Ridge, Saltram, Rothbury Estate, Annie's Lane, St Huberts, Robertson's Well. Wine club brands: Pallhuber, La Pauline, Cellarmaster, Pelican Point.

Scale / Volume

A total of 12 operational wineries throughout Australia. Wine-making operations in California and Chile. Collectively, the Australian wineries crushed a total vintage of 38.8 million litres in 1998/99. The total area under vine is 3,300 hectares in Australia, with 120 hectares of developing vineyard in California. Annual sales of 5 million cases, with nearly half sold overseas. Wine club operations based in Australia, Holland and Germany.

Major markets

Significant share of Australia's sparkling wine market (around 40%) and approximately 25% of Australia's premium table wine market. The US, Britain and Europe are Mildara Blass' largest international markets.

Number of employees / Financial indicators

2,374

Capital employed (period end): \$1,147 million
Sales revenue: \$562.7 million
Profit before interest and tax: \$119.9 million



Foster's Asia

Business portfolio

Foster's Asia, the company's Asian brewing business, markets and distributes beer throughout Asia from its strategically-located breweries in China, India and Vietnam. This strategic footprint provides access to half the world's population, in a region which represents the world's fastest-growing beer market. Foster's Special Beverages markets and distributes a number of CUB and international brands in Hong Kong.

Key brands

Foster's, Foster's Ice, Shanghai Beer, Guangming, Biere Larue and BGI.

Scale / Volume

Four breweries located in dynamic Asian urban centres: Shanghai, China; Da Nang and Ho Chi Minh City in central and southern Vietnam; and Mumbai, India. Total volumes sold from the Asian breweries: 1.52 million hectolitres.

Major markets

Shanghai, the Yangtze Delta and Hong Kong in China; central and southern Vietnam; and Mumbai, India's most populous city. Foster's has 15% of the Mumbai market, and is the only locally-brewed international beer. Biere Larue has an 80% share of the market in Da Nang, central Vietnam.

Number of employees / Financial indicators

1,738

Capital employed (period end): \$65 million
Sales revenue: \$74.9 million
Loss before interest and tax: \$24.2 million



Foster's International

Business portfolio

Foster's International is responsible for the global stewardship, development and governance of the Foster's brand. Its activities include the identification and development of new overseas markets, management of international brewing and marketing agreements and the development of new and existing marketing initiatives, including global sponsorships.

Key brands

Foster's, Foster's Ice.

Scale / Volume

Six offices worldwide: in Australia, Britain, the US, Singapore, South America, and the Middle East. Brewed in nine countries: Australia, Canada, China, England, India, Germany, Ireland, Spain and Vietnam. Total global volumes sold during 1998/99: 7.9 million hectolitres (99 million cases).

Major markets

Foster's is one of the world's most widely distributed beer brands, available in more than 135 countries. It is the number one beer in London, number two beer in the UK and is rated number eight in Europe. In the US, Foster's is the sixth largest import beer brand. Foster's has a major presence in the Middle East, and has shown strong growth across Asia. New markets in Latin America are significant.

Number of employees / Financial indicators

28

Capital employed (period end): \$32 million
 Sales revenue: \$53.0 million
 Profit before interest and tax: \$11.0 million



Lensworth

Business portfolio

Lensworth is the division of the company responsible for disposal of the remaining non-core assets arising from the restructuring of Foster's which began in the early 1990s. As a result of the successful management of the assets realisation programme, Lensworth is now generating a sustainable profit from remaining property assets. Residential property development has become a key focus and a successful driver for Lensworth.

Key brands

Glenmore Park, Kawana Waters, North Lakes, Caloundra Downs.

Scale / Volume

The Lensworth Group operates residential land development projects at Glenmore Park in New South Wales, and Kawana Waters, North Lakes, Caloundra Downs and Tewantin in Queensland. The Group also has commercial property assets in the US. Since 1992/93, Lensworth has realised \$1.5 billion in non-core assets.

Major markets

New South Wales and Queensland residential property markets.

Number of employees / Financial indicators

65

Capital employed (period end): \$168 million
 Other operating revenue: \$120.2 million
 Profit before interest and tax: \$39.2 million

the building blocks

"Foster's is moving ahead, resolute in its identity as a premium global beverage company. That momentum comes from the performance of our businesses, the strength of our portfolio of brands and the incomparable knowledge base provided by our people and their skills."

Ted Kunkel
 President and CEO



"CUB is the cornerstone of our company. It's that simple. Consistent profit performance and an appetite for innovation make CUB the foundation on which the entire business can build."

Ted Kunkel, President and CEO



building on solid foundations

Australia's leading brewer, Carlton and United Breweries, generated \$466.3 million, or nearly 80% of total group EBIT, in 1998/99. The combination of well-targeted brands, an innovative approach to the business opportunities available at every stage of the value chain, and an expectation of excellence on the part of all employees continues to produce double-digit profit growth.

Foster's steps up

Royalties from Foster's, Australia's only internationally-recognised consumer brand, are now rising steadily, reflected in yet another year of powerful profit growth for Foster's International. The brand's royalty streams from key markets in the US and Britain are stepping upwards and by 2002, income streams will reflect the true value of volumes sold.

A premium wine strategy

Mildara Blass has built one of the most impressive wine industry profit track-records in the world on the firm foundations provided by its premium wine strategy. The business has consistently focused its efforts, both in Australia and offshore, on the premium end of the market, where strong revenue growth is achievable and there is some protection from the vagaries of shifting consumption patterns. EBIT growth of 46% for the year, to \$120 million, positions Mildara Blass firmly among the world's top three most profitable wine businesses.

VB: tradition of excellence

Its history spans four decades, its simple green, gold and red label inspires reverence among beer drinkers, and year after year, a legion of modern beer drinkers ensure Victoria Bitter leads Australia's full-strength beer segment. The highly successful combination of impeccable heritage, distinctive brand marketing and unbeatable full-strength flavour ensured the brand grew again in 1998/99, with about 460 million litres sold. CUB's bedrock brand generated \$606 million in sales and continued to earn the confidence of consumers and retailers.



"There's a lot of work that goes into making premium Australian wine like ours. It can be a struggle to get it right. But we must never lose sight of what we're doing it for – the experience. Beautiful wine, good friends, celebration or relaxation: in the end, wine is all about enjoyment."

Chris Hatcher, Chief Winemaker, Mildara Blass



building enjoyment

All over the world, a glass of good wine with good food has become synonymous with simple enjoyment of life. Sales of Mildara Blass wines in Australia, driven by a strong market for end-of-the-millennium celebration wines like Yellowglen, and quality red wines produced from Mildara's extensive red grape plantings, rose 11% in revenue terms in 1998/99. On the tables of Europe and the United States, Mildara Blass wines won a growing band of admirers, with export sales revenue rising by 37%.

Backing a winner


An estimated 150 million people trackside and around the world stop what they are doing to enjoy the pure pleasure of the world's finest horses racing down the green turf of Flemington in the annual Foster's Melbourne Cup. In its fourteenth year as sponsor of the famous 3200-metre race, Foster's proudly joins the punters and the Australian racing industry to celebrate the transformation of the Cup into the successful, international gala event it is today.

Pubs that are fun

The outdated suburban pub gave way to a new generation of Australian hotels during the year, as Australian Leisure and Hospitality (ALH) introduced its concept of the new pub as a total leisure and entertainment destination. Sports bars, family bistros, jazz bars, coffee shops, restaurants, bottle shops, gaming and cabaret rooms made their debut in many ALH hotels. Fun and enjoyment remained the driving force behind ALH's strong profit contribution, with gaming a legitimate and increasingly popular part of the suburban community's entertainment choices.

The thrill of great sport

As an Official Sponsor of Grand Prix worldwide and a prominent advertiser and beer supplier at all of the famous tracks, Foster's has become an inseparable part of the Grand Prix experience. Every two weeks during the season, 750 million people in more than 200 countries watch a race live or on television, confirming Grand Prix as the world's fastest-growing spectator sport and a great match for the fastest-growing international beer brand, Foster's.



*"At the heart of much of the
(Foster's) brand's success
has been a resolutely simple,
appealing positioning..."*

Brandweek (US)

building brand growth

Foster's, one of the world's most widely-distributed beers and Australia's only global consumer brand, continues to capture the imaginations of beer drinkers everywhere. Soaring brand recognition contributed to 11.4% volume growth worldwide, and helped to keep the brand moving up strongly toward the number one national position in Britain. Under the global stewardship of Foster's International, Australia's icon beer is poised for a spectacular start to the new millennium.



Top-selling beer brands

CUB's brands continue to win in markets across the country, whether the measure is increasing volume or revenue. Today's consumers, who demand a range of beer options, consistently choose CUB brands in all major categories. Crown Lager, Victoria Bitter, Foster's LightIce and Corona continue to lead the premium, full-strength, low-alcohol and import categories respectively. Joining the pantheon was Carlton Midstrength, which built a strong position in its segment, founded on spectacular volume growth of 18% in the Western Australian market.

