

27 October 2011

RELEASE OF EXPLANATORY BOOKLET

Foster's announces today that the Australian Securities and Investments Commission has registered the Explanatory Booklet in relation to the previously announced scheme of arrangement (**Scheme**) and interconditional capital return (**Capital Return**) (together, the **Transaction**). Printed copies of the Explanatory Booklet, including an independent expert's report, will be mailed to Foster's shareholders over the next week. A copy of the Explanatory Booklet, including the independent expert's report, is attached to this announcement.

The Board of Foster's unanimously recommends that Foster's shareholders vote in favour of both the Scheme and the Capital Return at the shareholder meetings to be held on 1 December 2011, in the absence of a superior proposal. Subject to those same qualifications, each Director of Foster's intends to vote all the Foster's shares held or controlled by them in favour of the Scheme and the Capital Return at the shareholder meetings.

Furthermore, the Independent Expert, Grant Samuel, has concluded that the Transaction is fair and reasonable, and in the best interests of Foster's shareholders. The Independent Expert has assessed the full underlying value of Foster's at between \$5.17 and \$5.70 per fully paid share. The Scheme and Capital Return consideration of \$5.40 per fully paid share falls well within this range.

If you have any questions in relation to the Scheme or the Capital Return, or the Explanatory Booklet, please contact the Foster's shareholder information line on 1300 048 608 (within Australia) or +61 3 9415 4812 (international) on Business Days between 9.00am and 5.00pm (Melbourne time).

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FOSTER'S

GROUP LTD

Explanatory Booklet

For a recommended scheme of arrangement and equal capital reduction in relation to the proposed acquisition of all of your Foster's Group Limited shares by SABMiller Beverage Investments Pty Limited, an indirect wholly owned Australian subsidiary of SABMiller plc.

VOTE IN FAVOUR

The Directors recommend that you vote in favour of the Scheme and the Capital Return, in the absence of a Superior Proposal.

The Independent Expert has concluded that the Transaction is fair and reasonable and in the best interests of Foster's Shareholders. This Booklet is important and requires immediate attention. You should read this Booklet in its entirety before deciding whether or not to vote in favour of the resolutions to approve the Transaction. If you are in any doubt as to what you should do, you should seek independent financial, taxation or other professional advice before voting on the resolutions to approve the Transaction. If you have recently sold your Foster's Shares, please ignore this Booklet.

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

Financial Advisers

Legal Adviser

**Goldman
Sachs**


GRESHAM
INVESTMENT HOUSE

Allens Arthur Robinson 

Important notices and disclaimers

Purpose of this Booklet

This Booklet is important. Foster's Shareholders should carefully read this Booklet in its entirety before deciding whether or not to vote in favour of the resolutions to approve the Transaction.

This Booklet provides Foster's Shareholders with information about the proposed acquisition of Foster's by SABMiller Beverage Investments and the proposed Capital Return, certain information required by law and all other information known to the Directors which is material to the decision of Foster's Shareholders to vote in favour of, or against, the resolutions to approve the Transaction and includes:

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

Responsibility for information

Except as set out in paragraphs (a) and (b) below, this Booklet has been prepared by, and is the responsibility of, Foster's and the SABMiller Parties do not assume any responsibility for the accuracy or completeness of this Booklet.

- (a) The information contained in Section 5 has been prepared by, and is the responsibility of, SABMiller and SABMiller Beverage Investments and the Foster's Parties do not assume any responsibility for the accuracy or completeness of the information contained in Section 5.
- (b) The Independent Expert's Report contained in Appendix 1 to this Booklet has been prepared by, and is the responsibility of, Grant Samuel and the Foster's Parties and the SABMiller Parties do not assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

Role of ASIC and ASX

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

A copy of this Booklet will be lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Booklet.

Important notice associated with Court order under section 411(1) of the Corporations Act

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

- (a) has formed any view as to the merits of the Scheme or as to how Foster's

Shareholders should vote on the Scheme Resolution (on this matter Foster's Shareholders must reach their own decision); or

- (b) has prepared, or is responsible for, the content of the explanatory statement.

Investment decisions

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

Forward looking statements

Certain statements in this Booklet are about the future. Foster's Shareholders should be aware that there are risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of Foster's to be materially different from the future conduct, results, performance or achievements expressed or implied by such statements or that could cause the future conduct to be materially different from historical conduct. Such risks, uncertainties, assumptions and other important factors include, among other things, the reasons why Foster's Shareholders may not want to vote in favour of the Transaction set out in Section 1.2. Deviations as to future conduct, results, performance and achievements are both normal and to be expected.

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

The forward looking statements in this Booklet reflect views held only as at the date of this Booklet. Additionally, statements of the intentions of SABMiller and SABMiller Beverage Investments reflect their present intentions as at the date of this Booklet and may be subject to change. Subject to the Corporations Act and any other applicable laws or regulations, Foster's, SABMiller and SABMiller Beverage Investments disclaim any duty to update any forward looking statements other than with respect to information that they become aware of prior to the Meetings which is material to the making of a decision regarding whether or not to vote in favour of the Scheme or the Capital Return.

Notice to Foster's Shareholders in jurisdictions outside Australia

This Booklet complies with the disclosure requirements applicable in Australia, which may be different to those in other countries.

Privacy and personal information

Foster's, SABMiller, SABMiller Beverage Investments and their respective share registries may need to collect personal information to effect the Transaction. The personal information may include the names, contact details and details of holdings of Foster's Shareholders, together with contact details of individuals appointed as proxies, attorneys or

corporate representatives for the Meetings. The collection of some of this information is required or authorised by the Corporations Act.

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

The information may be disclosed to Foster's, SABMiller, SABMiller Beverage Investments and their respective related bodies corporate and Advisers, print and mail service providers, share registries, securities brokers and any other service provider to the extent necessary to effect the Transaction.

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

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

Interpretation

Capitalised terms used in this Booklet are defined in the glossary in Section 8.

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

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

Unless otherwise specified, all references to "\$", "A\$", "dollar" and "cent" are references to Australian currency.

No internet site is part of this Booklet

Foster's and SABMiller maintain internet websites. Any references in this Booklet to any website is a textual reference for information only and no information contained in any website forms part of this Booklet.

Date of this Booklet

This Booklet is dated 26 October 2011.

Supplementary information

Refer to Section 7.12 for information about the steps that Foster's will take if information about the Transaction needs to be updated.

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

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Key dates

Event	Indicative date
Latest time and date by which the Scheme Meeting Proxy Form and General Meeting Proxy Form must be received by the Share Registry	12.00 noon on Tuesday, 29 November 2011
Latest time and date for determining eligibility to vote at the Scheme Meeting and General Meeting	7.00pm on Tuesday, 29 November 2011
Scheme Meeting	9.00am on Thursday, 1 December 2011
General Meeting	The later of 9.15am on Thursday, 1 December 2011 and the adjournment or conclusion of the Scheme Meeting
Second Court Hearing Court hearing for approval of the Scheme	Friday, 2 December 2011
Effective Date Last date Fully Paid Shares will trade on ASX	Friday, 2 December 2011
Record Date For determining entitlement to receive Transaction Consideration	7.00pm on Friday, 9 December 2011
Implementation Date	Friday, 16 December 2011
Transaction Consideration will be sent to Scheme Shareholders (by either cheque or electronic funds transfer into the nominated bank accounts used for dividend payments)	By Wednesday, 21 December 2011

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



26 October, 2011

Dear Foster's Shareholder,

On 21 September 2011, Foster's Group Limited (**Foster's**) announced that it had entered into the Scheme Implementation Deed under which it is proposed that SABMiller plc (**SABMiller**), through SABMiller Beverage Investments Pty Limited (its indirect wholly owned Australian subsidiary), will acquire all Foster's Shares pursuant to a scheme of arrangement and, subject to receipt of a favourable ATO tax ruling, an equal capital reduction (**Transaction**).

If the Transaction proceeds, it will deliver to Foster's Shareholders a total of \$5.40 cash per Fully Paid Share. In addition, if you owned Fully Paid Shares on 7 September 2011 you also received the 2011 final dividend of 13.25 cents per share, resulting in total payments of \$5.5325 per Fully Paid Share.

Although Foster's has significant growth prospects as an independent ASX-listed company, the Directors believe that the Transaction is compelling for Foster's Shareholders and recognises the inherent value of this iconic Australian company.

\$5.40 per Fully Paid Share represents a premium of 24% to \$4.34, which is the adjusted ex-dividend five day volume weighted average price of Fully Paid Shares from 10 May 2011 (being the first day of trading post the demerger of Treasury Wine Estates) to 16 May 2011.¹ Importantly, the S&P/ASX 200 Accumulation Index has declined by 9% between 16 May 2011 and 21 October 2011.

The Transaction Consideration of \$5.40 per Fully Paid Share is a substantially improved proposal compared with SABMiller's initial proposal which was received on 20 June 2011, and represents a 63.25 cents per Fully Paid Share, or 13%, increase from the \$4.7675 consideration per Fully Paid Share (being the ex-dividend value of SABMiller's original proposal).

If the Transaction proceeds, holders of Partly Paid Shares will receive between \$1.36 and \$2.17 cash per Partly Paid Share (depending on the unpaid portion of the issue price of the Partly Paid Shares).²

The Directors unanimously recommend that you vote in favour of the Transaction Resolutions at the Scheme Meeting and General Meeting, in the absence of a Superior Proposal. Subject to this same qualification, each Director intends to vote all the Foster's Shares held or controlled by them in favour of the Transaction Resolutions.

¹ Before 1 September 2011, Fully Paid Shares traded *cum* Foster's Final Dividend of 13.25 cents per Fully Paid Share. Foster's five day volume weighted average share price from 10 May 2011 to 16 May 2011 of \$4.47 has been reduced by 13.25 cents per share to reflect the payment of the Final Dividend so that it is comparable to the Transaction Consideration of \$5.40 cash per Fully Paid Share.

² Refer to Section 3.12.2 for the amount payable in respect of each tranche of Partly Paid Shares.

The Directors believe that the Transaction delivers not only compelling value but also delivers certain cash proceeds for your Foster's Shares at a time of high equity market volatility and uncertainty surrounding the domestic beer market and the global economic outlook.

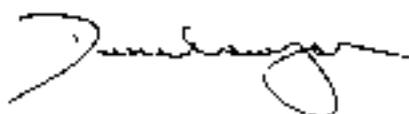
You should read this Booklet carefully in its entirety, including the reasons to vote in favour or against the Transaction set out in Section 1, before making any decision on how to vote on the Transaction Resolutions.

Furthermore, the Independent Expert, Grant Samuel, has concluded that the Transaction is fair and reasonable, and in the best interests of Foster's Shareholders. The Independent Expert has assessed the full underlying value of Foster's at between \$5.17 and \$5.70 per Fully Paid Share. The Transaction Consideration of \$5.40 per Fully Paid Share falls well within this range.

Your vote is important and I encourage you to vote either by attending the Meetings, to be held on Thursday, 1 December 2011 at the Melbourne Recital Centre, 31 Sturt Street, Southbank, Victoria commencing at 9:00am, or by lodging a proxy vote. A proxy form is provided with this Booklet. Alternatively, you may lodge a proxy vote electronically by logging on to Foster's website www.fostersgroup.com and selecting 'SABMiller Proposal'.

If you have any questions in relation to the Transaction or this Booklet, please contact the Foster's Shareholder information line on 1300 048 608 (within Australia) or +61 3 9415 4812 (international) on Business Days between 9.00am and 5.00pm (Melbourne time).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'David Crawford', with a stylized flourish at the end.

David Crawford AO
Chairman

What is the Transaction?

The Transaction involves SABMiller, through SABMiller Beverage Investments (its indirect wholly owned Australian subsidiary), acquiring all Foster's Shares. The Transaction will be implemented by way of a scheme of arrangement and, subject to receipt of a favourable ATO tax ruling, an equal capital reduction by Foster's.

If you are a Fully Paid Shareholder you will receive Transaction Consideration of \$5.40 cash per Fully Paid Share.

If you are a Partly Paid Shareholder you will receive Transaction Consideration of between \$1.36 and \$2.17 cash per Partly Paid Share (depending on the unpaid portion of the issue price of your Partly Paid Shares).³

The composition of the Transaction Consideration, but not the aggregate amount of Transaction Consideration, per Foster's Share may vary depending on the outcome of Foster's application for the ATO Class Ruling in connection with the Capital Return component of the Transaction (see Section 3.6 for further information on the ATO Class Ruling). However, regardless of the outcome of the application for the ATO Class Ruling, if the Transaction is approved by Foster's Shareholders and the Court and is implemented:

- Fully Paid Shareholders will receive Transaction Consideration of \$5.40 cash per Fully Paid Share; and
- Partly Paid Shareholders will receive Transaction Consideration of between \$1.36 and \$2.17 cash per Partly Paid Share (depending on the unpaid portion of the issue price of their Partly Paid Shares).

In order for the Transaction to proceed, resolutions approving the Transaction must be passed by Foster's Shareholders by the requisite majorities at shareholder meetings to be held on Thursday, 1 December 2011. The Transaction is also subject to the satisfaction or waiver of the Conditions Precedent (as applicable), as summarised in Section 3.8.3.

What should I do?

You should read this Booklet carefully in its entirety, including the reasons to vote in favour or against the Transaction set out in Section 1, before making any decision on how to vote on the Transaction Resolutions.

Answers to various frequently asked questions about the Transaction are set out on pages 18 to 25. If you have any additional questions in relation to this Booklet or the Transaction you should call the Foster's Shareholder Information Line on 1300 048 608 (within Australia) or +61 3 9415 4812 (international) on Business Days between 9.00am and 5.00pm (Melbourne time).

How do I vote on the Transaction?

You can vote on the Transaction Resolutions as follows

(a) Scheme Meeting - Scheme of arrangement

Foster's Shareholders (other than an entity within the SABMiller Group) who are registered on the Foster's Share Register at 7.00pm (Melbourne time) on Tuesday, 29 November 2011 are entitled to vote on the Scheme Resolution. You can vote:

- in person, by attending the Scheme Meeting at the Melbourne Recital Centre, 31 Sturt Street, Southbank, Victoria, commencing at 9.00am on Thursday, 1 December 2011;
- by lodging a proxy online either via www.investorvote.com.au or www.fostersgroup.com or (for custodian subscribers only) www.intermediaryonline.com;
- by mailing the enclosed yellow Scheme Meeting Proxy Form to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001, Australia (using the reply paid envelope provided) or the registered office of Foster's;
- by faxing the enclosed yellow Scheme Meeting Proxy Form to 1800 783 447 (within Australia) or +61 3 9473 2555 (international); or
- by hand delivering the enclosed yellow Scheme Meeting Proxy Form to the Share Registry at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067, Australia.

To be valid, a proxy must be received by the Share Registry by 12.00 noon (Melbourne time) on Tuesday, 29 November 2011.

³ Refer to Section 3.12.2 for the amount payable in respect of each tranche of Partly Paid Shares.

(b) General Meeting – Capital Return

Foster's Shareholders who are registered on the Foster's Share Register at 7.00pm (Melbourne time) on Tuesday, 29 November 2011 are entitled to vote on the Capital Return Resolution. You can vote:

- in person, by attending the General Meeting at the Melbourne Recital Centre, 31 Sturt Street, Southbank, Victoria, commencing at the later of 9.15am on Thursday, 1 December 2011 and the adjournment or conclusion of the Scheme Meeting;
- by lodging a proxy online either via www.investorvote.com.au or www.fostersgroup.com or (for custodian subscribers only) www.intermediaryonline.com;
- by mailing the enclosed blue General Meeting Proxy Form to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001, Australia (using the reply paid envelope provided) or the registered office of Foster's;
- by faxing the enclosed blue General Meeting Proxy Form to 1800 783 447 (within Australia) or +61 3 9473 2555 (international); or
- by hand delivering the enclosed blue General Meeting Proxy Form to the Share Registry at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067, Australia.

To be valid, a proxy must be received by the Share Registry by 12.00 noon (Melbourne time) on Tuesday, 29 November 2011.

Further information on the entitlement to vote of Foster's ADS holders and Partly Paid Shareholders is set out in Sections 3.11 and 3.12 respectively.

What is the Directors' recommendation?

The Directors unanimously recommend that you vote in favour of the Transaction Resolutions, in the absence of a Superior Proposal.

The Directors intend to vote all of the Foster's Shares held or controlled by them in favour of the Transaction Resolutions, in the absence of a Superior Proposal.

The Directors believe that the reasons for Foster's Shareholders to vote in favour of the Transaction Resolutions outweigh the reasons to vote against them, in the absence of a Superior Proposal. These reasons and other relevant considerations are set out in Section 1.

Additionally, the Independent Expert has concluded that the Transaction is fair and reasonable and in the best interests of Foster's Shareholders. You should also read the Independent Expert's Report which is set out in Appendix 1 to this Booklet.



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1. Matters relevant to your vote on the Transaction



1. Matters relevant to your vote on the Transaction

Reasons to vote in favour of the Transaction

- ✓ The Directors unanimously recommend that you vote in favour of the resolutions to approve the Transaction, in the absence of a Superior Proposal
- ✓ The Independent Expert has concluded that the Transaction is fair and reasonable and in the best interests of Foster's Shareholders
- ✓ The Transaction Consideration of \$5.40 cash per Fully Paid Share represents a substantial premium to the adjusted historical ex-dividend trading prices of Fully Paid Shares
- ✓ If the Transaction does not proceed, Foster's Shareholders will continue to be subject to the specific risks associated with Foster's business, the uncertain outlook for the beer market and general business risks
- ✓ The Transaction delivers certain cash proceeds at a time of high equity market volatility and in an uncertain global economic environment
- ✓ If the Transaction does not proceed, and no Superior Proposal emerges, the Foster's Share price is likely to fall
- ✓ There are no brokerage costs on the disposal of your Foster's Shares under the Transaction

Reasons to vote in favour of the Transaction are set out in more detail in Section 1.1.