Foster's tackles Asia

The combination of the company's successful global flagship brand and a supporting cast of quality local brands forms the basis of a brand growth strategy which is taking Foster's in measured steps into the world's fastest-growing beer region. Launched in Vietnam, India, Taiwan, Malaysia and Japan during the year, Foster's is successfully translating its Australianness into sales volumes, which grew 70% across the region. Alongside the Foster's juggernaut, local brands with strong parochial appeal – Guangming, BGI and Larue – helped to grow volumes in multiple market segments.

The Wolf Blass story

The brooding eagle that has graced the Wolf Blass label since its creation in 1966 spread its wings in 1998/99, gathering momentum in Europe, Britain and the US. The brand's unique attributes – approachable Australian style and a touch of quirky Wolf Blass personality – drove export sales volumes up 30%, and sparked runaway growth in markets such as Canada, where Wolf Blass is the largest-selling Australian red wine. The hero of the Mildara Blass portfolio also attracted critical acclaim in Australia, selling out under its new "Blass" positioning.

building a global business

Whether they live in Amsterdam, Brussels, Paris or Berlin, consumers are enthusiastically embracing the combination of Australian expertise and top-class European wines offered by Mildara Blass' wine clubs. Membership of the Dutch-based Bourse du Vin more than doubled during the year, with sales increasing by 45%. The newly-acquired German club Pallhuber increased sales by 8%. Critical to this success were the strategies which have already made Mildara Blass' Cellarmaster business the world's second largest wine clubs operator.



A global marketing team

The "virtual business" that is Foster's International established another indelible but invisible global linkage during the year, with the launch of the www.teamfosters.com extranet site. The site brings all of the people who count in the marketing of Foster's worldwide together to share a virtual office and access a global pool of intellectual capital. The division's core marketing team uses the site to maintain product and promotional standards around the world, share creative campaigns and take the brand into new markets, at the rate of a country a month.

Strategic Asian refocus

The sale of two China breweries during the year signalled the successful completion of a rebalancing of the Foster's Asia portfolio. The business has now established a sound platform for developing the Foster's brand region-wide, with one brewery in India, two in Vietnam and one in China's thriving Yangtze Delta. Losses from the Asian business were almost halved, and improved results indicate that the business is now beginning to realise its potential, building strong growth on a foundation which includes and utilises the lessons learned from the company's experience in China.

The wine markets that matter

In an environment of booming Australian wine exports, the largest market does not always deliver the best returns. A selective approach to global markets differentiates Mildara Blass from its competitors. The United States, where consumption of premium wines above \$10 accounts for a healthy 15% of a high-volume market, is a natural target and accounts for over half of Mildara Blass exports. Mildara Blass' US sales rose 25% during the year, with revenue up 42%. The Canadian market for Mildara Blass wines rose 49% in volume terms for the third consecutive year, with revenue up 73%.



"About 10% of all Australian wine is sold through wine clubs – Australians enjoy buying some of their wine from a helpful and convenient club. In Europe, about 2% is sold through clubs. Do Europeans value help and convenience any less? The answer is obviously no, and it's the foundation of our global clubs operations."

Terry Davis, Managing Director-elect, Mildara Blass

building smart business extensions

Thinking laterally and building on core competencies underpins the consistently outstanding results achieved by CUB's hotel and gaming business, ALH. With more than 150 hotels and 90 liquor outlets in five states, Australia's largest hotel group has moved far beyond the benefits of simple beer distribution, focusing instead on exceeding community expectations with superior entertainment venues. The opening of the \$12 million Village Green in Melbourne this year symbolised ALH's commitment to building returns by responding innovatively to the marketplace and making rigorously benchmarked investment decisions.



Wine clubs: the strategy

In 1997, Mildara Blass supplemented its involvement in the capital-intensive wine-making industry with the purchase of Cellarmaster, a business with low capital requirements and a growing clientele prepared to pay for the convenience and reassurance of club service. Cellarmaster, which was a pioneer in the Australasian wine club business, successfully exported its skills to the under-developed European wine club market during the year, doubling revenues on a comparable basis.

Residential estates that work

Residential developments that work; attractive estates that win the approval of people making one of the most meaningful decisions of their lives – the creative landscape of Lensworth's recent projects is a long way from the usual concept of residual asset disposal. Lensworth, which increased profit from \$23 million to \$39 million for 1998/99, continues to grow in stature as a smart facilitator of good residential projects. Adding value is the business' credo, and its profit performance pays testimony to its success.

Winemakers to the world

Mildara Blass' view is that Australian winemakers, widely acknowledged as among the most innovative in the world, are a precious resource to be fully utilised, at home and overseas. The business has demonstrated its commitment by taking Australian expertise to global vineyards. The results of these ventures, Californian brand Bayliss & Fortune and Chilean brand Dallas-Conte, were released during the year and are already selling strongly in the US market, with Bayliss & Fortune now one of the designated business and first class wines for two international airlines.



"Life moves fast in Australia today, and leisure has never been more important. We've been creating enjoyable leisure-time for beer-drinkers and sports fans for more than 90 years... it just makes sense for us to extend those competencies to the high-return leisure businesses of hotels and gaming."

Nuno D'Aquino, Managing Director, CUB

building for the future

An expansion is already underway for the Foster's India brewery near Mumbai, following a spectacular first year in the market. Capacity will be nearly doubled to meet strong demand for Foster's, India's first locally-brewed international beer. Foster's is now the number two beer brand in the state of Maharashtra, which accounts for a quarter of the total Indian beer market. Alcohol preferences among younger Indians are moving steadily toward international lager styles, confirming the strategic importance of India as an emerging growth market.



E-commerce potential

The opportunities arising from the internet revolution took an increasingly prominent position in the company's forward planning during the year. CUB is advancing with firm foundations in place, having spent four years perfecting its Oracle technology platform and transforming mindsets to address change at every point on the value chain. Building customer and consumer relationships and bringing both groups along for the e-commerce journey is also the top priority for Cellarmaster, where new relationships with list developers and service providers are in the pipeline.

The Napa and the Barossa

Key development projects on two continents are important elements in Mildara Blass' strategy for growing returns. In California's sunny Pope Valley, within the Napa Valley appellation, 120 hectares of perfect red-grape territory were planted with grafted rootlings during the year. This investment in the super-premium potential of the Californian market was driven by the same imperative as the decision to consolidate South Australian operations within one purpose-built, "centre-of-excellence" winery in the Barossa Valley.

Innovation in Fiji

With the Australian market for spirits and ready-to-drink (RTD) alcohol mixes booming, CUB has utilised its offshore spirit production capacity to create six new RTDs for the Fijian market. The expertise of CUB's Melbourne-based BrewTech research group and the breadth of knowledge gained from 40 years brewing in Fiji have, in combination, ensured the success of the new products, and opened the way for further innovation and adaptation to address this segment of the Australian market.



"The beer market in Asia is set to surpass the size of Western Europe's by early next century. Fuelled by growth in the region's emerging markets, Asia will account for just under 30% of the global beer volume by 2002."

Datamonitor (Hong Kong)



Foster's Sports Foundation

Dreams do not come cheaply for athletes aspiring to compete in the Sydney 2000 Olympic Games. In recognition of the financial burden carried by rising Australian athletes, the Foster's Sports Foundation has now awarded grants of nearly \$1 million to assist athletes in a broad range of sports in achieving their personal and professional goals. In addition, the generosity and hard work of employees and customers this year helped to create a further \$1 million pool, which will be awarded to athletes selected for the Australian Olympic team in 2000 who do not have other significant grant support.

Helping teams win

Spectator sport and a great beer are a timeless combination. In Australia and overseas, Foster's is a strong supporter of team sports, from cricket to football to rugby. CUB sponsors 15 Australian Football League teams, while Foster's International takes the Aussie Rules television programme and game highlights to 130 countries worldwide. CUB also sponsors four Australian rugby league teams and the One Day Internationals in cricket. Foster's is the official supplier of beer to the Australian cricket team and sponsors Hong Kong's Rugby 7s and 10s.

Our teams

Teamwork is a fundamental element underpinning the continuing success of Foster's Brewing Group. Whether it is dedicated wine-makers John Glaetzer and Caroline Dunn combining forces – the long-serving, experienced wine-maker teaming up with the recent dux of class at Roseworthy to produce the 1999 Jimmy Watson trophy-winning wine – or the Project Delta team installing a new filter room at Abbotsford brewery, teamwork is the key to success. Maintaining and nurturing the right culture for teamwork will remain a key objective for Foster's into the future.



building a winning team

At Foster's, keeping the ideals of the Olympic Games vibrantly alive is an imperative which not only drives our fund-raising efforts, but also re-energises our dedication to the pursuit of excellence in every way. Foster's has made a series of commitments: CUB is an Official Supporter of the Sydney 2000 Olympic Games, Foster's is the Official Beer and the Foster's Sports Foundation has distributed nearly \$1 million to aspiring Australian Olympians. But the most important commitment is philosophical – our team is striving to support the world's greatest sportspeople in their quest for excellence in Sydney.

"Getting to the top in any sport requires dedication and sacrifice. We recognise a responsibility to help young stars like our slalom canoeists Robin Bell and Justin Boocock focus on their preparation, and achieve their full potential on the world stage."

***Murray Rose, Chairman, Foster's Sports Foundation Advisory Board,
and Olympic Gold Medallist, 1956 & 1960.***

corporate governance

Board of Directors

The Board of Directors of Foster's Brewing Group Limited has responsibility for guiding and monitoring the business and affairs of the Group, including compliance with the Group's corporate governance policies and procedures, on behalf of shareholders. Responsibility for the operation and administration of the Group is delegated by the Board to the Chief Executive Officer who is accountable to the Board.

The Articles of Association of the Company specify that:

- The number of Directors may not be less than six nor more than 20 (being such a number within this range as the Board may determine from time to time). The Board has determined that for the time being, the maximum number of Directors shall be six.
- At each Annual General Meeting:
 - one third of Directors (other than the Chief Executive Officer and Directors who have been appointed to fill casual vacancies since the previous Annual General Meeting) are required to retire and may stand for re-election; and
 - Directors who have filled casual vacancies are required to be elected at the first Annual General Meeting following their appointment by the Board.

In addition, the Board has resolved that the position of Chairman of the Board and the Chief Executive Officer will be held by different persons.

The Board has established, and keeps under constant review, its own processes by which it undertakes its responsibilities, and seeks to achieve best practice in matters of governance and accountability. These processes include:

- A compliance reporting programme whereby executives of the Group are required to bring certain matters to the attention of Directors, on at least a quarterly basis. 'Material matters' are to be reported immediately and 'significant incidents' within seven days. The programme presently covers occupational health and safety, anti-discrimination, employee and industrial relations, superannuation, environmental matters, document retention, Corporations Law, stock exchange reporting, product liability and trade practices.
- Reports by management, both oral and written, to Directors on a monthly basis, in addition to the compliance reporting programme, covering the financial standing, operating results and business risks of the Group.
- The use of formal policies and charters on a wide range of issues that are material to the Group, including:
 - Treasury Activities;
 - Ethics;
 - Dealing in Company Securities;
 - Human Resources;
 - Acceptance of Directorships in Public Companies; and
 - Political Donations.
- A number of Board Committees, the functions of which are to assist the Board carry out its duties in specific areas.

In addition, the Company's Compliance Working Group, which consists of representatives of management, is responsible for implementing the Board policy for compliance.

Board Committees

Audit Committee*

The Audit Committee was established in 1982, and its primary objective is to assist the Board of Directors in fulfilling its responsibilities relating to accounting and reporting practices.

By reference to its charter, the Committee meets at least four times each year. In addition, the Chairman is required to call a meeting of the Committee, when requested to do so by a Committee member, the Chief Executive Officer, the Chief Financial Officer or the Company's external auditors. The Committee has unlimited access to both internal and external auditors, and to senior management of the Company.

The primary duties and responsibilities of the Audit Committee are to:

- recommend to the Board which external auditors to appoint;
- review the audit plan of the external auditors and reasons for subsequent variations from this plan;
- review the internal audit plan and the organisation of that function which was outsourced during the 1997 financial year;
- ensure that no management restrictions are being placed upon either the internal or external auditors;
- evaluate the adequacy and effectiveness of the Group's administrative, operating and accounting policies and controls through active communication with operating management, internal audit and the external auditors; and
- review public financial and regulatory reports prior to their release.

The Committee consists entirely of non-executive Directors. The members are Messrs G A Cohen (Chairman), B Healey, G W McGregor and J T Ralph.

Human Resources Committee

The Human Resources Committee was established in 1981 with the principal objective, as set out in its charter, to formally review and, where appropriate, recommend on salaries and bonuses and more generally, on Group issues, plans, policies and current philosophies related to the management of human resources.

The Committee consists entirely of non-executive Directors. The members are Messrs J T Ralph (Chairman), B Healey and F J Swan.

Compliance Committee

The Compliance Committee was established in March 1998. Under its terms of reference, the Compliance Committee meets at least twice a year.

The Committee's function is to monitor the Company's adherence to the Code of Ethics discussed below, and to assist the Company in fulfilling its responsibilities relating to compliance, including to:

- monitor, review and assess the Company's compliance including the effectiveness of its compliance programme; and
- ensure appropriate compliance information is provided to the Board of Directors.

The Committee consists of two non-executive Directors, a member of the Company's senior management team, and corporate compliance officers from the Company, Carlton and United Breweries and Mildara Blass. The members are Messrs FJ Swan (Chairman), B Healey, PA Bobeff, RG Peel, PD Thomas and PJ Turner.

Succession Committee

The Succession Committee was established in 1991 to manage Board succession, including recommendations for the selection, appointment and retirement of Directors.

The Committee consists of Messrs J T Ralph (Chairman) and E T Kunkel.

* All Directors of the Company receive copies of Committee papers and may attend meetings at the invitation of the Committee Chairman.

Remuneration of Non-Executive Directors

The fees payable to non-executive Directors are determined by the Board within the aggregate amount approved by shareholders. Shareholder approval was last given at the Annual General Meeting held on 23 October 1995 for aggregate remuneration of \$900,000 per year.

Details of the emoluments of non-executive and executive Directors are disclosed elsewhere in this Report.

Remuneration of Senior Executives

The remuneration levels of the Chief Executive Officer and other senior managers are recommended by the Human Resources Committee and approved by the Board, having regard to advice from independent consultants and after taking into consideration those levels that apply to similar positions in comparable companies and the performance of the Chief Executive Officer and senior executives.

The policy for determining remuneration levels, and the relationship to company performance are referred to in the Directors' Report.

The Board of Foster's Brewing Group Limited believes that it is important for the senior executives to have an ongoing share ownership in the Company. The existing Long-term Incentive Plan is a reflection of this view. In the normal course, the Directors would expect that over a period of about five years, senior executives should aim to acquire shares to the value of one times, and in the case of the Chief Executive Officer, 1.5 times prevailing remuneration.

Risk Identification and Management

The Group is committed to the identification, monitoring and management of risks associated with its business activities. The Group has established a number of wide-ranging reporting mechanisms and management procedures to deal with risks including financial, business, interest rate, foreign exchange and regulatory risks, crisis management, environmental matters and Year 2000 compliance. Both of the latter are discussed elsewhere in this Report.

The Group also closely and continually monitors international risks associated with its global activities.

Code of Ethics

Policy

It is the Group's policy for Directors and officers to observe high standards of conduct and ethical behaviour in all of the Group's activities, including its dealings with employees, customers, consumers, suppliers, business partners, the general community and the environment in which it operates.

Senior executives are permitted to have one non-executive directorship of an external company depending on the particular circumstances, but only on the recommendation by the Chief Executive Officer for approval of the Board.

Conflicts of Interest and Related Party Transactions

Apart from legal obligations, Directors and senior executives are required to disclose to the Board details of any contract involving any company in the Group in which they have a material interest. Further, it is the Group's policy to ensure Directors and officers should not be involved in situations or arrangements which could give rise to conflicts of interest, irrespective of whether they involve transactions with so-called related parties.

Where a matter is being considered by the Board in which a Director has a personal interest, that Director may not be present while the matter is being considered and may not vote on the matter.

Purchase and Sale of Company Securities and Disclosure of Directors' Interests

It is the Group's policy that:

- Directors notify the Chairman of the Board before buying or selling securities in the Company, except where such purchases or sales are made within one month following the:
 - announcement of the Group's half-yearly or annual results; or
 - holding of the Annual General Meeting;
- where prior notification is not required pursuant to the foregoing, Directors still notify the Board of purchases and sales;
- similar approval is required from the Chief Executive Officer by senior managers who purchase or sell Company securities; and
- the Board recognises that it is the individual responsibility of each Director and other officers to ensure that they comply with the spirit and the letter of the insider trading laws. Notification to the Board in no way implies Board approval of any transaction.

Directors' Access to Independent Advice

Any Director who requires legal advice in relation to the performance of his duties as a Director of the Company must inform the Chairman of the issue that raises the concern that requires legal advice, and advice is then to be obtained in consultation with the Chairman. The costs reasonably incurred are reimbursable by the Company. When the advice is to hand, it is to be made available to all other Directors.

the board of directors



J T Ralph – Chairman

AO, FCPA, FTSE, FAusIMM, FAICD, FAIM, Hon Lrd (Melb & QLD) (66)

Member of the Board since February 1994 and Chairman since October 1995

Mr Ralph is Chairman of Pacific Dunlop Limited, Chairman-elect of the Commonwealth Bank of Australia Limited, Deputy Chairman of Telstra Corporation Limited and is a Director of BHP Limited and Pioneer International Limited. He is National Chairman of The Queen's Trust for Young Australians, Chairman of the Australian Foundation for Science and is a member of the Board of the Melbourne Business School.