Reasons why you may not want to vote in favour of the Transaction

- X You may disagree with the Directors' recommendation and the Independent Expert's conclusion

- X You will no longer participate in any potential upside that may result from remaining a Foster's Shareholder

- X You may consider that there is the potential for a Superior Proposal to be made in relation to Foster's in the foreseeable future

- X The tax consequences of the Transaction may not be suitable to your financial position

- X The Transaction may be subject to conditions that you consider unacceptable

Reasons why you may not want to vote in favour of the Transaction are discussed in more detail in Section 1.2.



1. Matters relevant to your vote on the Transaction

1.1 Reasons to vote in favour of the Transaction

1.1.1 The Directors unanimously recommend that you vote in favour of the resolutions to approve the Transaction, in the absence of a Superior Proposal

On 20 June 2011 Foster's received an indicative, non-binding, conditional proposal from SABMiller to acquire all Foster's Shares under a scheme of arrangement. Subsequently, on 17 August 2011 SABMiller announced its intention to make a conditional, off-market, cash takeover offer. Both proposals were at a price of \$4.7675 per Fully Paid Share (being \$4.90 per Fully Paid Share reduced by the 13.25 cents Final Dividend declared by Foster's).

Following this, SABMiller and Foster's negotiated a revised proposal which delivers \$5.40 cash per Fully Paid Share.

The Transaction Consideration of \$5.40 cash represents an increase of 63.25 cents per Fully Paid Share, or 13%, on SABMiller's initial proposal price of \$4.7675 per Fully Paid Share (being \$4.90 per Fully Paid Share reduced by the 13.25 cents Final Dividend declared by Foster's).

Partly Paid Shareholders will receive between \$1.36 and \$2.17 cash per Partly Paid Share, depending on the unpaid portion of the issue price of their Partly Paid Shares (refer to Section 3.12.2 for the Transaction Consideration in respect of each tranche of Partly Paid Shares).

Relative to the Directors' expectations of Foster's future performance and growth prospects, as well as Foster's historical financial performance, the Directors have concluded that the Transaction is compelling and in the best interests of Foster's Shareholders for the reasons set out in this Section 1.1.

Accordingly, in the absence of a Superior Proposal, the Directors:

- unanimously recommend that Foster's Shareholders vote in favour of the Transaction Resolutions; and
- intend to vote all of the Foster's Shares held or controlled by them in favour of the Transaction Resolutions.

1.1.2 The Independent Expert has concluded that the Transaction is fair and reasonable and in the best interests of all Foster's Shareholders

The Independent Expert has assessed the full underlying value of Foster's to be in the range of \$5.17 to \$5.70 per Fully Paid Share (after the payment of the 13.25 cents Final Dividend). The Independent Expert states that the Transaction Consideration of \$5.40 cash per Fully Paid Share is 'well within' the Independent Expert's valuation range for Foster's and accordingly the Transaction is fair and reasonable. The Independent Expert has also concluded that the Transaction is in the best interests of Foster's Shareholders.

The Independent Expert states in relation to the Transaction that:

'In Grant Samuel's view, in the absence of a superior offer for Foster's, shareholders will be better off if they vote in favour of the Proposal than if they do not. Accordingly, Grant Samuel has concluded that the Proposal is in the best interests of Foster's shareholders.'

'The Proposal crystallises value for Foster's shareholders that could otherwise only be delivered by the Foster's business over a period of time on the assumption of a recovery in the beer category and the reversal of Foster's recent market share declines.'

'In the context of the risks and uncertainties relating to Foster's future performance, in Grant Samuel's view the certain cash value delivered by the Proposal is attractive for Foster's shareholders.'

'Grant Samuel believes that the prospects of a superior alternative offer in the short to medium term are remote.'

Additionally, the Independent Expert believes existing Foster's creditors will not be materially prejudiced by the Capital Return.

The Independent Expert has also concluded that the Transaction is fair and reasonable to and in the best interests of Partly Paid Shareholders.

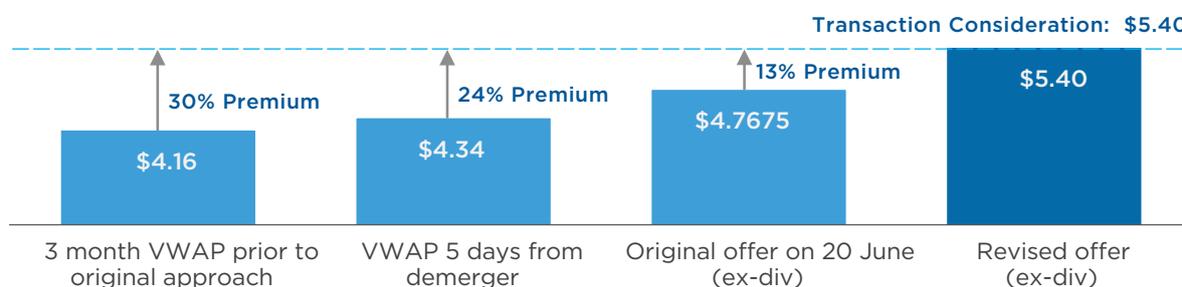
The Independent Expert's Report is set out in Appendix 1 to this Booklet. You should read the Independent Expert's Report in its entirety as part of your assessment of the Transaction and before voting on the Transaction Resolutions.

1.1.3 The Transaction Consideration of \$5.40 cash per Fully Paid Share represents a substantial premium to the adjusted historical ex-dividend trading prices of Fully Paid Shares

The Transaction Consideration of \$5.40 cash per Fully Paid Share represents a premium of:

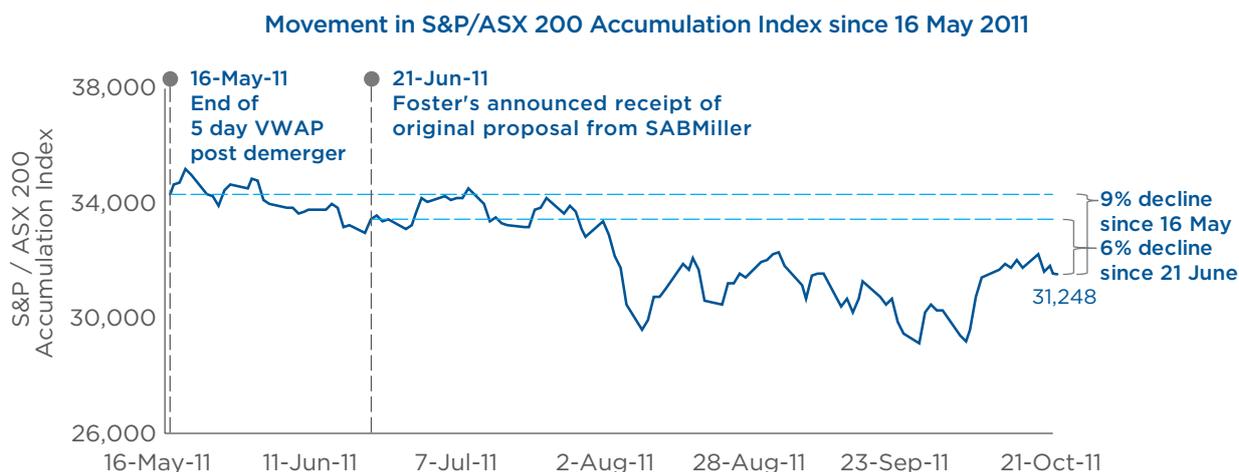
- 24% to \$4.34, which is the ex-dividend adjusted five day VWAP of Fully Paid Shares from 10 May 2011 (being the first day of trading post the demerger of Treasury Wine Estates), to 16 May 2011.⁴ In addition, the S&P/ASX 200 Accumulation Index declined by 9% between 16 May 2011 and 21 October 2011; and
- 30% to \$4.16, which is the ex-dividend adjusted three month VWAP of Fully Paid Shares to 21 June 2011⁵ (being the date Foster's announced it had received an indicative, non-binding, conditional proposal from SABMiller to acquire all of the shares in Foster's). In addition, the S&P/ASX 200 Accumulation Index declined by 6% between 21 June 2011 and 21 October 2011.

The Transaction Consideration of \$5.40 per Fully Paid Share is also a substantially improved proposal compared with SABMiller's initial proposal which was received on 20 June 2011, and represents a 63.25 cents per Fully Paid Share, or 13%, increase from the \$4.7675 consideration per Fully Paid Share (being the ex-dividend value of SABMiller's original proposal).



Source: IRESS, adjustments as footnoted below. IRESS has not consented to the use of any trading data in this Booklet.

As noted above, between both 16 May 2011 (being the end of the 5 trading day period after the demerger of Treasury Wine Estates) and 21 October 2011, and between 21 June 2011 (being the date Foster's announced it had received an indicative, non-binding, conditional proposal from SABMiller to acquire all of the shares in Foster's) and 21 October 2011, the S&P / ASX 200 Accumulation index has declined materially, as highlighted in the chart below.



Source: IRESS.

In addition, Foster's Shareholders who owned Fully Paid Shares on 7 September 2011 also received the Final Dividend of 13.25 cents per Fully Paid Share on 3 October 2011. When combined with the Transaction Consideration per Fully Paid Share, this delivers total cash of \$5.5325 per Fully Paid Share.

4 The five day VWAP of Foster's Fully Paid Shares from 10 May 2011 to 16 May 2011 of \$4.47 has been reduced by the 13.25 cents Final Dividend so that it is comparable to the Transaction Consideration.

5 The three month VWAP of Foster's Fully Paid Shares to 21 June 2011 of \$4.29 has been reduced by the 13.25 cents Final Dividend so that it is comparable to the Transaction Consideration. Historical closing prices adjusted prior to 10 May 2011 for the value split pre-demerger of Treasury Wine Estates based on an adjustment factor of 0.7299 (calculated as Foster's closing price the day prior to the demerger less one third of Treasury Wine Estates' implied listing price divided by Foster's unadjusted closing price the day prior to demerger).

1. Matters relevant to your vote on the Transaction

1.1.4 If the Transaction does not proceed, Foster's Shareholders will continue to be subject to the specific risks associated with Foster's business, the uncertain outlook for the beer market and general business risks

In assessing the Transaction, the Directors evaluated their expectations of Foster's future performance and Foster's growth prospects, including the uncertain outlook for the beer category in Australia and the various growth opportunities in Foster's beer and cider businesses. Although Foster's has significant growth prospects as an independent ASX-listed company, Foster's current strategy would take time to fully implement and involves execution risks, some of which are outside the control of Foster's. If the Transaction does not proceed, Foster's Shareholders will continue to be subject to risks related to this strategy, as well as other Foster's business risks which are set out in Section 4.4.

Accordingly, the value of your Foster's Shares (in terms of price) and the return you are able to receive from your investment in Foster's (e.g. by way of future dividends) is uncertain.

The Transaction provides Foster's Shareholders with certain value and timing in relation to realising their Foster's investment.

1.1.5 The Transaction delivers certain cash proceeds at a time of high equity market volatility and in an uncertain global economic environment

The Transaction Consideration of \$5.40 cash per Fully Paid Share provides a high degree of certainty of value and timing. Specifically, if all of the Conditions Precedent for the Transaction are satisfied or waived, as applicable, it is expected that Scheme Shareholders will be sent their Transaction Consideration by Wednesday, 21 December 2011.

In the absence of the Transaction, the amount which Foster's Shareholders would be able to realise for their investment in Foster's Shares would remain subject to the unpredictable impact of the global economic environment and fluctuations in the share market.

1.1.6 If the Transaction does not proceed, and no Superior Proposal emerges, the Foster's Share price is likely to fall

If the Transaction is not approved and if no Superior Proposal emerges, the Directors consider it likely that the market price of Fully Paid Shares on ASX will fall below current trading levels.

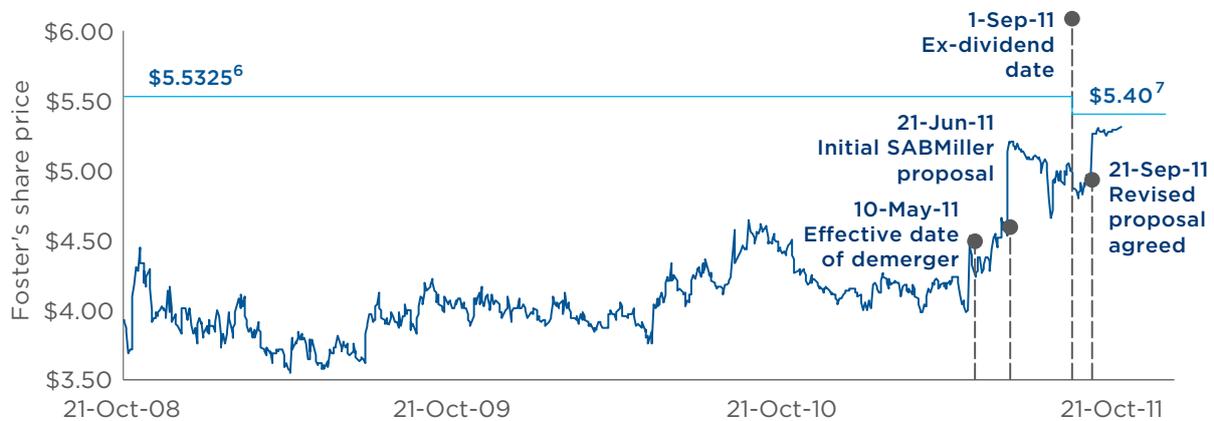
This view is shared by the Independent Expert who states:

'Absent the Proposal (and assuming no speculation as to a revised or an alternative offer), it is likely that Foster's shares under current market conditions would trade at prices well below \$5.40 for the foreseeable future.'

The chart below shows that during the past three years, Fully Paid Shares traded materially below \$5.40 per share prior to the announcement on 21 June 2011 that Foster's had received an indicative, non-binding, conditional proposal from SABMiller. Fully Paid Shares have continued to trade below \$5.40 per share since the announcement on 21 September 2011 that Foster's had entered into a Scheme Implementation Deed with SABMiller.

In addition to the Transaction Consideration, Foster's Shareholders who owned Fully Paid Shares on 7 September 2011 also received the Final Dividend of 13.25 cents per Fully Paid Share on 3 October 2011. When combined with the Transaction Consideration, this delivers total cash payments of \$5.5325 per Fully Paid Share. Foster's shares traded ex-dividend on 1 September 2011.

Foster's adjusted share price performance for the last three years



Source: IRESS. Historical closing prices adjusted prior to 10 May 2011 for the value split pre-demerger of Treasury Wine Estates, based on an adjustment factor of 0.7299 (calculated as Foster's closing price the day prior to the demerger less one third of Treasury Wine Estates' implied listing price, divided by Foster's unadjusted closing price the day prior to the demerger).

Since the announcement on 21 September 2011 that Foster's had entered into a Scheme Implementation Deed with SABMiller, and up to the date of this Booklet, the Directors have not received or become aware of any Superior Proposal.

1.1.7 There are no brokerage costs on the disposal of your Foster's Shares under the Transaction

If the Transaction proceeds, you will not be required to pay any brokerage on the disposal of your Foster's Shares under the Scheme or upon receipt of the Capital Return Consideration.

1.2 Reasons why you may not want to vote in favour of the Transaction

1.2.1 You may disagree with the Directors' recommendation and the Independent Expert's conclusion

You may disagree with the recommendation of the Directors and the conclusion of the Independent Expert that the Transaction is in the best interests of Foster's Shareholders.

1.2.2 You will no longer participate in any potential upside that may result from remaining a Foster's Shareholder

If the Transaction is approved by Foster's Shareholders and the Court and is implemented, you will cease to be a Foster's Shareholder. As such:

- You will forego any future dividends from Foster's and rights to any future capital returns (other than the Capital Return as part of the Transaction). For example, Foster's had announced prior to the entering into the Scheme Implementation Deed that at least \$500 million would be returned to Foster's Shareholders in fiscal 2012, subject to market conditions, via a capital reduction (subject to the receipt of a tax ruling from the ATO and the approval of Foster's Shareholders) or an on market share buy back. You will also no longer participate in any potential future upside of the Foster's business through share price appreciation (see Section 4.5 for further information regarding Foster's outlook). However, if you retain any investment in Foster's you will be exposed to the inherent risks associated with such an investment. For further information regarding the risks to Foster's business, refer to Section 4.4.
- You will also lose your voting rights as a Foster's Shareholder and therefore, your ability to influence the future direction of Foster's. All future benefits, risks and costs associated with being a Foster's Shareholder will accrue exclusively to SABMiller Beverage Investments, as the sole Foster's Shareholder following implementation of the Transaction.

6 \$5.5325 is equal to the Transaction Consideration of \$5.40 cash per Fully Paid Share plus the Final Dividend of 13.25 cents per Fully Paid Share.

7 \$5.40 is equal to the Transaction Consideration.