Securities held: 8,500 ¹, 30,000 ³



F J Swan – Chairman-elect

B.Sc. (58)

Member of the Board since August 1996 and Chairman from October 1999

Mr Swan is a former Chief Executive Officer of Cadbury Schweppes Australia Limited, a former Director of Cadbury Schweppes plc and is a Director of the Commonwealth Bank of Australia Limited and National Foods Limited.

Securities held: 30,000 ¹



B Healey

(65)

Member of the Board since December 1993

Mr Healey is Chairman of Portfolio Partners Limited, Biota Holdings Limited and Centro Properties Limited and a Director of Orica Limited, AWA Limited and Norwich Union Australia Limited.

Securities held: 8,000 ¹, 20,000 ³



E T Kunkel – President & CEO

B.Sc (56)

Member of the Board, President and Chief Executive Officer since March 1992

Mr Kunkel is a Director of a number of subsidiaries of Foster's Brewing Group Limited and is the only Executive Director on the Board of the Company.

Securities held: 238,185 ¹, 2,400,000 ²



G W McGregor

AO, B.Ec, FCPA, FCA, FAICD (60)

Member of the Board since April 1999 and previously served on the Board between 1992 and 1996

Mr McGregor recently retired as Executive Director Finance at BHP and a member of the BHP Board of Directors.

Securities held: 6,904 ¹



G A Cohen

Dip. Comm. Law, Dip. Tax Law, FCA (65)

Member of the Board since November 1991

Mr Cohen is a former senior partner of Arthur Andersen and is the Chairman of HIH Insurance Ltd. and FBG Superannuation Limited, and a Director of Diversified United Investment Limited.

Securities held: 10,900 ¹, 30,000 ³

Footnotes

1. Fully paid ordinary shares 2. Beneficially held options over 2,400,000 unissued ordinary shares 3. J.B Were Capital Markets Limited Exchangeable Unsecured Notes of \$3.00 each (7.75% Foster's Series)

directors' report

The Directors present their report on the consolidated entity (the "Group") consisting of Foster's Brewing Group Limited (the "Company") and the entities it controlled at the end of, or during, the year ended 30 June 1999.

Principal activities

The principal activities of the Group during the course of the year were the production and marketing of alcoholic and non-alcoholic beverages and major investment in licensed properties.

Financial results

The consolidated net profit of the Group, including abnormal items and after deducting income tax expense and outside equity interests, was \$368.8 million. The result compares with a profit of \$446.6 million for the previous year.

Profit after tax (before abnormal items) increased by 32.6% to \$364.8 million underpinning an increase in earnings per share (before abnormal items) of 33.3% to 21.2 cents.

The net interest expense fell from \$111.4 million to \$61.1 million reflecting lower average debt levels during the year largely due to the \$1.1 billion Molson sale proceeds. The lower net interest expense also reflects the capitalisation of the borrowing costs associated with the financing of certain wine inventories.

The income tax expense increased by 4.9% to \$158.2 million, after adjusting for tax on abnormal items, despite profit growing more strongly. Utilisation of tax losses available to the Group helped to reduce the income tax expense.

There were abnormal profits during 1998/99 arising primarily from the sale of two breweries in China. After adjusting for outside equity interests the net profit from the sales was \$17.7 million.

Partially offsetting the effect on profits of the brewery sales was a decision to reduce the book value of intangibles within the Vietnamese brewing businesses as part of a strategic reassessment of the valuations. The net abnormal profit result was \$4.0 million.

Review of operations

Strong profit growth in each of the operating businesses combined with the beneficial effects of rigorous capital management policies delivered a sharp increase in the return on funds employed for the Group. For the first time in the modern history of the Company, its rate of return exceeded its cost of capital, signalling a new era in building value for shareholders. The result consolidates the position of Foster's as Australia's premium beverage company.

Reported net sales revenue for the Group fell by 6.4% reflecting primarily the sale of the Group's 50% interest in the Molson Breweries partnership at the end of June 1998. Sales revenue, excluding the impact of Molson, rose by 24.5% primarily as a result of business acquisitions within both the Beer and Wine divisions of the Company but also from higher volumes and prices for both beer and wine products.

Profit before interest and tax rose by 9.6% to \$586.1 million despite the Molson transaction. The ongoing businesses (ie. excluding Molson) showed a gain of 27.4% with all the principal operating divisions of the Company – Carlton and United Breweries (CUB), Mildara Blass, Foster's International, Foster's Asia and Lensworth contributing to the profit growth.

Profit within CUB rose by 10.7% to \$466.3 million. The return on funds employed within the Australasian beer and spirits business increased for the seventh

consecutive year although the return within the Retail division declined temporarily, as expected, following the Austotel acquisition.

Mildara Blass' profit before interest and tax rose by 45.3% to \$119.9 million, driven through a combination of improved domestic and export volumes, higher margins and the beneficial impact of several acquisitions.

Foster's International's profit contribution was \$11.0 million compared with \$2.1 million in the prior year following a particularly strong result in the second half of 1998/99. Strong growth in the profitability of the division is likely to continue in the short term based on already agreed royalty payments and expected sales growth.

Foster's Asia reduced its operating loss from \$42.2 million in 1997/98 to \$24.2 million for the current year.

Profits from Property and Investments amounted to \$45.5 million in 1998/99. The largest component of the profit arose from within Lensworth, the division responsible for managing assets remaining from the restructuring of Foster's which began in the early 1990s.

State of affairs

With the exception of a buy-back of partly paid employee shares, there was no significant change in the state of affairs of the Group that occurred during the year ended 30 June 1999.

Shareholding

At an Extraordinary General Meeting on 27 January 1999, shareholders approved a selective buy-back of the 41,405,538 partly-paid shares on issue at that date at fair market value. The buy-back prices for the different parcels were based on an average price of \$4.70. These prices were confirmed by independent experts.

At the date of this report, a total of 38,953,698 partly paid shares have now been bought by the Company for a total consideration of \$67,328,997. FBG Superannuation Limited and FBG Superannuation (No. 2) Pty. Limited no longer hold any partly paid shares. FBG Incentive Pty. Ltd. continues to hold partly paid shares on trust for former and current employees of the Group.

Under the terms of the FBG Employee Share and Option Plan (the "Plan"), a total of 5,300,400 fully-paid ordinary shares were issued to 2,781 Group employees. The shares were allotted at a price of \$3.92, which was the weighted average price of the Company's shares traded on the Australian Stock Exchange (ASX) between 7 December and 11 December, 1998 (inclusive), less 50 cents per share, in accordance with FBG Employee Share Plan rules.

Dividends

The 1997/98 final dividend of \$102.8 million (6 cents per ordinary share) referred to in the Directors' Report dated 24 August 1998 was paid on 2 October 1998.

As a result of the improved earnings and the outlook for the Company, the Directors have decided to increase the final dividend for the year by 25.0% to 7.5 cents per share compared with the final dividend for 1997/98. The total dividend for the year, which will be fully franked, will amount to 13.0 cents, an increase of 18.2% over the dividend for the prior year.

directors' report

Details of dividends in the current year are as follows:

	1999	1998
	\$m	\$m
Interim dividend of 5.5 cents per ordinary share paid 19 March 1999 (1998 5 cents per ordinary share paid 20 March 1998)	95.0	85.6
Final dividend of 7.5 cents per ordinary share proposed by Directors to be paid 1 October 1999 (1998 6 cents per ordinary share paid 2 October 1998)	129.7	102.8
Total dividends	224.7	188.4

All dividends are fully franked at a tax rate of 36%.

Events subsequent to reporting date

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years, except as referred to in this Directors' Report and/or elsewhere in this Annual Report to Shareholders.

Future developments

In the opinion of the Directors, it would prejudice the interests of the Company if the Directors' Report were to refer to any further likely developments in the operations of the Company in subsequent financial years or to the expected results of these operations, beyond the coverage given to these matters elsewhere in this annual report to shareholders.

The Directors

Full details of the Directors of the Company at the date of this report are set out in the section headed "Board of Directors" of the Annual Report to Shareholders on page 26.

Directors' meetings

The number of Directors' meetings and meetings of Committees of Directors held in the period each Director held office during the financial year and the number of meetings attended by each Director are as follows:

Column A indicates the number of meetings held during the period the Director was a member of the Board and/or Committee.

Column B indicates the number of meetings attended during the period the Director was a member of the Board and/or Committee.