1. Matters relevant to your vote on the Transaction

1.2.3 You may consider that there is the potential for a Superior Proposal to be made in relation to Foster's in the foreseeable future

You may believe that there is a possibility that a Superior Proposal could emerge in the foreseeable future. However, for the reasons noted below, the Directors consider that the possibility of a Superior Proposal emerging is low:

- Since the announcement of the Transaction on 21 September 2011 and up to the date of this Booklet, no Superior Proposal has been received.
- The Scheme Implementation Deed prohibits Foster's from soliciting Competing Proposals during the Exclusivity Period (which expires on 29 February 2012) subject to certain qualifications and exceptions.

For further information on Foster's exclusivity arrangements with SABMiller, including the qualifications and exceptions to those arrangements, refer to Section 3.13.

Additionally, the Independent Expert also believes that the prospects of a superior alternative offer in the short to medium term are remote.

1.2.4 The tax consequences of the Transaction may not be suitable to your financial position

If the Transaction is approved by Foster's Shareholders and the Court and is implemented, it may result in taxation consequences (potentially including capital gains tax) for Foster's Shareholders, which will arise earlier than may otherwise have been the case. Section 6 provides a general outline of the main Australian taxation implications of the Transaction for certain Foster's Shareholders. All Foster's Shareholders, particularly those Foster's Shareholders not covered by the outline in Section 6, including Partly Paid Shareholders, should consult with their own independent taxation advisers regarding the Australian and, if applicable, foreign taxation implications of participating in the Transaction given the particular circumstances which apply to them.

1.2.5 The Transaction may be subject to conditions that you consider unacceptable

In addition to Shareholder and Court approval, the Transaction is subject to the other Conditions Precedent. The Conditions Precedent are outlined in Section 3.8.3.

The Directors have reviewed the Conditions Precedent and do not consider them to be unduly onerous or inconsistent with market practice for a transaction of this nature. As at the date of this Booklet, the Directors are not aware of any matter that would result in a breach or lead to non-performance of any of the Conditions Precedent.

If all of the Conditions Precedent are satisfied or waived (as applicable):

- the Scheme will bind all persons registered as Foster's Shareholders (other than an entity within the SABMiller Group) as at the Record Date, including those who do not vote on the Scheme and those who vote against it;
- the Capital Return will be implemented (or the Scheme Consideration increased accordingly);
- Foster's will become wholly owned and controlled by SABMiller Beverage Investments (an indirect wholly owned Australian subsidiary of SABMiller); and
- Foster's will be delisted from ASX.

Conversely, if any of the Conditions Precedent are not satisfied or waived (as applicable), the Transaction Consideration will not be paid, Foster's Shareholders will retain all of their Foster's Shares and Foster's will remain listed on ASX.

1.3 Additional Considerations

1.3.1 Foster's Shareholders may sell their Foster's Fully Paid Shares on ASX at any time prior to suspension of Foster's Shares from trading

Foster's Shareholders may sell their Foster's Fully Paid Shares on ASX at any time prior to the close of trading on the Effective Date (expected to be Friday, 2 December 2011) if they do not wish to hold them and participate in the Transaction (normal brokerage expenses would be incurred on sale).

1.3.2 The Transaction may be implemented even if you do not vote at the Meetings or vote against the Transaction Resolutions

If the Transaction Resolutions are approved by the requisite majorities of Foster's Shareholders, then, subject to the other Conditions Precedent being satisfied or waived (as applicable), the Transaction will be implemented and binding on all Scheme Shareholders, including those who did not vote or voted against the Transaction Resolutions.

In those circumstances, your Foster's Shares will be transferred to SABMiller Beverage Investments and you will receive the Transaction Consideration even though you voted against, or did not vote on, the Transaction Resolutions.

1.3.3 Break fee

A break fee of \$99 million is payable by Foster's to SABMiller in certain circumstances should the Transaction not proceed. For further information regarding the break fee, see Section 3.13.1(vi).

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2. Frequently asked questions



2. Frequently asked questions

Question	Answer	Section(s)
What will I receive?		
What will I receive under the Transaction?	<p>If the Transaction is approved by Foster's Shareholders and the Court and is implemented, and you are a Scheme Shareholder, you will receive for each of your Foster's Shares held at the Record Date, Transaction Consideration equal to:</p> <ul style="list-style-type: none"> • \$5.40 cash per Fully Paid Share; and • between \$1.36 and \$2.17 cash per Partly Paid Share. <p>In addition, if you held Fully Paid Shares on 7 September 2011, you also received the Final Dividend of 13.25 cents per Fully Paid Share on 3 October 2011.</p>	3.10.1, 3.11 and 3.12
When will the Transaction Consideration be paid?	<p>If you are a Scheme Shareholder, it is expected that you will be sent your Transaction Consideration within three Business Days after the Implementation Date. Based on an expected Implementation Date of Friday, 16 December 2011, the Transaction Consideration is expected to be sent by Wednesday, 21 December 2011.</p> <p>All payments will be made by either cheque or electronic funds transfer into your nominated bank account used for dividend payments.</p> <p>If the Transaction is not approved by the requisite majorities at the Meetings and by the Court or if any of the other Conditions Precedent are not satisfied or waived, the Transaction will not be implemented and you will not receive any Transaction Consideration.</p>	3.9.5
What happens if the Transaction does not proceed?	<p>If the Transaction does not proceed:</p> <ul style="list-style-type: none"> • you will not receive the Transaction Consideration; • Foster's will remain listed on ASX; • you will retain your Foster's Shares and continue to participate in the benefits of, and continue to be exposed to the risks associated with, investing in Foster's. For further information regarding the benefits of, and the risks associated with, Foster's business, refer to Sections 4.4 and 4.5; • the market price of Fully Paid Shares is likely to fall; and • Foster's may have to pay SABMiller a break fee. 	3.13.1 (vi) 4.4 and 4.5
The Directors' recommendations and reasons to vote for or against the Transaction		
What is the recommendation of the Directors?	<p>The Directors unanimously recommend that you vote in favour of the Transaction Resolutions at the Meetings, in the absence of a Superior Proposal.</p> <p>Each of the Directors intends to vote any Foster's Shares held or controlled by them in favour of the Transaction Resolutions at the Meetings, in the absence of a Superior Proposal.</p>	1.1.1
What is the Independent Expert's opinion?	<p>The Independent Expert, Grant Samuel, was appointed by the Directors to undertake an independent assessment of the Transaction. The Independent Expert has assessed the full underlying value of Foster's to be in the range of \$5.17 to \$5.70 per Fully Paid Share.</p> <p>The Independent Expert believes that the Transaction is fair and reasonable and in the best interests of Foster's Shareholders.</p> <p>Additionally, the Independent Expert has concluded that existing Foster's creditors will not be materially prejudiced by the Capital Return.</p> <p>The Independent Expert has also concluded that the Transaction is fair and reasonable to and in the best interests of Partly Paid Shareholders.</p> <p>The Independent Expert's Report is set out in Appendix 1 to this Booklet.</p>	Appendix 1

Question	Answer	Section(s)
What are the reasons to vote in favour of the Transaction?	Reasons to vote in favour of the Transaction are set out in Section 1.1.	1.1
What are the reasons why you may not want to vote in favour of the Transaction?	Reasons why you may not want to vote in favour of the Transaction are set out in Section 1.2.	1.2
Information on the Transaction		
What is the Transaction?	The Transaction involves SABMiller, through SABMiller Beverage Investments (its indirect wholly owned Australian subsidiary), acquiring all Foster's Shares. The Transaction will be implemented by way of a scheme of arrangement and an interconditional equal capital reduction by Foster's.	3.1, 3.3, 3.4 and 3.5
What will be the effect of the Transaction?	If the Transaction is approved by Foster's Shareholders and the Court, and if all other Conditions Precedent are satisfied or waived: <ul style="list-style-type: none"> • if you are a Scheme Shareholder, all of your Foster's Shares as at the Record Date will be transferred to SABMiller Beverage Investments; • Foster's will undertake the Capital Return; and • if you are a Scheme Shareholder, you will receive in respect of each Foster's Share that you hold at the Record Date, the Transaction Consideration of \$5.40 cash per Fully Paid Share (or between \$1.36 and \$2.17 cash per Foster's Partly Paid Share). 	3.10
Do I have to sign anything to transfer my Foster's shares?	No. If the Transaction is approved, Foster's will automatically have authority to sign a transfer on your behalf, and then the Transaction Consideration will be paid to you. However, you should be aware that under the Scheme, you are deemed to have warranted to Foster's that (except as otherwise set out in the Scheme): <ul style="list-style-type: none"> • all of your Foster's Shares are fully paid (other than any of your Partly Paid Shares) and not encumbered; and • you have full power and capacity to sell and transfer your Foster's Shares. You should ensure that these warranties can be given by you before the Implementation Date. Please refer to Section 3.9.4 for further information.	3.9.4
What should I do?	You should read this Booklet carefully in its entirety and then vote by attending the Meetings, or by appointing a proxy to vote on your behalf. Full details of who is eligible to vote and how to vote are set out on pages 4 and 5 and in the notices of the Meetings set out in Appendices 5 and 6 to this Booklet.	3.8.1(iv), 3.8.2(iv) and Appendices 5 and 6

2. Frequently asked questions

Question	Answer	Section(s)
What are the main Conditions Precedent to the Transaction proceeding?	<p>In order for the Transaction to be implemented, the Conditions Precedent must be satisfied or waived (as applicable). The Conditions Precedent include:</p> <ul style="list-style-type: none"> • Court approval of the Scheme; • Foster’s Shareholder approval of the Transaction Resolutions; and • the Treasurer approving or not objecting to the Transaction and the Pacific Beverages Transaction under the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth). <p>Sections 3.8 and 3.9 contain further details of the Transaction, including a description of the requisite shareholder approval thresholds and the other Conditions Precedent that must be satisfied or waived (as applicable) prior to the Second Court Hearing for the Transaction to proceed.</p> <p>If the Conditions Precedent are not satisfied or waived (as applicable), the Transaction will not proceed.</p>	3.8.3 and 3.9
What will happen if a Competing Proposal emerges?	<p>If a Competing Proposal emerges, the Directors will carefully consider it and advise you of their recommendation.</p> <p>If a Director withdraws or adversely modifies their recommendation concerning the Transaction, Foster’s will be obliged to pay a break fee of \$99 million to SABMiller.</p> <p>Since the Transaction was announced, no Superior Proposal has emerged. Given the time that has elapsed since the announcement of the Transaction on 21 September 2011, the Directors consider that a Superior Proposal is unlikely to emerge prior to the Scheme Meeting.</p>	3.13.1(vi)
Is this a takeover offer?	<p>If the Transaction is approved by Foster’s Shareholders and the Court and is implemented, the outcome will be similar to a successful 100% takeover bid in that:</p> <ul style="list-style-type: none"> • all of the Foster’s Shares held by Scheme Shareholders as at the Record Date will be transferred to SABMiller Beverage Investments; and • Scheme Shareholders will receive Transaction Consideration of \$5.40 cash per Fully Paid Share (and between \$1.36 and \$2.17 cash per Partly Paid Share, depending on the unpaid portion of the issue price of their Partly Paid Shares), whether or not they were present at the Meetings, and whether they voted in favour of or against, or did not vote on, the Transaction Resolutions at the Meetings. 	3.9
Why is Foster’s seeking the ATO Class Ruling?	<p>Foster’s is seeking the ATO Class Ruling to confirm (amongst other things) that, for those Foster’s Shareholders who hold Fully Paid Shares on capital account (and are not subject to the TOFA Rules in respect of their Fully Paid Shares), the Capital Return Amount will be treated as being on capital account and no part of the Capital Return Amount will be treated as a dividend in the hands of Fully Paid Shareholders for Australian income tax purposes.</p>	6.2

Question	Answer	Section(s)
What will happen if Foster's does not receive the ATO Class Ruling?	<p>If the Commissioner of Taxation does not issue the ATO Class Ruling, or issues it in a form and substance not reasonably satisfactory to Foster's and SABMiller because it concludes that the Capital Return gives rise to a dividend or deemed dividend for Australian income tax purposes, then the Capital Return will not be implemented and the Scheme Consideration will be increased by \$0.30 per Fully Paid Share to ensure that the Transaction Consideration remains \$5.40 cash per Fully Paid Share. There will be no increase in the Scheme Consideration for the Partly Paid Shares.</p> <p>The Scheme Implementation Deed provides that if the Commissioner of Taxation issues the ATO Class Ruling, but concludes that a Capital Return of a lesser amount than the Capital Return Amount is not a dividend or deemed dividend for Australian income tax purposes, then:</p> <ul style="list-style-type: none"> • the Capital Return will only be implemented in respect of that lesser amount per Fully Paid Share which the ATO Class Ruling has concluded is not a dividend; and • the Scheme Consideration will be increased by an amount per Fully Paid Share equal to the difference between the Capital Return Amount and the lesser amount per Fully Paid Share which the ATO Class Ruling has concluded is not a dividend. There will be no increase in the Scheme Consideration for the Partly Paid Shares. <p>The above adjustments will ensure that the Transaction Consideration remains \$5.40 cash per Fully Paid Share.</p> <p>For further information on the impact on their Transaction Consideration in these circumstances, Partly Paid Shareholders should refer to Sections 3.6 and 3.12.</p>	3.6 and 3.12
Can I sell my Foster's Shares before the Transaction is implemented?	<p>You are able to sell your Fully Paid Shares on market in the usual manner on or before the Effective Date (which is expected to be Friday, 2 December 2011). However, if you do so you are likely to have to pay brokerage fees. If you are in any doubt as to what to do, you should consult with your investment, financial, taxation or other professional advisor.</p> <p>For the purpose of determining entitlements under the Scheme and the Capital Return, Foster's will not accept for registration or recognise any transfer or transmission application in respect of Foster's Shares received after the Record Date.</p>	3.7
When will Foster's shares cease trading on ASX?	<p>Provided the Transaction becomes Effective, Fully Paid Shares are expected to be suspended from trading on ASX from the close of trading on the Effective Date (which is expected to be Friday, 2 December 2011).</p> <p>The depository for the Foster's ADS programme is expected to cease conducting any issuances of Foster's ADSs from deposits of Foster's Shares into, or surrenders of Foster's ADSs and withdrawals of Foster's Shares from, the Foster's ADS programme and any transfers of Foster's ADSs as of 5.00pm (New York time) on Thursday, 8 December 2011.</p>	3.9.3 and 3.11
Shareholder entitlements		
Will I be entitled to participate in the Transaction?	<p>If you are a Scheme Shareholder (namely, a Foster's Shareholder as at the Record Date, except for any Foster's Shareholder that is an entity within the SABMiller Group), you will be entitled to participate in the Scheme.</p> <p>If you are a Foster's Shareholder as at the Record Date, you will be entitled to participate in the Capital Return.</p>	3.7

2. Frequently asked questions

Question	Answer	Section(s)
Can I participate in the Capital Return and not the Scheme?	<p>No. The Capital Return and the Scheme are interconditional.</p> <p>This means that:</p> <ul style="list-style-type: none"> • Foster's will not undertake the Capital Return unless the Scheme becomes Effective; and • the Scheme will not become Effective if the Capital Return Resolution is not approved by Foster's Shareholders. <p>Foster's ADS holders and Partly Paid Shareholders should refer to Sections 3.11 and 3.12 respectively for information on their entitlement to participate in the Transaction.</p>	3.7, 3.11 and 3.12
Are Foster's ADS holders eligible to participate in the Transaction?	<p>Foster's ADS holders wishing to receive the Transaction Consideration directly must surrender their Foster's ADSs and become Fully Paid Shareholders by the Record Date.</p> <p>Otherwise, if the Transaction is implemented, the depositary for the Foster's ADS programme will receive the Transaction Consideration in respect of the underlying Fully Paid Shares that have been deposited under the deposit agreement for the Foster's ADS programme. The depositary for the Foster's ADS programme will convert the Transaction Consideration it receives into US dollars, notify Foster's ADS holders of the termination of the Foster's ADS programme and call for the surrender of all Foster's ADSs. Foster's ADS holders who were holders of Foster's ADSs on the books of the depositary as of 5.00pm (New York Time) on Thursday, 8 December 2011 will be entitled to receive the US dollars in proportion to the number of Foster's ADSs held by them at such time, respectively. Upon surrender of the Foster's ADSs, the depositary will distribute the US dollars (net of applicable fees, currency conversion expenses, and taxes and other governmental charges) to the Foster's ADS holders entitled to them.</p>	3.11
Are Partly Paid Shareholders eligible to participate in the Transaction?	<p>If you hold Partly Paid Shares at the Record Date, you are eligible to participate in the Transaction and will be entitled to receive between \$1.36 and \$2.17 cash per Partly Paid Share (refer to Section 3.12.2 for the amount payable in respect of each tranche of Partly Paid Shares).</p> <p>For further information, including the amount payable in respect of each tranche of Partly Paid Shares and additional considerations in relation to the Scheme that may be relevant to you, you should refer to Section 3.12.</p> <p>The Independent Expert has concluded that the Transaction is fair and reasonable to and in the best interests of Partly Paid Shareholders. The Independent Expert's Report is set out in Appendix 1 to this Booklet.</p>	3.12
How will Performance Rights be treated under the Scheme?	<p>Performance Rights will either vest on the Effective Date, with a Fully Paid Share being transferred or issued to the holder in respect of each Performance Right, or be cancelled, in which case no Fully Paid Shares will be transferred or issued.</p> <p>For further information regarding the treatment of Performance Rights, refer to Section 7.2.1.</p>	7.2.1
Will I be entitled to participate in the Transaction if I acquired my Fully Paid Shares under one of Foster's employee share plans?	<p>Fully Paid Shares acquired under relevant Foster's employee share plans - the Loan Plan, the RSP or the ESGP - will participate in the Transaction on the same basis as all other Fully Paid Shares (subject to the paragraph below in relation to the Loan Plan).</p> <p>In relation to Foster's Shareholders who hold Fully Paid Shares issued or held under the Loan Plan, the Transaction Consideration attributable to those Fully Paid Shares will first be applied to repay any remaining loan balances on those Fully Paid Shares and the remaining amount will be paid to the Foster's Shareholder.</p>	7.2.2