Director	Directors' Meetings										
	Board		Committees						Other*		
	A	B	Audit		Human Resources		Compliance		A	B	
Continuing											
GA Cohen	14	14	4	4						7	7
B Healey	14	14	4	3	3	3	2	2		3	3
ET Kunkel	14	14								4	4
GW McGregor	4	4									
JT Ralph	14	14	4	4	3	3				3	3
FJ Swan	14	14			3	3	2	2		3	3
Former											
FG Hilmer	11	7			3	1					

* Other meetings of Committees of Directors are convened as required to discuss specific issues or projects.

In a number of instances Directors attended meetings of the Audit Committee and Human Resources Committee by invitation. These attendances are not recorded in the preceding table. The President and Chief Executive Officer, Mr Kunkel, attended all meetings of the Audit Committee and the Human Resources Committee by invitation except when matters affecting him were discussed.

Year 2000

The following statement is a Year 2000 disclosure statement for the purposes of the Year 2000 Information Disclosure Act 1999 (Commonwealth) and similar State and Territory laws. A person may be protected by that Act from liability for this statement in certain circumstances.

The Company intends to be Year 2000 compliant. It has an established Steering Committee to address Year 2000 procedures and take necessary corrective action. The compliance standards recommended by the ASX, being the British Standards Institution's Year 2000 compliance rules, have been adopted.

A review of technology in 1996 resulted in expenditure by the Group of \$25 million on a technological upgrade of its business systems. By its very nature, the review addressed many of the Year 2000 issues. In the current financial year no significant costs have been incurred outside of those budgeted including technology replacement costs, monitoring costs and other necessary expenditure.

The Company's Year 2000 project has expanded to cover recent acquisitions in the wine and leisure and hospitality divisions. The Company's approach has been to apply the same methodology to the operations of such acquisitions as to the remainder of the organisation.

In addition to assessing its own operations, the Company has taken steps to assess the level of compliance of its regular partners, suppliers and customers.

The Company's goal of completing all compliance testing and remediation by December 1998 was substantially achieved. A small number of remediation projects are yet to be completed. Internal systems were successfully tested during the Easter break in April 1999.

Existing contingency plans, including the crisis management system covering reporting and communication procedures, have been upgraded to specifically cover any Year 2000 issues, in particular where the Year 2000 issues may dictate requirements such as stockpiling raw materials.

Environmental regulation

Management of environmental issues is a core component of operational management within the Group's businesses.

Since the Group is essentially a beverage producer and retailer, operating in a clean environment producing wholesome, safe products is a key element of its business culture. The Group's production involves large quantities of naturally-produced inputs, consumes energy and other processing materials, and releases wastes to sewers, land and air. The discharges are regulated through a range of licences.

Group policy is to ensure that all environmental laws are observed and the Group monitors its operations by a compliance system overseen by the Compliance Committee.

The Group's various operations involve relatively low environmental risks. In the course of day-to-day operations, matters of non-compliance are identified from time to time and are corrected as part of routine management, as are requirements that are notified by regulatory authorities.

Under the compliance system, the Compliance Committee and the Board of Directors are advised of matters involving non-compliance. Compliance reports detail non-compliances and the corrective actions which have been taken to rectify them.

Greenhouse emissions and concerns about climate changes are an issue for some of the Company's operations. CUB was an early signatory to the Greenhouse Challenge programme and is making significant reductions in its energy consumption.

The management of waste packaging materials is also an integral part of the Group's operations and is implemented through the principle of product stewardship. For example, CUB, through its participation in the Beverage Industry Environment Council, has been a contributor to the development of the recently ratified National Packaging Covenant and CUB will itself be an early signatory to the Covenant.

In relation to viticulture, Mildara Blass is proactively involved in environmental land management, particularly concerning vineyard development projects.

Directors' and executives' emoluments

Remuneration policy

Remuneration policy in respect of non-executive Directors and senior executives is referred to in the Corporate Governance section of the annual report.

The Human Resources Committee, consisting of three non-executive Directors, makes recommendations to the Board on salaries and bonuses and more generally on Group issues, plans and policies relating to the management of human resources.

The fees payable to non-executive Directors are determined by the Board within the aggregate amount approved by shareholders. Board fees are not paid to executive Directors since the responsibilities of Board membership are considered in determining the remuneration provided as part of their normal employment conditions.

Relationship between remuneration policy and Company performance

Because the focus of the Board is on the long-term strategic direction of the Company, there is no direct link between non-executive Director remuneration and the short-term results of the Company. The long-term performance of the Company, relative to other large corporations, is considered among other factors in setting the fee pool, which is periodically proposed to shareholders at the Annual General Meeting for approval.

The Company's remuneration policy is to ensure that remuneration packages properly reflect the duties and responsibilities of the senior executives and are suitable to attract and retain the best available executive talent. Remuneration packages are structured in such a way that a significant part of the individual's reward depends upon the achievement of business objectives and the profitability of the Company. All senior executives have performance objectives which include the achievement of operating result targets.

The composition of senior executive remuneration is made up as follows:

Base, or Fixed Remuneration – determined by the scope of the role, level of knowledge, skill and experience required of the individual, together with individual performance.

Short-term Incentive – typically comprises a target of up to 40% of fixed remuneration, based on the achievement of key performance and operating result objectives.

Long-term Incentive – in the past this has been provided via the issue of share options, subject to achievement of performance hurdles to enable exercise. Reward for the achievement of long-term shareholder return is now provided via the Long-term Incentive Plan, approved by shareholders in 1998. Under the Plan, participants may be entitled to ordinary shares in the Company if certain performance standards are met. The performance standard is measured by total shareholder return compared with a peer group which now contains 49 companies. As at 30 June 1999, the Company's ranking against this peer group was 19th. This would entitle senior executive participants to shares that equate to the value of 48% of their total remuneration if this performance is maintained at the end of the three-year period ending 31 August 2001.

directors' report

Emolument details

Details of the nature and amount of each element of the emoluments of each Director of Foster's Brewing Group Limited and each of the five officers of the Company and the consolidated entity receiving the highest emoluments are set out in the following tables:

Non-Executive Directors of Foster's Brewing Group Limited				
Name	Base Fee	Committee Fees	Superannuation ⁴	Total
	\$	\$	\$	\$
JT Ralph	187,500	–	78,911	266,411
GA Cohen ¹	60,000	40,000	18,888	118,888
FG Hilmer ²	73,929	2,464	37,212	113,605
B Healey	60,000	13,000	24,606	97,606
FJ Swan	60,000	6,750	29,831	96,581
GW McGregor ³	10,879	–	197	11,076

1. GA Cohen's Committee fees include \$25,000 received as Chairman of the FBG Superannuation Fund. These amounts were paid by the Company.
 2. FG Hilmer resigned from the Board on 26 April 1999.
 3. GW McGregor was appointed to the Board on 26 April 1999.
 4. The imputed value for superannuation contributions is based on the terms and conditions as set out in the relevant superannuation trust deed and Directors' retirement benefits agreements. The amount does not form part of the maximum Directors' fees as approved by shareholders but represents the funding of future retirement benefits approved by shareholders at the Annual General Meeting held on 14 November 1988.

Executives of Foster's Brewing Group Limited and the consolidated entity			
Name	Base Salary and Benefits ¹	Bonus	Total ⁶
	\$	\$	\$
Executive Director and CEO			
Edward Kunkel ²	1,319,216	747,964	2,067,180
Other Executives			
Peter Nicholson ^{3,4}	475,380	652,992	1,128,372
Nuno D'Aquino ²	763,092	286,000	1,049,092
John O'Grady ²	555,761	450,000 ⁵	1,005,761
Peter Bobeff ²	711,634	255,100	966,734
James King ²	593,995	212,700	806,695
Trevor O'Hoy ²	464,731	168,000	632,731

1. Benefits include, where applicable, superannuation contributions, motor vehicle lease payments and running costs, allowances and FBT.
 2. Executive of Foster's Brewing Group Limited and the consolidated entity.
 3. Executive of the consolidated entity only.
 4. The component of Mr Nicholson's bonus that relates to annual performance is determined on a calendar year basis, consequently the annual performance component of this bonus disclosed above is for the year ended 31 December 1998.
 5. Mr O'Grady's bonus includes an amount by way of long-term incentive bonuses earned in relation to previous years but paid in the 1998/99 year.
 6. Excludes any benefits relating to the Long-term Incentive Plan ("LTIP") except as referred to in note 5 above.

Long-term Incentive Plan ("LTIP")

By a resolution on 26 October 1998 the members of the Company authorised the Directors to establish the FBG LTIP. Under this plan, the Board may make offers to certain employees to participate in the LTIP. Should certain performance standards be met then plan participants will be entitled to shares to be issued by the Company (initially held in trust for participants).

The performance standard is the Company's relative performance compared with a peer group of companies.