Question	Answer	Section(s)
Voting on the Transaction		
How do I vote?	<p>If you are eligible to vote, you can vote:</p> <ul style="list-style-type: none"> • in person, by attending the Meetings at the Melbourne Recital Centre, 31 Sturt Street, Southbank, Victoria, commencing at 9.00am on Thursday, 1 December 2011; • by lodging a proxy online either via www.investorvote.com.au or www.fostersgroup.com or (for custodian subscribers only) www.intermediaryonline.com; • by mailing the enclosed Scheme Meeting Proxy Form and General Meeting Proxy Form to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001, Australia (using the reply paid envelope provided) or the registered office of Foster's; • by faxing the enclosed Scheme Meeting Proxy Form and General Meeting Proxy Form to 1800 783 447 (within Australia) or +61 3 9473 2555 (international); or • by hand delivering the enclosed Scheme Meeting Proxy Form and General Meeting Proxy Form to the Share Registry at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067, Australia. <p>To be valid, a duly completed Scheme Meeting Proxy Form or General Meeting Proxy Form must be received by the Share Registry by 12.00 noon (Melbourne time) on Tuesday, 29 November 2011.</p>	Appendices 5 and 6
What are the voting thresholds?	<p>Scheme: The Scheme Resolution must be passed by a majority in number (more than 50%) of Foster's Shareholders (other than an entity within the SABMiller Group) voting (in person, by proxy, by attorney or, in the case of corporate Foster's Shareholders or proxies, by corporate representative) at the Scheme Meeting (unless the Court orders otherwise) who must together hold at least 75% of the votes cast on the Scheme Resolution.</p> <p>Capital Return: The Capital Return Resolution must be approved by a majority of votes cast (more than 50%) by Foster's Shareholders on the Capital Return Resolution.</p>	3.8.1(iii) and 3.8.2(iii)
Who can vote at the Meetings?	<p>Foster's Shareholders (other than an entity within the SABMiller Group) who are registered on the Foster's Share Register at 7.00pm (Melbourne time) on Tuesday, 29 November 2011 may vote on the Scheme Resolution.</p> <p>Foster's Shareholders who are registered on the Foster's Share Register at 7.00pm (Melbourne time) on Tuesday, 29 November 2011 may vote on the Capital Return Resolution.</p> <p>For further information on their entitlement to vote, Foster's ADS holders and Partly Paid Shareholders should refer to Sections 3.11 and 3.12 respectively.</p>	3.8.1(iv), 3.8.2(iv), 3.11 and 3.12
When are the Meetings?	<p>The Scheme Meeting will be held at 9.00am (Melbourne time) on Thursday, 1 December 2011 at Melbourne Recital Centre, 31 Sturt Street, Southbank, Victoria 3006.</p> <p>The General Meeting will be held at the later of 9.15am (Melbourne time) on Thursday, 1 December 2011 and the adjournment or conclusion of the Scheme Meeting at Melbourne Recital Centre, 31 Sturt Street, Southbank, Victoria 3006.</p>	3.8.1(i) and 3.8.2(i)

2. Frequently asked questions

Question	Answer	Section(s)
What if I do not vote at the Meetings or if I vote against the Transaction Resolutions?	<p>If the Transaction Resolutions are approved by the requisite majorities of Foster's Shareholders, then, subject to the other Conditions Precedent being satisfied or waived (as applicable), the Transaction will be implemented and binding on all Scheme Shareholders, including those who did not vote or voted against the Transaction Resolutions.</p> <p>The Scheme and Capital Return are interconditional. Therefore, the Scheme Resolution and the Capital Return must both be passed for the Transaction to be Effective and implemented.</p>	1.3.2 and 3.3
Do I have to sign anything to transfer my Foster's Shares?	No. If the Transaction is approved, Foster's will automatically have authority to sign a transfer on your behalf. Your Transaction Consideration is expected to be sent to you within three Business Days after the Implementation Date. Based on an expected Implementation Date of Friday, 16 December 2011, the Transaction Consideration is expected to be sent by Wednesday, 21 December 2011.	3.9.4
Information on Foster's		
Where can I get information on Foster's?	<p>Summary information about Foster's is contained in Section 4.</p> <p>Copies of Foster's announcements to ASX, including its annual and half-yearly financial statements, are available on ASX's website (www.asx.com.au) and on Foster's website (www.fostersgroup.com).</p>	4
What will Foster's do if the Transaction does not proceed?	<p>If the Transaction does not proceed, Foster's will continue to implement its previously stated strategy, underpinned by its 'Urgent Agenda' initiatives (implemented in FY11) and its 'Full Potential' strategy.</p> <p>Although Foster's has significant growth prospects as an independent ASX-listed company, Foster's current strategy would take time to fully implement and involves execution risks, some of which are outside the control of Foster's. If the Transaction does not proceed, Foster's Shareholders will continue to be subject to risks related to this strategy, as well as other Foster's business risks which are set out in Section 4.4.</p>	4.4 and 4.5
Information on SABMiller		
Who is SABMiller?	Please refer to Section 5.2.	5.2
Who is SABMiller Beverage Investments?	Please refer to Section 5.1.	5.1
What are SABMiller's intentions regarding Foster's?	Please refer to Section 5.7.	5.7
What is the Pacific Beverages Transaction?	Please refer to Section 5.3.	5.3

Question	Answer	Section(s)
Taxation		
Will I have to pay brokerage or stamp duty on the transfer of my Foster's Shares?	You will not be required to pay any brokerage or stamp duty in relation to your participation in the Transaction.	6.3.3
What are the taxation implications of the Scheme for Foster's Shareholders?	<p>A general outline of the main Australian taxation implications of the Transaction for certain Foster's Shareholders is set out in Section 6.</p> <p>All Foster's Shareholders, particularly those Foster's Shareholders not covered by the general outline set out in Section 6, including Partly Paid Shareholders, should consult with their own taxation advisers regarding the Australian and, if applicable, foreign taxation implications of participating in the Transaction given the particular circumstances which apply to them.</p>	6
Further questions		
Who can I contact if I have further questions in relation to the Transaction?	<p>Foster's Shareholders who have any further questions, should seek independent financial, taxation or other professional advice.</p> <p>Foster's Shareholders may also call the Foster's Shareholder Information Line on 1300 048 608 (within Australia) or +61 3 9415 4812 (international) on Business Days between 9.00am and 5.00pm (Melbourne time).</p>	None

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3. Details of the Transaction



3. Details of the Transaction

3.1 Introduction

On 21 September 2011, Foster's announced that it had entered into the Scheme Implementation Deed with SABMiller, under which it is proposed that SABMiller, through SABMiller Beverage Investments (its indirect wholly owned Australian subsidiary), will acquire all Foster's Shares pursuant to a scheme of arrangement, and, if the ATO Class Ruling is obtained, an interconditional equal capital reduction.

If the Transaction is approved by Foster's Shareholders and by the Court, and all other Conditions Precedent are satisfied or waived, Foster's will become a wholly-owned subsidiary of SABMiller Beverage Investments and will be delisted from ASX.

3.2 What you will receive

If the Transaction is implemented, Scheme Shareholders will receive the Transaction Consideration equal to:

- \$5.40 cash per Fully Paid Share; and
- between \$1.36 and \$2.17 cash per Partly Paid Share (depending on the unpaid portion of the issue price of their Partly Paid Shares).

In addition, Scheme Shareholders who held their Fully Paid Shares on 7 September 2011 also received the Final Dividend of 13.25 cents per Fully Paid Share on 3 October 2011.

It is expected that the Transaction Consideration will be sent to Scheme Shareholders within three Business Days after the Implementation Date. Based on an expected Implementation Date of Friday, 16 December 2011, the Transaction Consideration is expected to be sent by Wednesday, 21 December 2011.

3.3 Transaction elements

The Transaction has two key elements - the Scheme and the Capital Return. These key elements are described below.

The Scheme and Capital Return are interconditional. Therefore, for the Transaction to proceed, Foster's Shareholders (other than an entity within the SABMiller Group) must vote in favour of the Scheme (by the majorities set out in Section 3.8.1(iii)), the Scheme must be approved by the Court and Foster's Shareholders must vote in favour of the Capital Return (by the majority set out in Section 3.8.2(iii)).

The Transaction is also subject to the satisfaction or waiver (as applicable) of the other Conditions Precedent. The Conditions Precedent are described in Section 3.8.3.

Following approval of the Scheme and the Capital Return by Foster's Shareholders, and approval of the Scheme by the Court, there are three important dates in respect of the implementation of the Transaction - the

Effective Date, the Record Date and the Implementation Date.

- The Effective Date is the date on which the Court order approving the Scheme is lodged with ASIC and takes effect.
- The Record Date is 7.00pm (Melbourne time) on the fifth Business Day after the Effective Date and is the time and date when the Foster's Share Register is examined to determine who is entitled to participate in the Scheme and the Capital Return (refer to Section 3.7).
- The Implementation Date is the fifth Business Day after the Record Date and is the date when the Scheme and Capital Return are implemented and Foster's Shares held by Scheme Shareholders as at the Record Date are transferred to SABMiller Beverage Investments.

3.4 Scheme

If the Transaction is approved by Foster's Shareholders and the Court:

- the Scheme will become Effective on the Effective Date;
- at the close of trading on the Effective Date, Fully Paid Shares will cease trading on ASX;
- on the Implementation Date, all of the Foster's Shares held by Scheme Shareholders as at the Record Date will be transferred to SABMiller, without any need for action by Scheme Shareholders; and
- Scheme Shareholders will receive the Scheme Consideration, expected to be within three Business Days after the Implementation Date. Based on an expected Implementation Date of Friday, 16 December 2011, the Scheme Consideration is expected to be sent by Wednesday, 21 December 2011.

As a result of the implementation of the Scheme, Scheme Shareholders will cease to hold Foster's Shares and Foster's will become a wholly-owned subsidiary of SABMiller Beverage Investments and will be delisted from ASX.

The Scheme is conditional upon the Capital Return Resolution being passed by Foster's Shareholders. This means that the Scheme will not become Effective if the Capital Return Resolution is not approved by Foster's Shareholders.

3.5 Capital Return

If the Transaction is approved by Foster's Shareholders and the Court and is implemented, Foster's will undertake the Capital Return.

In accordance with the Capital Return Resolution, Foster's will reduce its share capital on the Implementation Date by \$0.30 per Foster's Share, or such lesser amount determined in accordance with clause 3.5 of the Scheme Implementation Deed.⁸ The Capital Return will be satisfied:

- in relation to each Fully Paid Share – by payment by Foster's of the Capital Return Consideration in cash to Fully Paid Shareholders who hold Fully Paid Shares as at the Record Date. Based on an expected Implementation Date of Friday, 16 December 2011, the Capital Return Consideration is expected to be sent by Wednesday, 21 December 2011; and
- in relation to each Partly Paid Share – by reducing the issue price (and, therefore, the unpaid portion of the issue price) of each Partly Paid Share by the amount of the Capital Return Consideration on the Implementation Date. Partly Paid Shareholders who hold Partly Paid Shares as at the Record Date will not be entitled to receive, and will not receive, their Capital Return Consideration for their Partly Paid Shares in cash.

The Capital Return is conditional upon the Scheme Resolution being passed by Foster's Shareholders and the Scheme being approved by the Court. This means that Foster's will not undertake the Capital Return unless the Scheme becomes Effective.

3.6 Adjustment of Scheme Consideration and Capital Return Consideration

The composition of the Transaction Consideration will depend on the outcome of Foster's application for the ATO Class Ruling.

If the Transaction is approved by Foster's Shareholders and the Court and is implemented, and the ATO Class Ruling confirms (in a form and substance reasonably satisfactory to Foster's and SABMiller) that the whole Capital Return Amount is not a dividend for Australian income tax purposes, the Transaction Consideration will be \$5.40 cash per Fully Paid Share, comprised of Scheme Consideration of \$5.10 cash per Fully Paid Share and Capital Return Consideration of \$0.30 cash per Fully Paid Share.

The Scheme Implementation Deed provides that, if the ATO Class Ruling:

- is not obtained, or is issued in a form and substance not reasonably satisfactory to Foster's

and SABMiller because it concludes that the Capital Return gives rise to a dividend or a deemed dividend for Australian income tax purposes, then the Capital Return will not be implemented and the Scheme Consideration:

- for each Fully Paid Share – will be increased by \$0.30 to \$5.40 cash per Fully Paid Share; and
- for each Partly Paid Share – will not change; or
- is obtained, but concludes that a Capital Return for a lesser amount than the Capital Return Amount is not a dividend or deemed dividend for Australian income tax purposes, then:
 - the Capital Return will only be implemented in respect of that lesser amount per Fully Paid Share which the ATO Class Ruling has concluded is not a dividend or deemed dividend for Australian income tax purposes; and
 - the Scheme Consideration:
 - for each Fully Paid Share – will be increased by an amount per Fully Paid Share equal to the difference between the Capital Return Amount and the lesser amount per Fully Paid Share which the ATO Class Ruling has concluded is not a dividend or deemed dividend for Australian income tax purposes; and
 - for each Partly Paid Share – will not change.

Regardless of the outcome of Foster's application for the ATO Class Ruling, if the Transaction is approved by Foster's Shareholders and the Court and is implemented:

- Fully Paid Shareholders will receive Transaction Consideration equal to \$5.40 cash per Fully Paid Share; and
- Partly Paid Shareholders will receive Transaction Consideration between \$1.36 and \$2.17 cash per Partly Paid Share (depending on the unpaid portion of the issue price of their Partly Paid Shares).

3.7 Entitlement to participate in the Transaction

Scheme Shareholders will be entitled to participate in the Scheme. A "Scheme Shareholder" is a Foster's Shareholder, other than an entity within the SABMiller Group, as at the Record Date.

Foster's Shareholders as at the Record Date will be entitled to participate in the Capital Return.

⁸ Clause 3.5 of the Scheme Implementation Deed allows for adjustment of the amount of the Capital Return Consideration and Scheme Consideration depending on the outcome of Foster's application for the ATO Class Ruling. Further information regarding such adjustment is set out in Section 3.6 and Section 3.12.2.

3. Details of the Transaction

For the purpose of determining which Foster's Shareholders are eligible to participate in the Scheme and the Capital Return, dealings in Foster's Shares will be recognised only if:

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

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

For information on their entitlement to participate in the Transaction, Foster's ADS holders and Partly Paid Shareholders should refer to Sections 3.11 and 3.12 respectively.

3.8 Transaction procedure

3.8.1 Scheme Meeting

(i) Date and time of Scheme Meeting

In accordance with an order of the Court dated Wednesday, 26 October 2011, Foster's has convened the Scheme Meeting to be held on Thursday, 1 December 2011 at Melbourne Recital Centre, 31 Sturt Street, Southbank, Victoria 3006, commencing at 9.00am. The notice convening the Scheme Meeting is set out in Appendix 5 to this Booklet and the terms of the Scheme are set out in Appendix 2 to this Booklet. The purpose of the Scheme Meeting is for Foster's Shareholders to consider whether to approve the Scheme.

The fact that the Court has ordered the Scheme Meeting does not mean that the Court has formed any view as to the merits of the Scheme or as to how Foster's Shareholders should vote on the Scheme Resolution. On these matters, Foster's Shareholders must reach their own decision.

(ii) Resolution

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

(iii) Majorities required to pass resolution

For the Transaction to proceed, the Scheme Resolution must be passed by a majority in number (more than 50%) of Foster's Shareholders (other than an entity within the SABMiller Group) voting (in person, by

proxy, by attorney or, in the case of corporate Foster's Shareholders or proxies, by corporate representative) at the Scheme Meeting (unless the Court orders otherwise) who together hold at least 75% of the votes cast on the Scheme Resolution.

(iv) Entitlement to vote

Each Foster's Shareholder (other than an entity within the SABMiller Group) who is registered on the Foster's Share Register at 7.00pm (Melbourne time) on Tuesday, 29 November 2011 is entitled to attend and vote at the Scheme Meeting.

For further information on their entitlement to vote, Foster's ADS holders and Partly Paid Shareholders should refer to Sections 3.11 and 3.12 respectively.

3.8.2 General Meeting in relation to the Capital Return

(i) Date and time of General Meeting

The Directors have convened the General Meeting to be held on Thursday, 1 December 2011 at Melbourne Recital Centre, 31 Sturt Street, Southbank, Victoria 3006, commencing at the later of 9.15am (Melbourne time) and the adjournment or conclusion of the Scheme Meeting. The notice convening the General Meeting is set out in Appendix 6 to this Booklet.

(ii) Resolution

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

(iii) Majority required to pass resolution

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

(iv) Entitlement to vote

Each Foster's Shareholder who is registered in the Foster's Share Register at 7.00pm (Melbourne time) on Tuesday, 29 November 2011 is entitled to attend and vote at the General Meeting.

For further information on their entitlement to vote, Foster's ADS holders and Partly Paid Shareholders should refer to Sections 3.11 and 3.12 respectively.