If the Company's relative performance is below the median of the peer group, no shares shall be issued. If the Company's relative performance is at the median or above, the participants will be entitled to between 50% and 100% of a set percentage of their total remuneration package ("TR") at the date of the offer to the participant. The set percentage of their TR is dependent on the category of their employment as set out below:

	Median 50% Entitlement (% of TR)	Top Rate 100% Entitlement (% of TR)
Senior executive	40	80
Executive	30	60
Senior management	15	30

It is difficult to assess the value of the economic benefits of the LTIP because the benefit only accrues to the executive if the performance criteria are satisfied and to the extent they are satisfied.

In determining the benefit arising for executives participating in the LTIP, the Directors have taken actuarial advice and a weighted average of share entitlements has been calculated assuming a uniform distribution for the Company's ultimate ranking.

Set out below is the estimated value of LTIP benefits attributed to the following executives:

Name	LTIP Benefit
	\$
Executive Director and CEO	
Edward Kunkel	485,200
Other Executives	
Nuno D'Aquino	218,340
Peter Bobeff	196,506
James King	162,542
Trevor O'Hoy	128,578
John O'Grady	114,022

Options

Details of the ordinary shares of the Company under options at the date of this report are:

Issue Date	Exercise Price \$ per Share	Hurdle Price \$ per Share	Expiry Date	No. of Options	No. of Shares
1996	2.12	3.08	Sept 1999	4,480,000	4,480,000
1996	2.12	3.40	Sept 2000	4,480,000	4,480,000
1997	2.36	3.08	Sept 1999	300,000	300,000
1997	2.36	3.40	Sept 2000	300,000	300,000
1998	2.48	3.08	Sept 1999	420,000	420,000
1998	2.48	3.40	Sept 2000	420,000	420,000
1998	2.73	3.08	Sept 1999	1,100,000	1,100,000
1998	2.73	3.40	Sept 2000	700,000	700,000
				12,200,000	12,200,000

These options can only be exercised if the last sale price of the Company's shares on the ASX reaches or exceeds the hurdle price on any five consecutive business days during the year preceding the time of exercise.

There were no options issued by the Company during the current year.

During or since the end of the financial year the Company issued ordinary shares as a result of the exercise of options as follows:

Number of Shares	Amount Paid on each Share
4,016,363	\$2.12
300,000	\$2.36

The above options were previously valued when granted and included in prior years' disclosures of remuneration of Directors and executives.

Indemnification of officers

The Company has entered into insurance contracts which indemnify Directors and officers of the Company and its controlled entities against liabilities. In accordance with normal commercial practices, under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of premiums paid are confidential.

No person has been indemnified and no company in the Group has made an agreement for indemnifying any person who is or has been an officer of any company in the Group, except costs, including legal fees, for certain former Directors.

Rounding

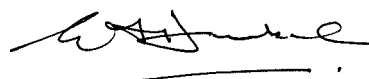
The Company is a company of the kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded to the nearest tenth of one million dollars or, where the amount is \$50,000 or less, zero, unless specifically stated to be otherwise.

This report is made in accordance with a Resolution of the Board of Directors and is signed for and on behalf of the Directors.

Dated 23 August 1999



John T Ralph
Chairman



ET (Ted) Kunkel
President and Chief Executive Officer

consolidated profit and loss statement

Consolidated Profit and Loss Statement for the year ended 30 June 1999		1999	1998
	NOTE	CONSOLIDATED	
		\$m	\$m
Operating revenue	2	3,125.1	4,898.8
Operating profit before interest and abnormal items		586.1	534.8
Net interest expense		(61.1)	(111.4)
Operating profit before abnormal items and income tax #		525.0	423.4
Abnormal items *	3	18.7	128.1
Operating profit before income tax		543.7	551.5
Income tax attributable to operating profit		(158.2)	(140.6)
Operating profit after income tax		385.5	410.9
Outside equity interests in operating profit after income tax		(16.7)	35.7
Operating profit after income tax attributable to members of Foster's Brewing Group Limited		368.8	446.6
Retained profits at the beginning of the year		245.9	52.5
Aggregate of amounts transferred from/(to) reserves		9.7	(64.8)
Total available for appropriation		624.4	434.3
Ordinary dividends			
– interim paid	5	(95.0)	(85.6)
– final payable	5	(129.7)	(102.8)
Retained profits at the end of the year		399.7	245.9
Earnings per share (cents)			
Basic			
– before abnormal items		21.2	15.9
– after abnormal items		21.5	25.8
Diluted			
– before abnormal items		21.1	15.8
– after abnormal items		21.3	25.6
# Operating profit before abnormal items			
Operating profit before abnormal items and income tax		525.0	423.4
Income tax attributable to operating profit before abnormal items		(158.2)	(150.8)
Operating profit after income tax and before abnormal items		366.8	272.6
Outside equity interests		(2.0)	2.6
Operating profit after income tax but before abnormal items attributable to members of Foster's Brewing Group Limited		364.8	275.2
* Abnormal items			
Abnormal items included in operating profit before income tax		18.7	128.1
Income tax benefit attributable to abnormal items		–	10.2
Abnormal items after income tax		18.7	138.3
Outside equity interests		(14.7)	33.1
Abnormal items after income tax attributable to members of Foster's Brewing Group Limited		4.0	171.4

The above Consolidated Profit and Loss Statement should be read in conjunction with the accompanying discussion and analysis and notes.

consolidated balance sheet

Consolidated Balance Sheet at 30 June 1999		1999	1998
		CONSOLIDATED	
		\$m	\$m
Current assets			
Cash		164.5	299.5
Receivables		329.1	292.3
Inventories		501.5	348.2
Investments		–	19.0
Other		25.2	20.9
Total current assets		1,020.3	979.9
Non-current assets			
Receivables		48.6	48.1
Inventories		236.5	283.2
Investments		51.7	141.1
Property, plant and equipment		2,200.0	1,714.8
Intangibles		1,274.8	1,166.2
Other		76.1	86.5
Total non-current assets		3,887.7	3,439.9
Total assets		4,908.0	4,419.8
Current liabilities			
Accounts payable		455.1	457.7
Borrowings		158.2	162.4
Provisions		332.9	294.7
Total current liabilities		946.2	914.8
Non-current liabilities			
Accounts payable		48.0	32.3
Borrowings		1,012.3	744.8
Provisions		202.8	209.0
Total non-current liabilities		1,263.1	986.1
Total liabilities		2,209.3	1,900.9
Net assets		2,698.7	2,518.9
Shareholders' equity			
Share capital		1,959.5	1,713.4
Reserves		303.8	554.8
Retained profits		399.7	245.9
Shareholders' equity attributable to members of Foster's Brewing Group Limited		2,663.0	2,514.1
Outside equity interests in controlled entities		35.7	4.8
Total shareholders' equity		2,698.7	2,518.9

The above Consolidated Balance Sheet should be read in conjunction with the accompanying discussion and analysis and notes.

consolidated statement of cash flows

Consolidated Statement of Cash Flows for the year ended 30 June 1999		1999	1998
		CONSOLIDATED	
		\$m	\$m
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		4,348.0	4,689.0
Payments to suppliers, employees and principals		(3,806.7)	(4,216.6)
Dividends received		1.3	1.5
Interest received		94.9	159.8
Interest paid		(162.3)	(277.8)
Income taxes paid		(129.2)	(58.5)
Contributions from partnerships		–	26.4
Net cash flows from operating activities		346.0	323.8
Cash flows from investing activities			
Payments to acquire controlled entities (net of cash balances acquired)		(430.4)	(169.1)
Payments to acquire outside equity interests in controlled entities		(26.9)	–
Payments for property, plant and equipment		(195.9)	(241.3)
Payments for acquisition of investments and other assets		(33.4)	(263.4)
Loans made		(0.2)	(19.6)
Proceeds from repayment of loans		15.1	21.3
Proceeds from sale of controlled entities		3.5	–
Proceeds from sale of property, plant and equipment		38.8	82.6
Proceeds on sale of interest in Molson Breweries		–	1,048.3
Proceeds on sale of interest in Intreprenuer Pub Company Limited		–	449.4
Proceeds from sale of investments and other assets		121.5	185.5
Net cash flows from investing activities		(507.9)	1,093.7
Cash flows from financing activities			
Payments for shares bought back		(69.6)	(625.0)
Proceeds from borrowings		2,078.8	957.5
Repayment of borrowings		(1,804.2)	(1,400.9)
Proceeds from exercise of options and capital called up		11.0	–
Dividends paid		(196.7)	(187.6)
Equity contribution from outside equity interests		–	4.0
Net cash flows from financing activities		19.3	(1,252.0)
Total cash flows from activities		(142.6)	165.5
Cash at the beginning of the year		287.5	111.1
Effect of exchange rate changes on foreign currency cash flows and cash balances		(5.5)	10.9
Cash at the end of the year		139.4	287.5

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying discussion and analysis and notes.

discussion and analysis

consolidated profit and loss statement

Consolidated operating profit after tax for the year was \$385.5 million, representing a decrease of 6.2% from the previous year's result of \$410.9 million.