3.8.3 Conditions Precedent to the implementation of the Transaction

The implementation of the Transaction is subject to the Conditions Precedent which must be satisfied or waived (as applicable) for the Transaction to proceed. A summary of the Conditions Precedent is included in this Section and the Conditions Precedent are set out in full in clause 3.1 of the Scheme Implementation Deed, the terms of which are set out in Appendix 4 to this Booklet.

As at the date of this Booklet, implementation of the Transaction remains conditional upon the following:

(i) FIRB approval

Before 8.00am on the Second Court Date, approval (either unconditionally or subject to conditions satisfactory to SABMiller) for the Transaction being obtained from the Treasurer under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) or the Treasurer ceasing to be empowered to make an order under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) in relation to the Transaction and the Pacific Beverages Transaction.

For further information regarding this condition, refer to Section 5.8.1.

(ii) Shareholder approvals

Foster's Shareholders (other than an entity within the SABMiller Group) approving the Scheme at the Scheme Meeting and Foster's Shareholders approving the Capital Return at the General Meeting by the requisite majorities.

(iii) Independent Expert

The Independent Expert providing the Independent Expert's Report, stating that in its opinion the Transaction is in the best interests of Foster's Shareholders, and the Independent Expert not changing its conclusion or withdrawing the Independent Expert's Report by notice in writing to Foster's prior to 8.00am on the Second Court Date.

(iv) Regulatory approvals

Before 8.00am on the Second Court Date all applicable regulatory waiting periods (including any extensions) having expired or otherwise having been terminated in respect of the Transaction and SABMiller (or another entity within the SABMiller Group) having obtained unconditionally, or subject to conditions satisfactory to SABMiller, all material approvals, licences, authorisations, authorities, consents, permissions, clearances, grants, confirmations, orders, exemptions, waivers or rulings required by law or by any public authority as are necessary (**Approvals**):

- to permit completion of the Transaction;
- as a result of the Transaction, for the continued operation of the Foster's Group and the SABMiller Group on substantially the same material terms as the relevant business was conducted as at 21 September 2011; or
- to ensure that there is no right or power to require the divestiture of:
 - any Foster's Shares by any entity within the SABMiller Group; or
 - any material assets, as at 21 September 2011

owned by any entity within the SABMiller Group (excluding, for the avoidance of doubt, any shares in Pacific Beverages) or any entity within the Foster's Group,

and all such Approvals remaining in full force and effect as at 8.00am on the Second Court Date.

(v) Restraints

No judgment, order, decree, statute, law, ordinance, rule or regulation or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition entered, enacted, promulgated, enforced or issued by any court or any public authority of competent jurisdiction being in effect at 8.00am on the Second Court Date that prohibits, materially restricts, makes illegal, materially adversely impacts upon or restrains the completion of the Transaction, or requires the divestiture of:

- any Foster's Shares by any entity within the SABMiller Group; or
- any material assets, as at 21 September 2011 owned by any entity within the SABMiller Group (excluding, for the avoidance of doubt, any shares in Pacific Beverages) or any entity within the Foster's Group.

(vi) Court approval

The Court approving the Scheme in accordance with section 411(4)(b) of the Corporations Act.

(vii) Prescribed Occurrence

No Prescribed Occurrence occurring between 21 September 2011 and 8.00am on the Second Court Date.

(viii) Representations and Warranties

The representations and warranties given by each of Foster's and SABMiller in clause 16 of the Scheme Implementation Deed being materially true and correct at 8.00am on the Second Court Date (or if only given on an earlier date, at that date).

(ix) No Material Adverse Change

Between 21 September 2011 and 8.00am on the Second Court Date, no matter, event, change, condition, circumstance, information or thing (**Change**) occurring, being announced or becoming known to SABMiller Beverage Investments (in any such case, individually or when aggregated with all such Changes and whether or not becoming public) that diminishes or is reasonably likely to diminish:

- the consolidated net assets of the Foster's Group, taken as a whole, by at least \$375 million; or
- the consolidated net profit after tax of the Foster's Group, taken as a whole, by at least \$75 million in any financial year of Foster's,

3. Details of the Transaction

excluding any Change that results from or relates to changes in or arising from certain circumstances set out in clause 3.1(l) of the Scheme Implementation Deed.

3.8.4 Timetable

An indicative timetable for the Transaction is set out on page 1. All dates and times following the date of the Scheme Meeting and General Meeting are indicative only and, among other things, are subject to all necessary approvals from the Court and other Regulatory Authorities. Any changes to the timetable (which may include an earlier or later date for the Second Court Hearing) will be announced through ASX and notified on Foster's website, www.fostersgroup.com.

3.8.5 Expiry date

(i) End Date

Under the Scheme Implementation Deed, if the Effective Date does not occur by 29 February 2012 (or such other date as agreed to by Foster's and SABMiller), then the Scheme Implementation Deed will lapse and the Transaction will not proceed.

(ii) ASIC Relief

ASIC has granted SABMiller and SABMiller Beverage Investments conditional relief from the obligation under section 631 of the Corporations Act to make offers to Foster's Shareholders pursuant to, and within two months after, the announcement by SABMiller on 17 August 2011 of its intention to make a takeover bid for Foster's. Under the terms of that ASIC relief instrument, SABMiller or SABMiller Beverage Investments must make offers to Foster's Shareholders that are on the same or substantially no less favourable terms than those outlined in the announcement by SABMiller on 17 August 2011 (that is, \$4.90 per Fully Paid Share less the Final Dividend of 13.25 cents per Fully Paid Share and subject to all defeating conditions set out in SABMiller's announcement of 17 August 2011) by the earlier of:

- 31 December 2011; and
- three weeks after Foster's or SABMiller publicly announce that:
 - the Scheme Implementation Deed has been terminated or has been varied;
 - any offer to acquire securities in Foster's contemplated by the Scheme Implementation Deed will not be made in accordance with the terms specified in the Scheme Implementation Deed; or
 - the Scheme will not otherwise proceed.

If the Scheme becomes Effective, no takeover offer for Foster's will be made by SABMiller or SABMiller Beverage Investments.

3.9 Implementation of the Transaction

If the Transaction Resolutions are approved by Foster's Shareholders and all other Conditions Precedent (other than Court approval of the Scheme) have been satisfied or waived (as applicable), the steps described below will be taken to implement the Transaction.

The description of these general steps is based on the obligations of Foster's and SABMiller under the Scheme Implementation Deed. SABMiller and SABMiller Beverage Investments have also executed the Deed Poll in which they acknowledge and confirm, for the benefit of Scheme Shareholders, their obligations under the Scheme. The terms of the Scheme Implementation Deed are set out in full in Appendix 4 to this Booklet and its key terms are summarised in Section 3.13.1. The terms of the Deed Poll are set out in Appendix 3 to this Booklet.

3.9.1 Court approval of the Scheme

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

The Court has a broad discretion whether or not to approve the Scheme under section 411(4)(b) of the Corporations Act.

The Second Court Hearing is expected to occur on or around Friday, 2 December 2011. Any change to this date will be announced through ASX and will be available on Foster's website, www.fostersgroup.com. Further details regarding the Second Court Hearing will be advertised in The Australian newspaper.

Any Foster's Shareholder, or with the Court's permission, any other interested person may appear at the Second Court Hearing in person or through counsel to support or oppose the approval by the Court of the Scheme or make representations to the Court in relation to the Scheme.

3.9.2 Receipt of Court Orders

If the Court makes orders approving the Scheme, Foster's will lodge a copy of those orders with ASIC under section 411(10) of the Corporations Act. As soon as the copies of the Court orders approving the Scheme are lodged with ASIC, the Scheme will become Effective. This is expected to occur on the date of issue of the Court orders approving the Scheme (expected to be Friday, 2 December 2011).

If the Scheme becomes Effective, Foster's and SABMiller (and SABMiller Beverage Investments) will become bound to implement the Scheme in accordance with the terms of the Scheme and the Deed Poll.

Only Foster's Shareholders who qualify as Scheme Shareholders will be bound by and have the benefit of the Scheme. Section 3.7 describes the principles for determining the identity of Scheme Shareholders.

3.9.3 Suspension of trading of Foster's Shares

If the Court approves the Scheme, Foster's will notify ASX of that approval on the day it is received (expected to be Friday, 2 December 2011).

It is expected that suspension of trading in Fully Paid Shares on ASX will occur from the close of trading on the Effective Date, being the date Foster's lodges the Court order approving the Scheme with ASIC (expected to be Friday, 2 December 2011).

3.9.4 Transfer and registration of Foster's Shares

On the Implementation Date:

- SABMiller Beverage Investments will deposit into an account in the name of Foster's an amount equal to the total Scheme Consideration to be provided to Scheme Shareholders, the amount to be held on trust for the Scheme Shareholders and for the purpose of dispatching to each Scheme Shareholder a cheque or electronic funds transfer for the Scheme Consideration to which they are entitled;
- subject to the deposit of the total Scheme Consideration being made, the Foster's Shares held by Scheme Shareholders as at the Record Date, together with all rights and entitlements attaching to those Foster's Shares as at the Implementation Date, will be transferred to SABMiller Beverage Investments, without the need for any further act by any Scheme Shareholder, by Foster's signing and effecting on behalf of Scheme Shareholders a valid transfer or transfers of those Foster's Shares to SABMiller Beverage Investments (this may be by a master share transfer) and entering SABMiller Beverage Investments in the Foster's Share Register; and
- Foster's will undertake the Capital Return.

Under the Scheme each Scheme Shareholder is deemed to have warranted to Foster's and appointed and authorised Foster's as their attorney and agent to warrant to SABMiller Beverage Investments that:

- all of their Foster's Shares which are transferred to SABMiller Beverage Investments under the Scheme will (except as otherwise set out in the Scheme), on

the date on which they are transferred to SABMiller Beverage Investments, be:

- fully paid (other than any of their Partly Paid Shares); and
- free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind including any security interest within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth); and
- they have full power and capacity to sell and to transfer their Foster's Shares to SABMiller Beverage Investments.

Foster's undertakes to each Scheme Shareholder that it will provide such warranty to SABMiller Beverage Investments on behalf of the Scheme Shareholder.

3.9.5 Payment of Transaction Consideration

It is expected that within three Business Days after the Implementation Date Foster's will send to each Scheme Shareholder their Transaction Consideration for each of their Foster's Shares as at the Record Date. Based on an expected Implementation Date of Friday, 16 December 2011, the Transaction Consideration is expected to be sent by Wednesday, 21 December 2011. The Transaction Consideration will be paid:

- where the Scheme Shareholder has nominated an Australian bank account that is currently used by Foster's for the payment of dividends - by electronic funds transfer in Australian currency into that account; or
- otherwise - by a cheque in Australian currency to the Scheme Shareholder by pre-paid post to their registered address.

For further information regarding the payment of Transaction Consideration, Foster's ADS holders should refer to Section 3.11.

3.9.6 Delisting of Foster's

At a time determined by SABMiller Beverage Investments, following the implementation of the Transaction, SABMiller Beverage Investments will apply for the termination of the official quotation of Fully Paid Shares on ASX and for Foster's to be removed from the official list of ASX.

3.10 Effect of the Transaction

3.10.1 Foster's Shareholders

If the Transaction is implemented, Scheme Shareholders will no longer hold Foster's Shares and the Foster's Shares held by Scheme Shareholders as at the Record Date will be transferred to SABMiller Beverage Investments.

3. Details of the Transaction

Scheme Shareholders will receive the Transaction Consideration equal to:

- \$5.40 cash per Fully Paid Share; and
- between \$1.36 and \$2.17 cash per Partly Paid Share (depending on the amount unpaid on their Partly Paid Shares).

3.10.2 Creditors

The Directors believe that the Transaction and, in particular, the Capital Return, will not materially prejudice Foster's ability to pay its creditors. The Independent Expert has concluded that Foster's existing creditors will not be materially prejudiced by the Capital Return. The Independent Expert's Report is set out in Appendix 1 to this Booklet.

3.11 Foster's ADS holders

Foster's ADS holders will not be sent any voting cards in relation to the Transaction Resolutions and will not be able to vote on the Transaction Resolutions.

Foster's ADS holders wishing to vote on the Transaction Resolutions, or be represented at the Second Court Hearing, must surrender their Foster's ADSs and be registered on the Foster's Share Register as Fully Paid Shareholders by 7.00pm (Melbourne time) on Tuesday, 29 November 2011 (refer to Section 3.8). Foster's ADS holders wishing to receive the Transaction Consideration (which is denominated in A\$) directly must surrender their Foster's ADSs and become Fully Paid Shareholders by the Record Date (refer to Section 3.7).

The depositary for the Foster's ADS programme is expected to cease conducting any issuances of Foster's ADSs from deposits of Foster's Shares into, or surrenders of Foster's ADSs and withdrawals of Foster's Shares from, the Foster's ADS programme and any transfers of Foster's ADSs as of 5.00pm (New York time) on Thursday, 8 December 2011.

If the Transaction is implemented, the depositary for the Foster's ADS programme will receive the Transaction Consideration in respect of the underlying Fully Paid Shares that have been deposited under the deposit agreement for the Foster's ADS programme. The depositary for the Foster's ADS programme will convert the Transaction Consideration it receives into US dollars, notify Foster's ADS holders of the termination of the Foster's ADS programme and call for the surrender of all Foster's ADSs. Foster's ADS holders who were holders of Foster's ADSs on the books of the depositary as of 5pm (New York time) on Thursday, 8 December 2011 will be entitled to receive the US dollars in proportion to the number of Foster's ADSs held by them at such time, respectively. Upon surrender of the Foster's ADSs, the

depositary will distribute the US dollars (net of applicable fees, currency conversion expenses, and taxes and other governmental charges) to the Foster's ADS holders entitled to them.

Foster's will instruct the depositary for the Foster's ADS programme to separately provide each Foster's ADS holder with information on their entitlement to receive the US dollar equivalent of the Transaction Consideration if the Transaction is implemented and the manner in which they can vote on the Transaction Resolutions and participate in the Transaction as Fully Paid Shareholders, if desired.

3.12 Partly Paid Shareholders

3.12.1 Background to Partly Paid Shares

As at the date of this Booklet, Foster's had on issue 786,510 Partly Paid Shares, representing approximately 0.04% of Foster's Shares on issue. The Partly Paid Shares are held by or for the benefit of current and former Foster's employees. Details of these Partly Paid Shares are set out in the following table:

Tranche No.	Issue price (\$)	No. of Partly Paid Shares	Paid up value (\$)	Unpaid portion of issue price (\$)
50	5.8300	300	0.0167	5.8133
51	7.3800	4,800	0.0167	7.3633
53	7.9700	27,270	0.0167	7.9533
55	9.4000	600,000	0.0167	9.3833
56	8.3000	62,490	0.0167	8.2833
57	7.7000	32,700	0.0167	7.6833
58	7.6300	25,290	0.0167	7.6133
59	7.3300	31,800	0.0167	7.3133
61	5.0000	450	0.0167	4.9833
64	4.4200	810	0.0167	4.4033
65	4.3200	600	0.0167	4.3033

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

Under the documents governing the terms of the Partly Paid Shares, a call can only be made by Foster's on any unpaid amounts if the daily weighted average share price of a Fully Paid Share equals or exceeds the issue price of the relevant Partly Paid Share on the day, and in each of

the 40 Business Days prior to the day, on which the call is made. Partly Paid Shareholders may, however, choose to pay up the unpaid amounts on their Partly Paid Shares at any time.

More than 99% of the Partly Paid Shares are “out-of-the-money”, (ie, their issue price is higher than the Transaction Consideration for a Fully Paid Share).

3.12.2 Terms of participation in the Transaction

The Directors considered the basis upon which Partly Paid Shareholders should participate in the Transaction, having regard to the requirement (as noted above) that Partly Paid Shareholders are entitled to participate in reconstructions, amalgamations and mergers of Foster’s and schemes or arrangements involving Foster’s upon the same basis as Fully Paid Shareholders, after due regard (in the opinion of the Directors) has been taken of the unpaid portion of the issue price of the Partly Paid Shares. In accordance with the terms of issue of the Partly Paid Shares, the Directors determined (and SABMiller agreed) that the Partly Paid Shares should participate in the Transaction on the following basis:

- **Capital Return:** The Capital Return Consideration will not be paid in cash to the Partly Paid Shareholders. Instead, the issue price (and, therefore, the unpaid portion of the issue price) of each Partly Paid Share will be reduced by the amount of the Capital Return Consideration.
- **Scheme:** The Scheme Consideration payable in respect of each tranche of Partly Paid Shares will be as specified in the following table.

Tranche No.	Issue price (\$)	Unpaid portion of issue price (\$)	Adjusted Unpaid portion of issue price* (\$)	Scheme Consideration (\$)
50	5.8300	5.8133	5.5133	1.82
51	7.3800	7.3633	7.0633	1.58
53	7.9700	7.9533	7.6533	1.51
55	9.4000	9.3833	9.0833	1.36
56	8.3000	8.2833	7.9833	1.47
57	7.7000	7.6833	7.3833	1.54
58	7.6300	7.6133	7.3133	1.55
59	7.3300	7.3133	7.0133	1.59
61	5.0000	4.9833	4.6833	2.00
64	4.4200	4.4033	4.1033	2.15
65	4.3200	4.3033	4.0033	2.17

*After the Capital Return, and assuming the ATO Class Ruling is obtained in respect of the entire Capital Return Amount of \$0.30 per share.

In determining the basis upon which holders of Partly Paid Shares should be entitled to participate in the Transaction, the Directors had regard to (among other things) the following factors:

- The amount of the unpaid portion of the issue price of each tranche of Partly Paid Shares.
- The terms which govern the Partly Paid Shares, including that, by virtue of such terms, the Partly Paid Shares have a degree of ‘option’ value for the Partly Paid Shareholders, and the ‘option’ value of a Partly Paid Share depends (among other things) on the issue price of the Partly Paid Share and the unpaid portion of that issue price.
- Where a Partly Paid Shareholder transfers a Partly Paid Share, the holder is being relieved of the liability to pay the unpaid portion of the issue price of the Partly Paid Share.

As noted in Section 3.6, the amount of the Capital Return Consideration will depend on the outcome of Foster’s application for the ATO Class Ruling, but this will not have any impact on the amount of the Scheme Consideration for Partly Paid Shares.

Accordingly, regardless of the outcome of Foster’s application for the ATO Class Ruling, if the Transaction is approved by Foster’s Shareholders and the Court and is implemented, Partly Paid Shareholders will receive Transaction Consideration of between \$1.36 and \$2.17 cash per Partly Paid Share as specified in the table above.

3.12.3 Independent Expert’s opinion

The Independent Expert, Grant Samuel, has also concluded that the Transaction is fair and reasonable to and in the best interests of Partly Paid Shareholders.

As noted by the Independent Expert in section 6.7 of the Independent Expert’s Report, option based estimates of the value of the Partly Paid Shares do not reflect the value of the Foster’s ‘put’ (or right to call unpaid amounts on the Partly Paid Shares). To this extent they all over-estimate the value of the Partly Paid Shares.

The Independent Expert’s Report is set out in Appendix 1 to this Booklet.

3.12.4 Additional relevant considerations for Partly Paid Shareholders

The advantages, disadvantages and risks of the Scheme described in Section 1 also apply to, and should be considered by, Partly Paid Shareholders in determining how they should vote on the Transaction Resolutions. There are also a number of additional considerations that are specific to Partly Paid Shareholders:

- More than 99% of the Partly Paid Shares are “out-of-the-money” (ie, their issue price is higher than the Transaction Consideration for a Fully Paid Share). Notwithstanding that those Partly Paid Shares are “out-of-the-money”, the Transaction provides holders

3. Details of the Transaction

of those Partly Paid Shares the opportunity to realise some value for those Partly Paid Shares.

- Partly Paid Shareholders will no longer have a liability to pay up the unpaid portion of the issue price of their Partly Paid Shares if the Transaction is implemented (noting that the ability of Foster's to call the unpaid portion of the issue price is limited, as described in Section 3.12.1).

3.12.5 Voting Rights for Partly Paid Shareholders

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

3.13 Transaction agreements

3.13.1 Scheme Implementation Deed

The Scheme Implementation Deed sets out the steps required to be taken by Foster's and SABMiller to give effect to the Capital Return and the Scheme and other steps necessary to give effect to the Transaction. The key terms of the Scheme Implementation Deed are summarised below, and a copy of it is set out in Appendix 4 to this Booklet.

(i) Conditions Precedent

Implementation of the Transaction is subject to the Conditions Precedent set out in the Scheme Implementation Deed. These are summarised in Section 3.8.3. Clause 3.3 of the Scheme Implementation Deed sets out which party can waive each of the Conditions Precedent.

(ii) No Shop restriction

During the Exclusivity Period, Foster's has agreed that it will not, and must ensure that none of its Representatives or other persons on its behalf, directly or indirectly solicit, invite, encourage or initiate any Competing Proposal or any enquiries, expressions of interest, proposals, negotiations or discussions with any third party in relation to, or that may reasonably be expected to encourage or lead to, a Competing Proposal or communicate any intention to do any of those things.

(iii) No talk restriction

During the Exclusivity Period, Foster's has agreed that it will not, and must ensure that none of its Representatives or other persons authorised to act on its behalf, enter into, permit, continue or participate in, negotiations or discussions with any third party regarding a Competing Proposal, or if to do so may be reasonably likely to encourage or lead to a Competing Proposal, even if:

- the Competing Proposal was not directly or indirectly solicited, invited, initiated, or encouraged by Foster's or any of its Representatives; or
- the Competing Proposal has been publicly announced.

This restriction does not apply to the extent that the Foster's Board has determined, in good faith, after having obtained written advice from its external legal advisors, and, if appropriate, its financial advisors, that failing to respond to a bona fide Competing Proposal (which was not encouraged in contravention of the no shop restriction) would be likely to constitute a breach of the Directors' fiduciary or statutory obligations.

(iv) No due diligence

During the Exclusivity Period, Foster's has agreed that it will not, and must ensure that none of its Representatives and other persons authorised to act on its behalf, directly or indirectly, make available to any third party, or permit any third party to receive any non-public information relating to Foster's Group in connection with or which may reasonably be likely to lead to them formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal, unless in respect of an actual Competing Proposal that has not been directly or indirectly solicited, invited, encouraged, permitted, continued or participated in, in breach of the Scheme Implementation Deed, all of the following requirements are satisfied:

- Foster's has determined in good faith after having obtained written advice from its external legal, and, if appropriate, its financial advisers, that:
 - the Competing Proposal is reasonably likely to constitute a Superior Proposal, or would be reasonably likely to constitute a Superior Proposal if it were to be proposed; and
 - failing to respond to such Competing Proposal would be likely to constitute a breach of the fiduciary or statutory obligations of the Directors;
- the third party has first entered into a written agreement in favour of Foster's regarding the use and disclosure of the confidential information; and
- to the extent that such information has not been provided to SABMiller, Foster's provides that information to SABMiller at the same time as it is provided to the third party.

(v) Notification and matching rights

During the Exclusivity Period, Foster's has agreed to immediately notify SABMiller if:

- it or any of its Representatives are contacted in relation to, or receive any Competing Proposal

(or an approach, expression of interest or offer which falls short of being, but could become, a Competing Proposal);

- it or any of its Representatives, is approached (directly or indirectly) by any third party in connection with, to engage in or which may reasonably be expected to lead to any activity or action prohibited by the Scheme Implementation Deed; or
- it proposes to take any action related to permitting the third party formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal.

If any event requiring notification by Foster's to SABMiller occurs, Foster's has agreed to provide SABMiller a notice specifying all material terms of any such Competing Proposal, approach or communication, including details of the proposed price or implied value (including the form of consideration), conditions, status of funding, timing and break fee (if any). Foster's must ask the person who has made the Competing Proposal (**the Competing Party**) for their consent to their name and other identifying details which may identify the Competing Party (**Identifying Details**) being provided by Foster's to SABMiller on a confidential basis. If consent is refused, Foster's may only withhold the Identifying Details from SABMiller to the extent necessary to satisfy what the Foster's Directors reasonably consider, on the basis of written advice from their external legal advisers, to be their fiduciary or statutory obligations.

At any time from when any event described above which requires notification by Foster's to SABMiller occurs, until the day that is three Business Days after Foster's gives notice to SABMiller (**Matching Period**), Foster's agrees:

- not to enter into, or agree to enter into, any binding documentation to effect or implement the Competing Proposal;
- that no Director will make any public statement recommending the Competing Proposal to Foster's shareholders; and
- SABMiller will have the right (but not the obligation) to make a revised offer to Foster's or Foster's Shareholders (**SABMiller Counter Proposal**) that SABMiller reasonably considers would provide an equivalent or a superior outcome for Shareholders when compared to the Competing Proposal.

Foster's has agreed to use its best endeavours to procure that the Directors consider any such SABMiller Counter Proposal during the Matching Period in good faith. If the Foster's Directors acting in good faith determine that the terms and conditions of the SABMiller

Counter Proposal taken as a whole are no less favourable than those in the applicable Competing Proposal, then Foster's and SABMiller must use their reasonable endeavours to agree and enter into such documentation as is necessary to give effect to and implement the SABMiller Counter Proposal as soon as reasonably practicable. In addition, in those circumstances, Foster's must also use its best endeavours to procure that each Director makes a public statement to Shareholders recommending the SABMiller Counter Proposal to Shareholders.

Any material modification to, or development of, any Competing Proposal (including any modification relating to price or value of any Competing Proposal or incomplete or non-binding proposal or expression of interest becoming complete, capable of acceptance (whether or not subject to conditions) or binding) will be taken to constitute a new Competing Proposal in respect of which Foster's must comply with its obligations outlined above.

(vi) Break fee

Foster's must pay SABMiller a break fee of \$99 million in the following circumstances:

- at any time prior to the End Date, a Competing Proposal of any kind is announced by Foster's or a third party, and within twelve months after the date of that announcement, the third party or an associate of the third party completes a transaction of the kind referred to in paragraph (a), (b) or (c) of the definition of Competing Proposal;
- at any time before the earlier of the Implementation Date and the End Date, the Scheme Implementation Deed is terminated or the Scheme is not implemented as a result of:
 - a Prescribed Occurrence occurring between the date of the Scheme Implementation Deed (being 21 September 2011) and 8am on the Second Court Date; or
 - one or more of the representations and warranties made by Foster's in the Scheme Implementation Deed ceasing to be, or not being, materially true and correct at 8.00am on the Second Court Date (or if only given on an earlier date, at that date);
- at any time before the Scheme Meeting, any Director:
 - fails to make a recommendation or statement that they recommend, in the absence of a Superior Proposal, Foster's Shareholders vote in favour of the Scheme Resolution at the Scheme Meeting and the Capital Return Resolution at the General Meeting;

3. Details of the Transaction

- fails to make a statement that they will, in the absence of a Superior Proposal, vote any Foster's Shares they own or control in favour of the Scheme Resolution at the Scheme Meeting and the Capital Return Resolution at the General Meeting; or
- makes a public statement inconsistent with, withdrawing or adversely changing or modifying their recommendation that, or makes a recommendation or a statement that is inconsistent with:
 - their recommendation that Foster's Shareholders vote in favour of the Scheme Resolution at the Scheme Meeting and the Capital Return Resolution at the General Meeting in the absence of a Superior Proposal; or
 - their statement that, in the absence of a Superior Proposal, they will vote any Foster's Shares they own or control in favour of the Scheme Resolution at the Scheme Meeting and the Capital Return Resolution at the General Meeting,

and any of the requisite Foster's Shareholder or Court approvals for the Transaction are not obtained;

- SABMiller terminates the Scheme Implementation Deed due to Foster's materially breaching a provision of the Scheme Implementation Deed;
- the Scheme Implementation Deed is terminated by SABMiller (or Foster's wishes to terminate) because of the Foster's Board:
 - failing to recommend or withdrawing, adversely modifying or changing its support of the Scheme or its recommendation that Shareholders vote in favour of the Scheme Resolution at the Scheme Meeting and the Capital Return Resolution at the General Meeting; or
 - making a public statement indicating that it no longer supports the Scheme or the Capital Return or that it supports a Competing Proposal; or
- Foster's wishes to terminate the Scheme Implementation Deed if the Independent Expert's Report does not state that the Transaction is in the best interests of Foster's Shareholders or the Independent Expert changes its opinion that the Transaction is in the best interests of Foster's Shareholders or withdraws the Independent Expert's Report.

The break fee will not be payable by Foster's merely because the Scheme Resolution or the Capital Return Resolution is not approved by the requisite majorities of Foster's Shareholders at the Scheme Meeting or the General Meeting.

(vii) Termination rights

Either Foster's or SABMiller may terminate the Scheme Implementation Deed by written notice to the other:

- at any time before 8am on the Second Court Date and prior to the implementation of the Scheme on the Implementation Date, if the other has materially breached any provision of the Scheme Implementation Deed;
- if a Condition Precedent is not satisfied, and that condition precedent is not waived by Foster's or SABMiller, as appropriate, and after consulting in good faith the parties are unable to reach an agreement to either extend the date for the satisfaction of that Condition Precedent or effect the Transaction by alternative means, provided that that Condition Precedent is for the benefit of the party wishing to terminate;
- If the Foster's Board:
 - fails to recommend or withdraws, adversely modifies or changes its support of the Scheme or its recommendation that Shareholders vote in favour of the Scheme Resolution and the Capital Return Resolution; or
 - makes a public statement indicating that it no longer supports the Scheme or the Capital Return or that it supports a Competing Proposal; or
- the Independent Expert's Report does not state that the Transaction is in the best interests of Foster's Shareholders or the Independent Expert changes its recommendation that the Transaction is in the best interests of Foster's Shareholders or withdraws its report.

3.13.2 Deed Poll

SABMiller and SABMiller Beverage Investments have entered into the Deed Poll in favour of Scheme Shareholders under which SABMiller and SABMiller Beverage Investments have undertaken to pay or procure payment of the Scheme Consideration in accordance with the Scheme.

The Deed Poll is governed by the laws of Victoria and its terms are set out in Appendix 3 to this Booklet.

4. Information on Foster's



4. Information on Foster's

4.1 Foster's Group

Foster's has a long and proud history dating back to 1824. In May 2011, Foster's completed the demerger of its wine business Treasury Wine Estates, allowing Foster's to return to being a dedicated beer and cider business.

Foster's products are sold in over 45 countries worldwide. In the financial year ended 30 June 2011 Foster's reported net sales revenue of \$2,274.8 million and EBIT of \$816.7 million.⁹

Foster's is an Australian company focused on brewing activities through two divisions, Carlton United Brewers (**CUB**) and the Rest of World.

CUB is Foster's largest division and the largest brewer in Australia, with almost 50% volume share of the Australian beer market. CUB is also the largest producer of cider in Australia with 69% volume share of the off-premise cider market. It also has a portfolio of spirits, ready-to-drink and non-alcohol brands, and operations in the Pacific.

For the financial year ended 30 June 2011, CUB reported total sales volume of 101.0 million nine litre cases, net sales revenue of \$2,228.8 million and EBIT of \$847.8 million.¹⁰

CUB owns and licenses brands in all segments of the Australian beer category. It has a portfolio of 25 beer, four cider, 11 spirits / ready-to-drink and four non-alcohol beverage master brands. CUB's brand portfolio includes iconic Australian beer brands such as VB, Carlton Draught, Crown Lager, Pure Blonde and Cascade and international beers such as Corona, Asahi, Stella Artois and Carlsberg. It also includes craft beer brands such as Matilda Bay's Redback, Fat Yak and Big Helga. CUB also leads the market in the Australian cider category with popular cider brands Strongbow, Mercury, Bulmers Original, and Matilda Bay's Dirty Granny.

CUB operates the Yatala Brewery in Queensland, the Abbotsford Brewery in Melbourne, the Cascade Brewery in Hobart and a craft beer facility in Melbourne, and produces cider in Campbelltown. It is also the largest brewer in Fiji.

In the Rest of World, Foster's sells, licenses and distributes Australian beer brands outside of Australia, including the Foster's Lager brand and the sale of CUB beer, cider and spirits products. Foster's Rest of World reported total sales volume of 6.9 million nine litre cases, net sales revenue of \$46.0 million and EBIT of \$18.0 million¹¹ for the financial year ended 30 June 2011.

⁹ Extracted from Foster's 2011 Annual Report based on continuing operations before individually material items.

¹⁰ Extracted from Foster's 2011 Annual Report based on continuing operations before individually material items, including earnings from operations in the Pacific and before corporate costs of \$49.1 million.

¹¹ Extracted from Foster's 2011 Annual Report based on continuing operations before individually material items, excluding earnings from operations in the Pacific and before corporate costs of \$49.1 million.

¹² Refer to Section 7.2.1 for information regarding vesting and cancellation of these Performance Rights.

4.2 Board and senior management

4.2.1 Board

The Foster's Board comprises the following directors.

Director's name	Position
David Crawford AO	Chairman
John Pollaers	Executive Director
Paul Clinton	Non-Executive Director
Paula Dwyer	Non-Executive Director
Judith Swales	Non-Executive Director
Michael Ullmer	Non-Executive Director
Michael Wesslink	Non-Executive Director

4.2.2 Senior management team

Key members of Foster's senior management team include:

Name	Position
John Pollaers	Chief Executive Officer
Stephen Matthews	Chief Financial Officer
Dan Last	General Counsel & Company Secretary
Peter Cantwell	Managing Director, Sales
Paul Donaldson	Acting Managing Director, Marketing
Katea Downie	Chief Human Resources Officer
Dean Matthews	Chief Information Officer
Grant Peck	Managing Director, Supply
Jeremy Griffith	Director, External Affairs & Group Communications

4.3 Capital Structure

As at the date of this Booklet, Foster's had the following securities on issue:

- 1,941,514,539 Fully Paid Shares;
- 786,510 Partly Paid Shares; and
- 2,695,887 Foster's Performance Rights.¹²

4.4 Risk Factors

The risk factors in this Section 4.4 are existing factors relating to Foster's business and the industry in which it operates. These risks will only continue to be relevant to Foster's Shareholders if the Transaction does not proceed and Foster's Shareholders retain their current investment in Foster's.

If the Transaction proceeds, Foster's Shareholders will receive the Transaction Consideration, they will cease to be Foster's Shareholders and will also no longer be exposed to the risks set out in this Section 4.4.

4.4.1 General risk factors

As with any entity with listed securities on ASX, the future prospects, operating and financial performance of Foster's and the value of Foster's Shares are affected by a variety of general business cycles, economic and political factors in Australia and overseas including economic growth, interest rates, inflation, employment levels, changes in government fiscal or regulatory regimes and foreign trade policies, changes in accounting or financial reporting standards, and changes in taxation laws (or their interpretation) or regulations in the markets in which Foster's sells its products. Deterioration of the general economic conditions, adverse foreign exchange rate movements, the Australian and overseas stock markets, natural disasters and catastrophic events may also affect Foster's operating and financial position.