Operating revenue for the year was \$3,125.1 million compared with \$4,898.8 million in the previous year. The decrease of \$1,773.7 million is largely attributable to the 1997/98 trading result and disposal of Molson Breweries.

Last year's operating revenue included \$736.2 million of beer sales derived from the Group's share of earnings in Molson Breweries and proceeds of \$1,114.8 million on the sale of Molson. Operating revenue in 1997/98 also included

\$462.9 million from the sale of the Group's investment in the Inntrepreneur Pub Company Limited.

Abnormal items of \$18.7 million comprise the net profit on disposal of two China breweries partly offset by a write-down of intangibles in Foster's Asia.

In 1998 an abnormal profit of \$128.1 million was reported attributable to profit on sale of investments in Molson Breweries and Inntrepreneur Pub Company Limited, partly offset by asset write-downs and provisions associated with a business rationalisation and restructure.

consolidated balance sheet

Consolidated net assets increased by \$179.8 million to \$2,698.7 million during the year. Total assets increased by \$488.2 million to \$4,908.0 million.

The increase in total assets principally comprises:

- an increase in current and non-current receivables of \$37.3 million mainly arising from Wine business acquisitions;
- an increase in current and non-current inventories of \$106.6 million mainly attributable to acquisitions in the Lensworth, Wine and CUB businesses and from increased red wine stocks;
- an increase in property, plant and equipment mainly associated with the acquisition of Austotel and other purchases; and
- an increase in intangibles of \$108.6 million mainly comprising brand names acquired and an increase in goodwill mainly from business acquisitions;

offset by:

- a decrease in cash of \$135.0 million and investments of \$108.4 million.

Share capital and reserves have changed during the year primarily as a consequence of the abolition of the concept of the "par value" of shares by the Company Law Review Act 1998. The following amounts were transferred from reserves to the share capital account:

	\$m
Share premium reserve	274.7
Capital redemption reserve	6.0
Capital reconstruction reserve	3.2
	283.9

The buy-back of partly paid shares during the year also reduced share capital by \$69.6 million.

Return on funds attributable to members of Foster's Brewing Group Limited, before abnormal items, was 13.7% compared with 10.9% for the previous year (after abnormal items 13.8%; 1998 17.8%).

consolidated statement of cash flows

Net cash inflows from operating activities were \$346.0 million, an increase of \$22.2 million over the previous year.

Payments to acquire controlled entities mainly reflect the purchase cost of Austotel, Pallhuber and a number of other business purchases within the Wine and Lensworth property divisions.

Proceeds from the sale of investments mainly arise from the disposal of investments in Beswick and Suranai.

Payment for shares bought back of \$69.6 million is in relation to the partly paid share buy-back approved by shareholders in January 1999.

notes to the consolidated financial statements

Note 1 Accounting policies

The concise financial report has been prepared in accordance with the requirements of the Corporations Law, Accounting Standard AASB 1039: Concise Financial Reports and applicable Urgent Issues Group Consensus Views. The financial statements and specific disclosures required by AASB 1039 have been derived from the consolidated entity's full financial report for the financial year. Other information included in the concise financial report is consistent with the consolidated entity's full financial report.

The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The accounting policies adopted are consistent with those of previous years.

Note 2 Operating revenue

	1999	1998
	CONSOLIDATED	
	\$m	\$m
Sales revenue	2,795.2	2,986.3
Other operating revenue	329.9	1,912.5
	3,125.1	4,898.8

Note 3 Abnormal items

	1999	1998
	CONSOLIDATED	
	\$m	\$m
(tax effect nil unless stated otherwise)		
Net profit on disposal of		
– Inntrepreneur Pub Company Limited and residual UK assets	–	6.1
– Molson Breweries and Coors Canada Partnerships (tax expense applicable \$20.0 million)	–	480.0
Rationalisation and restructuring of Foster's Asia operations		
– net profit on disposal of two China breweries	32.4	–
– write-down of intangibles	(13.7)	–
– write-down of property, plant and equipment	–	(142.9)
– other assets and costs (outside equity interests 1999 \$14.7 million, 1998 \$33.1 million)	–	(57.9)
Group rationalisation and restructuring of assets		
– write-down of property, plant and equipment (tax benefit applicable \$6.8 million)	–	(67.8)
– other assets and costs (tax benefit applicable on consolidated result \$15.9 million)	–	(60.6)
Effect on the Group's profit share from Molson Breweries		
– restructuring and other costs	–	(8.0)
Increase in provisions for bonus and other employee entitlements due to change in accounting policy (tax benefit applicable \$7.5 million)	–	(20.8)
	18.7	128.1

notes to the consolidated financial statements

Note 4 Segment results

	TOTAL OPERATING REVENUE		INTER- SEGMENT SALES		NET EXTERNAL OPERATING REVENUE		OPERATING PROFIT BEFORE INCOME TAX		TOTAL ASSETS AT YEAR END	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Industry segments										
Beer – Continuing	1,579.1	1,498.1	(58.5)	(35.1)	1,520.6	1,463.0	371.9	327.0	2,128.6	2,075.4
– Molson	–	740.7			–	740.7	–	74.7	–	–
Retail	756.6	501.2			756.6	501.2	81.2	54.1	849.4	449.1
Wine	583.9	418.8	(2.4)		581.5	418.8	119.9	82.5	1,354.8	1,083.6
Property and investments	193.8	90.7			193.8	90.7	45.5	28.6	292.5	370.3
Corporate	35.1	47.4			35.1	47.4	(32.4)	(32.1)	282.7	441.4
Abnormal items	37.5	1,637.0			37.5	1,637.0	18.7	128.1	–	–
	3,186.0	4,933.9	(60.9)	(35.1)	3,125.1	4,898.8	604.8	662.9	4,908.0	4,419.8
Unallocated										
Net interest expense							(61.1)	(111.4)		
							543.7	551.5		
Geographical segments										
Australia and Pacific	2,812.9	2,434.1	(60.9)	(35.1)	2,752.0	2,399.0	541.1	481.4	4,105.9	3,977.3
Asia	76.3	65.1			76.3	65.1	(24.3)	(42.2)	114.9	133.1
Europe	164.8	41.5			164.8	41.5	70.2	19.7	451.2	71.6
Americas	94.5	756.2			94.5	756.2	(0.9)	75.9	236.0	237.8
Abnormal items	37.5	1,637.0			37.5	1,637.0	18.7	128.1	–	–
	3,186.0	4,933.9	(60.9)	(35.1)	3,125.1	4,898.8	604.8	662.9	4,908.0	4,419.8

The Group operates predominantly in the beverage industry which includes the production and marketing of alcoholic and non-alcoholic beverages and major investment in licensed properties.

This year the Retail business (Australian hotel operations principally comprising hospitality and entertainment) of Carlton and United Breweries has been identified as a separate industry segment. In prior periods, the Retail business

was included in the Beer segment. The Group disposed of its investment in Molson in 1998 and these results have been disclosed separately. The Lensworth division is included in "Property and investments". The net interest expense has not been allocated across segments as the financing function of the Group is centralised through the Group's Treasury division. Intersegment pricing is on an arm's length basis.

Note 5 Dividends

	1999		1998	
	CONSOLIDATED			
	\$m	\$m	\$m	\$m
Interim dividend of 5.5 cents per ordinary share paid 19 March 1999 (1998 5 cents per ordinary share paid 20 March 1998)	95.0		85.6	
Final dividend of 7.5 cents per ordinary share proposed by Directors to be paid 1 October 1999 (1998 6 cents per ordinary share paid 2 October 1998)	129.7		102.8	
	224.7		188.4	

All dividends are fully franked at a tax rate of 36%.

independent
audit report
to the members of Foster's Brewing Group Limited

Scope

We have audited the concise financial report of Foster's Brewing Group Limited (the Company) for the financial year ended 30 June 1999 as set out on pages 32 to 37, in order to express an opinion on it to the members of the Company. The Company's Directors are responsible for the concise financial report.


Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of the Company for the financial year ended 30 June 1999. Our audit report on the full financial report was signed on 23 August 1999, and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information included in it is consistent with the full financial report, and examination, on a test basis, of evidence supporting the amounts, discussion and analysis and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion as to whether the concise financial report complies with Accounting Standard AASB 1039: Concise Financial Reports in that, in all material respects, it is presented fairly in accordance with that standard.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the concise financial report of the Company complies with Accounting Standard AASB 1039: Concise Financial Reports.