4.4.2 Specific risk factors

(i) Exposure to beer market

Foster's relies on the sale of a limited number of product categories, in particular beer. If the market for beer declines, this may have a substantial impact on Foster's.

In recent times, the beer category in Australia has been in decline – for example, there was a 6% decline in Australian beer category volume in the year to 30 June 2011. A number of factors have contributed to this decline, including increased consumption of wine and ready-to-drink products, economic uncertainty, lower household disposable income and exceptional weather. Any continuation of this decline in the Australian beer market could adversely affect the revenues and financial results of Foster's.

(ii) Competition

Foster's operates in a highly competitive business environment. The market in which Foster's competes is characterised by competition on the basis of quality, price and brand awareness. Foster's financial performance, revenue and market share may be

adversely affected by the actions of competitors, such as price discounting or increased marketing initiatives.

(iii) Reliance on major customers

Foster's generates a significant portion of its revenue from a small number of major customers. In the 2011 financial year, revenues from major customers represented 42.9% of Foster's reported revenues.

Foster's financial performance, revenue and market share may be adversely affected if Foster's loses, receives reduced orders from, or experiences any adverse change in its relationship with, any of its major customers.

(iv) Liability under transition services arrangements

Foster's provides Treasury Wine Estates with certain transition services, including finance services, call centre services, payroll services, logistical, warehousing and distribution services, and information technology services.¹³ In performing its obligations under these transition services arrangements, Foster's is exposed to certain risks and incurs certain costs.

Any breach by Foster's of any of the arrangements under which it provides these transition services could result in Foster's incurring a liability.

(v) Key brands

Foster's success in generating profits and increasing its market share is based on the success of its key brands. Reliance on key brands makes Foster's vulnerable to brand damage from negative publicity, product tampering or recalls, unauthorised use of its brands or ineffective brand management by Foster's or its licensees.

(vi) Damaged facilities and warehouses

Foster's owns or leases production, bottling and packaging facilities and warehouses. Damage to or destruction of these facilities could result in the loss of production capability or the loss of stock which could adversely impact Foster's financial results. It cannot be certain that the financial impact of any such event would be mitigated, fully or partially, by insurance.

(vii) Distribution of third party brands in Australia

Foster's currently distributes and sells certain third party brands in Australia under the terms of distribution contracts with the brand owner. There is a risk that these distribution contracts may be terminated or not renewed upon their expiry.

¹³ Further information in relation to these transition services arrangements is set out in section 3.10 of the Demerger scheme booklet dated 17 March 2011.

4. Information on Foster's

(viii) Private label products

Foster's sells its products through a number of retailers which have "generic" or private labels for their beer and cider offerings. These private label beer and cider offerings compete with Foster's products to end customers. An increase in the focus by these retailers on their private label beer and cider offerings could result in a decline in sales of Foster's products.

(ix) Information technology systems failure

Foster's customer service relies on its ability to satisfactorily manage high turnover volumes and a large number of customers and suppliers. A severe disruption to the information technology systems may significantly impact the operations and value of Foster's.

(x) Litigation

Exposure to litigation brought by third parties such as customers, regulators, employees or business associates could negatively impact on Foster's financial performance through increased costs, payments for damages and reputational damage. As at the date of this Booklet, Foster's is aware of the following disputes which may be material in the context of the Foster's Group taken as a whole:

- on 25 November 2010, the Commissioner of Taxation issued Foster's with amended taxation assessments for primary tax of \$49.5 million and interest of \$17.1 million. On 8 March 2011, the Commissioner of Taxation issued Foster's with notices imposing administrative penalties of \$24.7 million. The amended assessments and penalties notices relate to a capital loss incurred by Foster's in the year ended 30 June 2004 in relation to a redemption of shares in a subsidiary of Foster's that was incorporated in the United Kingdom. Foster's has formally objected to the amended assessments. The Commissioner of Taxation is considering Foster's objection and is expected to decide on the objection shortly. If the Commissioner of Taxation rejects Foster's objection, Foster's may appeal to the Federal Court of Australia; and
- on 4 August 2006, Foster's Australia Limited (a wholly-owned subsidiary of Foster's) agreed to sell the rights to the Foster's brand and associated intellectual property in India, and Dismin Investments Pty Ltd (a wholly-owned subsidiary of Foster's) agreed to sell the shares in a Mauritian company, FBG India Holdings Limited (**FBGIH**), to SABMiller (A&A 2) Limited, a member of the SABMiller Group. FBGIH, directly and indirectly, owned 100% of the shares in an Indian company. Pursuant to the relevant sale agreement, before completion of the sale, SABMiller (A&A 2) Limited

nominated SKOL Breweries Limited, an Indian company and a member of the SABMiller Group, as the purchaser of the Foster's brand and associated intellectual property in India. The Indian taxation authorities have sought to tax the disposals of the brand and associated intellectual property and the shares in FBGIH. No taxation assessment has yet been issued in respect of the brand and associated intellectual property. However, Foster's sought an advance ruling from the Authority for Advance Rulings, New Delhi, in relation to the sale of the brand and associated intellectual property, which was unsuccessful. Foster's has brought an appeal against this ruling in the Delhi High Court. On 29 March 2011, the Indian taxation authorities passed an assessment order and issued a notice of demand for \$39.5 million (excluding penalties) to the purchaser in respect of the acquisition of shares in FBGIH. At Foster's direction, the purchaser is challenging the validity of this assessment in the Bombay High Court.

(xi) Employees

Foster's competes in labour markets to attract and retain its employees and management team. The competitive nature of these labour markets may result in the loss of key employees from time to time or make it difficult and costly to attract or retain employees.

Interruptions at Foster's workplaces arising from industrial disputes, work stoppages and accidents may result in production losses and delays. Renegotiation of collective agreements may increase Foster's operating costs and may involve disputes.

While a strong emphasis is placed on the implementation of occupational health and safety standards, the risk of a serious injury or fatality remains possible. The occurrence of such events may have an adverse effect on the productivity and operations of Foster's.

4.5 Financial Information

4.5.1 Annual Results for FY2011

On 21 September 2011, Foster's lodged its 2011 Annual Report with ASX containing detailed information about Foster's assets, structure, business and operations as well as the audited consolidated financial statements for the Foster's Group for the year ended 30 June 2011. In its consolidated financial statements, Foster's reported a net loss after tax attributable to Foster's Shareholders of \$89.0 million. The net loss after tax reflected the one-off loss on the demerger of Treasury Wine Estates of \$1,234.8 million after tax.

Foster's reported net profit after tax (but before material items) of \$494.9 million from continuing operations.

The full statutory results for the year ended 30 June 2011 were provided to ASX on 21 September 2011 and copies are available on the Foster's website (www.fostersgroup.com).

4.5.2 Outlook

As announced at the time of release of its annual results for the year ended 30 June 2011, Foster's believes that the long term fundamentals of the beer and cider categories in Australia remain strong, and once through the current period of economic uncertainty Foster's is confident that the beer category will return to the long term trend of modest growth.

The trend of decline in the Australian beer category has begun to moderate in recent months and Foster's expects continued improvement. However, at this stage Foster's still expects market volume in the first half of FY2012 to be lower than FY2011.

Foster's continues to experience challenging trading conditions with price discounting by competitors and customers seeking to maximise trading terms.

If the Transaction does not proceed, Foster's will continue to implement its previously stated strategy, underpinned by its 'Urgent Agenda' initiatives (implemented in FY11) and its 'Full Potential' strategy. The 'Full Potential' strategy is based on five strategic imperatives - focussing on the core business; targeting cost leadership; achieving consumer led growth; out-investing and out-executing the competition; and leading industry evolution.

Although Foster's has significant growth prospects as an independent ASX-listed company, Foster's current strategy would take time to fully implement and involves execution risks, some of which are outside the control of Foster's. If the Transaction does not proceed, Foster's Shareholders will continue to be subject to risks related to this strategy, as well as other Foster's business risks which are set out in Section 4.4.

4.6 Public information available for inspection

Foster's is a 'disclosing entity' for the purposes of section 111AC(1) of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations.

Foster's has an obligation under the Listing Rules (subject to some exceptions) to notify ASX immediately of any information concerning it of which it becomes aware that a reasonable person would expect to have a material effect on the price or value of Foster's Shares.

Foster's recent announcements are available from ASX's website at www.asx.com.au. Further announcements will continue to be made available on this website after the date of this Booklet.

Pursuant to the Corporations Act, Foster's is required to prepare and lodge with ASIC and ASX both annual and half-yearly financial statements accompanied by a Directors' statement and report, with an audit or review report. Copies of these and other documents lodged with ASIC may be obtained from or inspected at an ASIC office, on ASX's website (www.asx.com.au) and on Foster's website (www.fostersgroup.com).

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5. Information on SABMiller



5. Information on SABMiller

5.1 Overview of SABMiller Beverage Investments

SABMiller Beverage Investments is an Australian company incorporated in Victoria which has been established for the purpose of acquiring the Foster's Shares. SABMiller Beverage Investments has available to it funding facilities to allow it to pay for the Foster's Shares it acquires under the Scheme (see Section 5.9 for further details).

SABMiller Beverage Investments is an indirect wholly owned subsidiary of SABMiller. Ultimately, SABMiller Beverage Investments will be held, via an intermediate holding company, by SABMiller Holdings Ltd and SABMiller Holdings Inc. These companies are in turn wholly owned by SABMiller. Information on SABMiller is set out in Section 5.2.

5.2 Overview of SABMiller

Unless otherwise stated, the data in this Section 5.2 of the Booklet relating to the SABMiller Group is sourced from SABMiller's annual report for the year ended 31 March 2011.

5.2.1 Corporate information

SABMiller is incorporated in England and Wales with its head office in London. It is listed on both the London Stock Exchange and the Johannesburg Stock Exchange. It is a constituent of the FTSE 100 Index.

SABMiller had:

- (i) a market capitalisation of approximately US\$52,404 million as at 30 September 2011;
- (ii) consolidated total assets of US\$39,108 million as at 31 March 2011;
- (iii) group revenues of US\$28,311 million for the year ended 31 March 2011; and
- (iv) consolidated Adjusted EBITDA of US\$5,617 million for the year ended 31 March 2011.

5.2.2 Global operations

SABMiller, together with its subsidiaries, associated companies and joint ventures, is the world's second largest brewer by volume, occupying a top-two market position by volume in many markets in which it operates. For the year ended 31 March 2011, the SABMiller Group reported lager volumes of 218 million hectolitres and SABMiller, together with its subsidiaries, had approximately 70,000 employees. SABMiller is also one of the world's largest bottlers of Coca-Cola products.

SABMiller has brewing interests and distribution agreements in over 75 countries across six continents, with a mix of fast-growing developing markets and more

mature markets. SABMiller has a diverse portfolio of over 200 brands, including global brands such as Pilsner Urquell, Peroni Nastro Azzurro, Miller Genuine Draft and Grolsch, along with leading local brands such as Aguila, Castle Lager, Miller Lite, Snow and Tyskie.

5.2.3 Principal activities by reporting region

(i) Asia

SABMiller has been active in the Asia Pacific region for many years, having established a joint venture, China Resources Snow Breweries Ltd, with its partner China Resources Enterprise Limited to enter China in 1994. Since its formation, the business has grown consistently and is now the largest brewer in China by sales volume. As at the end of June 2011, China Resources Snow Breweries Ltd operated 79 breweries. Instrumental to this growth has been the success of the Snow brand, which is the largest beer brand in the world by volume with sales in excess of 80,000,000 hectolitres for the year ended 31 December 2010.

As the region developed, SABMiller continued to expand its presence across the region. In 2005, after acquiring the Shaw Wallace Group's brewing operations in India, SABMiller became the second largest brewer in that country. In 2006, SABMiller acquired a 100% interest in the Foster's operation and brand in India, building on its strong number two position.

Also in 2006, SABMiller invested in Vietnam and, through the Pacific Beverages joint venture, also entered Australia and later New Zealand (see Section 5.3 for further details). As well as investing in brewing operations in the region, SABMiller also exports significant volumes to other countries including South Korea and Cambodia.

SABMiller's current portfolio of businesses in the region represents a diverse footprint with exposure to markets with long-term volume growth potential such as China and India and more developed markets such as Australia and South Korea. With EBITA growth in excess of 30% in the year ended 31 March 2011, the region represents one of SABMiller's important growth drivers.

Outside China, SABMiller operated 12 breweries in Asia (excluding Australia) and employed approximately 3,400 employees during the financial year ended 31 March 2011. Key local brands include Foster's (India), Haywards 5000, Royal Challenge and Zorok.

(ii) North America

In 2002, Miller Brewing Company (then the second largest brewer in the US by volume) became a wholly owned subsidiary of SABMiller, making SABMiller the second largest brewer in the world (by volume). In 2008, the MillerCoors joint venture with Molson Coors

Brewing Company was formed, bringing together the US and Puerto Rico operations of both groups. It is headquartered in Chicago and is the second largest brewer in the US with almost 30% of the beer market. SABMiller has a 58% economic interest in MillerCoors and voting interests are shared equally between SABMiller and Molson Coors. MillerCoors operates eight major breweries in North America and as at 31 March 2011 had approximately 8,800 employees. Key local brands include Blue Moon, Coors Banquet, Coors Light, Icehouse, Keystone Light, Killian's, Leinenkugel's, MGD64, Mickey's, Miller Genuine Draft, Miller High Life, Miller Lite, Milwaukee's Best, Olde English, Steel Reserve, Batch 19 and Colorado Native.

The Miller Brewing International business, based in Milwaukee, is wholly owned by SABMiller and exports brands to Canada and Mexico and throughout the Americas.

(iii) South Africa

SABMiller's South African Beverages division is the company's original brewing operation and today The South African Breweries Limited is South Africa's leading producer and distributor of lager and soft drinks. It also exports brands for distribution across Namibia. Its soft drinks division is South Africa's leading producer of products for The Coca-Cola Company. SABMiller has hotel and gaming interests through its 39.7% interest in Tsogo Sun Holdings Limited, the largest hotel and gaming group in South Africa.

As at 31 March 2011 SABMiller operated seven breweries and six bottling plants in South Africa, employing approximately 11,900 employees for the financial year ended 31 March 2011. Key local brands include Carling Black Label, Castle Lager, Castle Lite, Castle Milk Stout, Hansa Pilsener, Redd's Premium Dry, Appletiser and Brutal Fruit.

(iv) Africa

SABMiller's brewing and beverage operations cover 16 countries in Africa – Angola, Botswana, Comores, Ethiopia, Ghana, Kenya, Lesotho, Malawi, Mayotte, Mozambique, Nigeria, South Sudan, Swaziland, Tanzania, Uganda and Zambia. A further 19 countries are covered through SABMiller's equity interest in a strategic alliance with Castel, which operates principally in French-speaking Africa. SABMiller also has associated undertakings in Kenya and Zimbabwe.

In most of these countries, SABMiller or Castel is the number one brewer by market share. In addition, SABMiller bottles soft drinks for The Coca-Cola Company in 20 African markets, 13 of which are through the alliance with Castel.

Through its subsidiaries, SABMiller operated 31 breweries

and 22 bottling plants in Africa, employing approximately 13,500 employees during the financial year ended 31 March 2011. Key local brands include 2M, Chibuku, Club Premium Lager, Club Pilsener, Eagle, Kilimanjaro, Laurentina, Lion Lager, Maluti, Manica, Mosi, N'gola, Nile Special, Safari, Sibebe, St Louis, White Bull, Ambo, Rwenzori and Voltic.

(v) Latin America

SABMiller's Latin America brewing and beverage operations are primarily located in six countries across South and Central America, being Colombia, Peru, Ecuador, Panama, El Salvador and Honduras. In each of these countries, SABMiller is the number one brewer by market share.

At the end of 2010, SABMiller acquired the third largest brewer in Argentina, and now produces and distributes the Warsteiner brand under a long-term licence agreement. In addition, SABMiller bottles soft drinks for The Coca-Cola Company in El Salvador and Honduras, and for PepsiCo International in Panama.

SABMiller operated 17 breweries and 15 bottling plants in Latin America and employed approximately 25,700 employees during the financial year ended 31 March 2011. Key local brands include Águila, Águila Light, Atlas, Balboa, Barena, Club, Club Colombia, Cristal, Cusqueña, Golden Light, Imperial, Pilsen, Pilsen Callao, Pilsen Trujillo, Pilsener, Poker, Salva Vida and Pony Malta.

(vi) Europe

SABMiller's European brewing operations are primarily located in 10 countries, being the Czech Republic, Hungary, Italy, Poland, Romania, Russia, Slovakia, Spain (Canary Islands), the Netherlands and Ukraine. In the majority of these countries, SABMiller is the number one or two brewer by market share. SABMiller's expansion into Europe began in 1993 with the acquisition of Dreher in Hungary. SABMiller also exports significant volumes to a further eight European markets of which the largest are the United Kingdom and Germany.

SABMiller operated 21 breweries in Europe and employed approximately 14,200 employees during the financial year ended 31 March 2011. Key local brands include Arany Ászok, Ciucas, Dorada, Gambrinus, Grolsch, Kobanyai, Kozel, Lech, Peroni, Peroni Nastro Azzurro, Pilsner Urquell, Šariš, Sarmat, Smadny Mnich, Timisoreana, Tropical, Tyskie, Zhigulivskoe, Zolotaya Bochka and Zubr.