PricewaterhouseCoopers
Chartered Accountants



Paul W Brasher
Partner

Melbourne 23 August 1999

details of shareholders, shareholdings and top 20 shareholders

Details of Shareholders and Shareholdings

Holding of securities

LISTED SECURITIES – 23 AUGUST 1999	NO. OF HOLDERS	NO. OF SECURITIES	% HELD BY TOP 20
Fully paid ordinary shares	130,219	1,722,755,102	68.75
UNLISTED SECURITIES – 23 AUGUST 1999	ISSUE NO.	NO. OF HOLDERS	NO. OF SHARES
Ordinary shares issued under the 1987 Foster's Employee Share Plan and paid to 1.67 cents each			
Issue price of \$5.83 per share	50	2	209,700
Issue price of \$7.38 per share	51	1	4,500
Issue price of \$7.97 per share	53	1	27,870
Issue price of \$9.40 per share	55	1	600,000
Issue price of \$8.30 per share	56	2	63,390
Issue price of \$7.70 per share	57	2	32,700
Issue price of \$7.63 per share	58	1	25,290
Issue price of \$7.33 per share	59	1	31,800
Issue price of \$4.83 per share	60	2	719,160
Issue price of \$5.00 per share	61	1	142,740
Issue price of \$4.92 per share	62	1	80,760
Issue price of \$4.65 per share	63	2	54,600
Issue price of \$4.42 per share	64	1	1,950
Issue price of \$4.32 per share	65	1	2,100
			1,996,560

FBG Incentive Pty. Ltd. holds 1,967,940 of the above shares as trustee for 413 participants in the 1987 Foster's Employee Share Plan.

Options – 1 September 1999

Options issued under the 1987 Foster's Employee Share Plan

EMPLOYEE OPTIONS EXERCISABLE AT:	NO. OF SHARES IF OPTIONS ARE EXERCISED
– \$2.12 per share	5,502,726
– \$2.36 per share	460,000
– \$2.48 per share	840,000
– \$2.73 per share	1,030,000
	7,832,726

All the above options are held by FBG Incentive Pty. Ltd. as trustee for 25 participants in the 1987 Foster's Employee Share Plan.

Distribution of holdings – 23 August 1999

NUMBER HELD	NO. OF ORDINARY SHAREHOLDERS
1-1,000	50,472*
1,001-5,000	63,330
5,001-10,000	9,988
10,001-100,000	6,048
100,001 and over	381
	130,219
* Of these, 4,149 ordinary shareholders held less than a marketable parcel of \$500 worth of shares (108 shares). In accordance with ASX Business Rules, the last sale price of the Company's shares on the ASX on 23 August 1999 was used to determine the number of shares in a marketable parcel.	

Twenty largest shareholders – 23 August 1999

	NO. OF FULLY PAID ORDINARY SHARES	% OF FULLY PAID ORDINARY SHARES
Westpac Custodian Nominees Limited	303,467,816	17.62
Chase Manhattan Nominees Limited	263,854,786	15.32
National Nominees Limited	203,602,212	11.82
ANZ Nominees Limited	61,713,559	3.58
BT Custodial Services Pty Limited	60,681,551	3.52
Citicorp Nominees Pty. Ltd.	56,888,857	3.30
Perpetual Trustees Victoria Limited	28,367,151	1.65
Queensland Investment Corporation	27,663,453	1.61
AMP Life Limited	26,257,033	1.52
Permanent Trustee Australia Limited	25,246,774	1.47
MLC Limited	24,415,076	1.42
Commonwealth Custodial Services Limited	16,783,022	0.97
National Mutual Life Association of Australasia Limited	16,217,914	0.94
HKBA Nominees Limited	14,568,296	0.85
Commonwealth Life Limited	12,368,653	0.72
Perpetual Trustee Company Limited	11,084,035	0.64
Perpetual Trustees Nominees Limited	10,349,904	0.60
Permanent Trustee Company Limited	7,321,288	0.42
Colonial Portfolio Services Limited	7,182,882	0.42
Invia Custodian Pty Limited	6,150,433	0.36
	1,184,184,695	68.75

Substantial shareholders – 23 August 1999

The following shareholders have declared a relevant interest in the number of voting shares shown adjacent at the date of giving the notice under Part 6.7 of the Corporations Law.

The Capital Group Companies, Inc	187,153,319
Delaware International Advisers Limited	86,773,448

shareholder information

Annual General Meeting

The Annual General Meeting of Foster's Brewing Group Limited will be held on Monday, 25 October 1999 at 11.00 am at the Tumbalong Auditorium, Sydney Convention and Exhibition Centre South, Darling Harbour, Sydney, NSW. Full details are contained in the Notice of Meeting sent to all shareholders.

Voting Rights

Shareholders are encouraged to attend the Annual General Meeting. However, when this is not possible, they are encouraged to use the form of proxy by which they can express their views.

Every shareholder, proxy or shareholder's representative has one vote on a show of hands. In the case of a poll, each share held by every shareholder, proxy or representative is entitled to

- one vote for each fully paid share; and
- voting rights in proportion to the paid up amount of the issue price for partly paid shares.

Stock Exchange Listings

Shares of Foster's are listed under the symbol "FBG" on the Australian Stock Exchange. The securities of the Company are traded on the Australian Stock Exchange under CHESS (Clearing House Electronic Sub-register System) which allows settlement of on-market transactions without having to rely on paper documentation. Shareholders seeking more information about CHESS should contact their stockbroker or the Australian Stock Exchange.

Ordinary shares in Foster's Brewing Group are also listed on the London Stock Exchange. American Depositary Receipts, sponsored by the Bank of New York, are listed on the Toronto and Montreal Stock Exchanges and can be purchased through brokers in the US.

Share Register and other inquiries

If you have any questions in relation to your shareholding, share transfers or dividends, please contact our share registrar:

Perpetual Registrars Limited
Level 4, 333 Collins Street
Melbourne Victoria 3000 Australia

Telephone: (61) 3 9205 4999
Outside Melbourne: 1800 331 721
(for Australian callers)
Facsimile: (61) 3 9205 4900

E-mail: registry_melb@perpetual.com.au
Internet: www.perpetual.com.au/prl/index.htm

Please include your shareholder reference number (SRN) in all correspondence to the share registry.

In Britain, questions can be directed to:
Foster's Brewing Group Limited
Montrose House, Chertsey Boulevard
Hanworth Lane, Chertsey, Surrey KT16 9JX
United Kingdom

Telephone: (44) 1932 570265
Facsimile: (44) 1932 566703

For inquiries relating to the operations of the company, please contact the Foster's Brewing Group Investor Relations Department on:

Telephone: (61) 3 9633 2773
Facsimile: (61) 3 9633 2634

E-mail: investor.relations@fosters.com.au

Written correspondence should be directed to:
Vice President Investor Relations
Foster's Brewing Group Limited
GPO Box 753F Melbourne Victoria 3001

Dividends

A final dividend of 7.5 cents per share will be paid on 1 October 1999 to shareholders registered on 10 September 1999. For Australian tax purposes, the dividend will be 100% franked at the 36% tax rate.

Australian shareholders can elect to have dividends paid directly into a bank account anywhere in Australia. Forms for this purpose are available on request from the share registry.

Tax File Numbers

Australian taxpayers who do not provide details of their tax file number will have dividends subjected to the top marginal personal tax rate plus Medicare levy. It may be in the interests of shareholders to ensure that tax file numbers have been supplied to the share registry.

Forms are available from the share registry should you wish to notify us of your tax file number or tax exemption details.

Change of Address

It is important for shareholders to notify the share registry in writing promptly of any change of address. As a security measure, the old address should also be quoted as well as your SRN.

Key Dates

10 September 1999

Record date (books closing) for 1998/99 final dividend.

24 September 1999

Annual Report sent to shareholders

1 October 1999

Final dividend for 1998/99 payable

25 October 1999

Annual General Meeting

7 February 2000

Announcement of profit result for half year ending 31 December 1999

3 March 2000*

Record date (books closing) for 1999/2000 interim dividend

17 March 2000*

Interim dividend for 1999/2000 payable

30 June 2000

End of financial year

28 August 2000*

Announcement of profit result for 1999/2000

* *Likely dates. Subject to confirmation.*

Foster's Brewing Group Limited
ACN 007 620 886
Company Secretary:
Peter A. Bobeff

Registered Office:
77 Southbank Boulevard
Southbank Victoria 3006 Australia
Telephone: (61) 3 9633 2000
Facsimile: (61) 3 9633 2002

directory

Foster's Brewing Group Limited
Carlton and United Breweries Limited
Foster's Asia
Foster's International

77 Southbank Boulevard
Southbank, Victoria 3006
Australia

Telephone: (61) 3 9633 2000
Facsimile: (61) 3 9633 2002
Website: www.fosters.com.au

Mildara Blass Limited
170 Bridport Street
Albert Park, Victoria 3206
Australia

Telephone: (61) 3 9690 9966
Facsimile: (61) 3 9690 9319

Lensworth Group Limited
Level 34, 385 Bourke Street
Melbourne, Victoria 3000
Australia

Telephone: (61) 3 9606 1700
Facsimile: (61) 3 9606 1717

Foster's Brewing Group Limited

Concise Annual Report 1999

77 Southbank Boulevard Southbank Victoria 3006 Australia