On 19 October 2011 SABMiller and Anadolu Efes Biracılık ve Malt Sanayii A.S. (**Anadolu Efes**) announced their intention to form a strategic alliance whereby Anadolu Efes will be the vehicle for both groups' investments in Turkey, Russia, the CIS, Central Asia and the Middle East, SABMiller will transfer its beer businesses in Russia and

5. Information on SABMiller

Ukraine to Anadolu Efes, and Anadolu Efes will issue 142,105,263 new Anadolu Efes shares to SABMiller, representing a 24% equity stake post capitalisation in the enlarged Anadolu Efes.

5.3 Pacific Beverages Joint Venture

5.3.1 Overview of Pacific Beverages

In Australia and New Zealand, SABMiller is active through Pacific Beverages, a 50/50 joint venture with CCA. Pacific Beverages was incorporated on 2 August 2006 and today it markets, sells and distributes the SABMiller Group's international beer brands together with local beer brands. In 2007, Pacific Beverages purchased Australian premium brewer Bluetongue Brewery Pty Ltd and, in 2010, Pacific Beverages opened a newly commissioned brewery in Warnervale, New South Wales. Pacific Beverages portfolio includes: Peroni Nastro Azzurro, Peroni Leggera, Pilsner Urquell, Miller Genuine Draft, Miller Chill, Grolsch, Bluetongue Premium Lager, Bluetongue Traditional Pilsner, Bluetongue Premium Light and Bruers Bright.

5.3.2 Amendment to the joint venture agreement in respect of Pacific Beverages

As is typical in a joint venture agreement, the parties are bound by a "non-compete" clause which prevents, among other things, both the SABMiller Group and CCA (and its related entities) from acquiring shares in Foster's. On 20 June 2011, SABMiller and CCA entered into an agreement (**PB Agreement**) to amend the joint venture agreement in respect of Pacific Beverages to allow SABMiller Beverage Investments to acquire Foster's Shares in certain circumstances, including pursuant to the Scheme.

The key terms of the PB Agreement are as follows:

- (i) If the Scheme is implemented:
 - (A) SABMiller is entitled to acquire (and CCA is entitled to require SABMiller to acquire) CCA's 50% interest in Pacific Beverages; and
 - (B) for a period of 12 months, there are restrictions on the SABMiller Group employing or offering to employ certain senior employees of CCA.
- (ii) If SABMiller acquires CCA's 50% interest in Pacific Beverages as a result of the implementation of the Scheme:
 - (A) CCA will receive from SABMiller a payment of between \$305 million and \$330 million together with payment for shareholder loans and possible additional payments to CCA depending on certain closing adjustments;
 - (B) CCA and its Associated Companies and Affiliates will be prohibited from selling, distributing or manufacturing Beer Product in Australia for a period of 24 months; and

- (C) CCA will have the right (subject to corporate and regulatory approvals) to acquire certain of Foster's assets and operations that are not related to beer, as well as its interests in Fiji and Samoa (as described in Section 5.7.3(iii)).

5.4 Directors of SABMiller Beverage Investments and SABMiller

5.4.1 Directors of SABMiller Beverage Investments

The directors of SABMiller Beverage Investments are:

Director's name	Current Position
Ari Mervis	Managing director, SABMiller Asia and Member of the SABMiller Executive Committee
Mathew Dunn	Finance director, SABMiller Asia
Stephen Rogers	General Counsel, Miller Brewing Company
James Dunphy	Managing director, Moelis & Company

5.4.2 Directors of SABMiller

The directors of SABMiller are:

Name	Position
Meyer Kahn	Chairman
Graham Mackay	Chief Executive and Member of the Executive Committee
Jamie Wilson	Chief Financial Officer and Member of the Executive Committee
Mark Armour	Non-executive director
Geoffrey Bible	Non-executive director
Alejandro Santo Domingo	Non-executive director
Dinyar Devitre	Non-executive director
Lesley Knox	Non-executive director
John Manser	Non-executive director
John Manzoni	Non-executive director
Miles Morland	Non-executive director
Dambisa Moyo	Non-executive director
Carlos Pérez	Non-executive director
Rob Pieterse	Non-executive director
Cyril Ramaphosa	Non-executive director
Helen Weir	Non-executive director
Howard Willard	Non-executive director

5.5 Additional information regarding SABMiller

SABMiller is subject to the information requirements of the United Kingdom's Companies Act 2006, the Listing Rules and the Disclosure and Transparency Rules of the Financial Services Authority in the United Kingdom and the rules of the London Stock Exchange and the Johannesburg Stock Exchange and, in accordance with these requirements, is required to file reports and other information with the London Stock Exchange and the Johannesburg Stock Exchange relating to its business, financial condition and other matters. The London Stock Exchange maintains a website at www.londonstockexchange.com and the Johannesburg Stock Exchange maintains a website at www.jse.co.za that contain information regarding registrants (including SABMiller). Further information about SABMiller can be found at www.sabmiller.com.

As at 30 September 2011:

- Altria Group, Inc. (**Altria**) was a 27.06% shareholder of SABMiller and further information regarding Altria can be found at www.altria.com; and
- BevCo Ltd (**BevCo**) was a 14.16% shareholder of SABMiller and is a company associated with the Santo Domingo family.

SABMiller has entered into agreements with each of Altria and BevCo in relation to their respective shareholdings in and rights to appoint directors of SABMiller.

Information contained in or otherwise accessible from the above websites are not part of this Booklet.

5.6 Rationale for SABMiller's proposed acquisition of Foster's

SABMiller Beverage Investments has proposed the acquisition of Foster's because this is consistent with the SABMiller Group's strategic priorities and will provide:

- SABMiller Group with exposure to a strongly performing economy;
- SABMiller Group with a leading position in the stable and profitable Australian beer industry; and
- an opportunity to apply SABMiller Group's capabilities and scale to stabilise and, over the longer term, enhance Foster's businesses' financial and operating performance.

5.7 SABMiller Beverage Investments' intentions if the Scheme is implemented

This Section 5.7 sets out the intentions of SABMiller Beverage Investments relating to:

- the continuation of the business of Foster's;
- any major changes to the business of Foster's and redeployment of the fixed assets of Foster's; and
- the future employment of the present employees of Foster's.

The intentions set out in this Section 5.7 of the Booklet represent the current intentions of SABMiller Beverage Investments as at the date of this Booklet and have been formed on the basis of facts and information concerning Foster's and its business which are known to SABMiller Beverage Investments at the date of this Booklet and are based on publicly available information and certain limited non-public information made available to SABMiller Beverage Investments as part of its limited due diligence review. Therefore, the formulation of this Section 5.7 is necessarily limited by the extent of the information about Foster's available to SABMiller Beverage Investments.

SABMiller Beverage Investments will make final decisions regarding these matters in the light of the information and circumstances at the relevant time including the general business environment. SABMiller Beverage Investments' intentions may change as new information becomes available or circumstances change. Any changes in intentions will be disclosed to the extent and in the manner required by law.

SABMiller Beverage Investments' intentions set out in this Section 5.7 have been approved by and reflect the intentions of SABMiller.

SABMiller Beverage Investments' current intentions for Foster's if the Scheme is implemented are as follows:

5.7.1 Corporate matters

SABMiller Beverage Investments intends to:

- arrange for Foster's to be removed from the official list of ASX;
- replace the Foster's Board with its nominees (replacement board members have not yet been identified but are likely to be members of the SABMiller Group management team);
- terminate Foster's employee and officer share plans; and
- terminate the Foster's ADS programme.

5. Information on SABMiller

5.7.2 Pacific Beverages

If CCA does not exercise its put option, SABMiller Beverage Investments intends to request SABMiller to (and SABMiller intends to) exercise its call option to acquire CCA's 50% interest in Pacific Beverages and thereafter to integrate the business currently operated by Pacific Beverages into Foster's as considered appropriate following a review of the Foster's and Pacific Beverages' businesses (see Section 5.3).

5.7.3 Sale of certain Foster's non-core assets to CCA

SABMiller Beverage Investments has granted CCA the right, if the Scheme is implemented, to acquire the following assets or operations of the Foster's Group:

- (i) the Spirits Brands and the Spirits RTD Brands together with, at CCA's election, to the extent severable, all assets and trading liabilities (including contracts and employees) attributable to the production, marketing, distribution and/or sales of products commercialised under those brands in Australia (including any foreign registrations of those brands) (**Spirits Option**);
 - (ii) the non-alcoholic beverages brands (excluding Beer Product and non-alcoholic applications of alcoholic brands other than Cascade), either by way of transfer or exclusive perpetual licence (to the maximum extent possible under applicable laws or contractual terms), together with, at CCA's election, to the extent severable, all assets and trading liabilities (including contracts and employees) wholly attributable to those brands in Australia (**NAB Option**); and
 - (iii) the beverages businesses in Fiji and the interest in Samoa Breweries Limited (**Fiji Option**),
- (together the **CCA Options**).

The price on a cash-free, debt-free basis of each business the subject of the CCA Options is equal to the relevant multiple (which will be up to 10 times, depending on the relevant assets and terms of relevant licences) multiplied by the aggregate EBITDA for that business. The aggregate EBITDA will be as agreed by the parties or, failing agreement, as determined by an accounting firm.

Non-compete obligations apply for two years in respect of any assets or businesses sold to CCA. There is also a 12 month obligation not to re-employ any employee who has transferred to CCA. These obligations would apply to the SABMiller Group and the Foster's Group but do not apply to the extent any assets or brands are not sold to CCA.

If CCA elects not to proceed to complete the purchase of any assets or businesses the subject of any of the CCA Options, SABMiller Beverage Investments has not formed any intentions as at the date of this Booklet as to what it will do with these assets or businesses.

5.7.4 General operational review

If the Scheme is implemented, SABMiller Beverage Investments intends to conduct a broad based, general review of Foster's operations covering strategic, financial and operating matters.

The review will seek to measure performance and identify areas which may be improved. It is anticipated that the review should be substantially completed within 12 months.

SABMiller Beverage Investments' focus is likely to be on the following key strategies to improve the performance of Foster's:

- (i) accessing SABMiller's scale, skill and best practice to:
 - (A) rejuvenate Foster's brand portfolio to enhance Foster's brands' appeal to consumers;
 - (B) optimise investment in sales and marketing and enhance marketing effectiveness to build brand equity; and
 - (C) implement best in class category, portfolio, customer and channel management;
- (ii) identifying opportunities to leverage SABMiller's global procurement function and other consolidated global back office operations and front office commercial platforms;
- (iii) training and development of Foster's employees, providing access to SABMiller's global best operating practices;
- (iv) review costs and capabilities of the business (including production, supply chain, finance, distribution, sales and marketing) using SABMiller standards and best practice to determine investment requirements or possible efficiencies. This will include the manufacturing review referred to in Section 5.7.5;
- (v) review business process and support platforms including IT and accounting systems to determine how best to integrate these functions with SABMiller's global platform; and
- (vi) in addition to Foster's existing portfolio, produce, distribute, market and/or sell brands currently distributed by Pacific Beverages across Foster's business platform.

If it becomes apparent that the financial and operating performance of Foster's can be improved, SABMiller Beverage Investments will seek to implement changes to achieve this improvement.

5.7.5 Manufacturing review

SABMiller Beverage Investments has made no decisions in relation to the future manufacturing base for Foster's. Based on SABMiller Beverage Investments' current understanding of Foster's manufacturing assets and subject to the outcome of the review referred to below, SABMiller Beverage Investments' current intention is to retain both Foster's and Pacific Beverages' manufacturing assets, with future decisions on manufacturing footprint optimisation to be taken in light of circumstances at the relevant time.

After the implementation of the Scheme, SABMiller Beverage Investments will conduct a thorough operational, financial and strategic review of all Foster's manufacturing facilities based on all available information. If it becomes apparent that improvements can be made to the manufacturing footprint, SABMiller Beverage Investments will seek to implement changes to achieve this improvement.

5.7.6 Operating and management intentions

It is SABMiller Beverage Investments' intention that Foster's will form part of SABMiller's Asia operating division. SABMiller Beverage Investments will review all the corporate head office functions of Foster's and Pacific Beverages (including senior management, investor relations, company secretarial, in house legal, treasury and finance, internal audit, human resources and IT) to determine the appropriate mix and number of employees required to manage the operations in Australia and whether those roles should be filled by existing employees of SABMiller Group, Foster's Group or Pacific Beverages. If the roles are to be filled by SABMiller Group's or Pacific Beverages' employees, or are to be eliminated, SABMiller will consider whether there are opportunities elsewhere in the SABMiller Group for affected employees.

SABMiller Beverage Investments will also conduct a review to determine whether those Foster's employees engaged in the non-Australian operations of Foster's should be replaced by SABMiller Group employees. If some or all of these roles are to be filled by SABMiller Group's employees, or are to be eliminated, SABMiller will consider whether there are opportunities elsewhere in the SABMiller Group for the affected employees.

5.7.7 Impact on employees

SABMiller Beverage Investments looks forward to extending to Foster's employees the benefits of being part of the SABMiller Group, including training, a strong health and safety focus and participation for qualifying employees in relevant SABMiller Group incentive programmes.

Given SABMiller's current limited operations in Australia, subject to the comments above, it is SABMiller Beverage Investments' intention for employees within Foster's operating businesses to remain in their roles on the same or substantially similar conditions to those that they currently enjoy. However, as a result of the reviews referred to in Sections 5.7.4 to 5.7.6, redundancies may be required. SABMiller Beverage Investments is not able to determine the number of employees these reviews may affect because SABMiller Beverage Investments does not know the number, responsibilities and capabilities of the employees engaged in the various functions subject to review. To the extent that any employees are made redundant, they will receive all payments and benefits to which they are entitled under applicable laws and contracts.

5.7.8 Basis of intentions

Other than as set out in this Section 5.7, it is SABMiller Beverage Investments' present intention to procure that Foster's will:

- (i) generally continue its business in substantially the same manner as at the date of this Booklet;
- (ii) not make any major changes to its business or redeploy any of its fixed assets; and
- (iii) continue the employment of its present employees.

5.8 Regulatory considerations

5.8.1 FIRB approval

SABMiller Beverage Investments is a foreign person for the purposes of the *Foreign Acquisitions and Takeovers Act 1975* (Cth). Accordingly, implementation of the Scheme is subject to the Condition Precedent that before 8.00am on the Second Court Date the Treasurer approves (either unconditionally or subject to conditions satisfactory to SABMiller) the proposed acquisition by SABMiller Beverage Investments of all of the Foster's Shares on issue and the Pacific Beverages Transaction. SABMiller Beverage Investments has lodged a notice with FIRB seeking this approval. SABMiller Beverage Investments believes that these transactions are consistent with the Government's foreign investment policy and anticipates that a statement of non-objection to the proposals will be issued in due course.

5.8.2 ACCC review of acquisition

The implementation of the Scheme is also subject to a Condition Precedent that, before 8.00am on the Second Court Date, SABMiller Beverage Investments receives unconditional written notification (or written notification subject to conditions satisfactory to SABMiller) from the ACCC to the effect that it does not propose to oppose or otherwise intervene in or seek to prevent SABMiller

5. Information on SABMiller

Beverage Investments' acquisition of Foster's or the Pacific Beverages Transaction. The *Competition and Consumer Act 2010* (Cth) prohibits acquisitions that have the effect or likely effect of substantially lessening competition in a relevant market. On 28 September 2011, the ACCC provided written notification that it does not propose to oppose or intervene in the acquisition of Foster's by SABMiller or the Pacific Beverages Transaction.

5.9 Funding arrangements for Scheme Consideration

The Scheme Consideration will be satisfied wholly in cash. This Section 5.9 sets out the means by which SABMiller Beverage Investments will fund the Scheme Consideration.

5.9.1 Maximum cash required

The amount of cash that SABMiller Beverage Investments will be required to pay in respect of all the Foster's Shares on issue as at the date of this Booklet and all of the Foster's Shares to be issued under the LTIP arrangements described in Section 7.2.1 is \$9,913.9 million.

Partly Paid Shareholders have the right to pay up all uncalled amounts in respect of their Partly Paid Shares therefore converting their Partly Paid Shares to Fully Paid Shares. If all Partly Paid Shareholders decide to convert their Partly Paid Shares to Fully Paid Shares before the Record Date, an additional amount of \$2.9 million will be payable. If the ATO Class Ruling is not obtained in respect of any portion of the Capital Return and all Partly Paid Shareholders decide to convert their Partly Paid Shares to Fully Paid Shares before the Record Date, an additional amount of \$583.3 million will be payable under the Scheme.

Accordingly, the maximum amount of Scheme Consideration that SABMiller Beverage Investments could be required to pay is \$10,500.2 million. The total amount of funding available to SABMiller Beverage Investments is sufficient to pay the aggregate Scheme Consideration. The Scheme is not conditional on SABMiller Beverage Investments obtaining debt or equity finance to fund the payment of the Scheme Consideration. The description of SABMiller Beverage Investments' funding arrangements below is provided for information purposes to demonstrate that SABMiller Beverage Investments has arrangements in place to fund payment of the Scheme Consideration in full if the Scheme becomes Effective.

5.9.2 Acquirer's intra-group funding arrangements

Pursuant to a funding agreement between SABMiller Beverage Investments, SABMiller Holdings Inc. and SABMiller (**Funding Agreement**), SABMiller has agreed that it will, or will procure that subsidiary entities of SABMiller will, subscribe for shares in SABMiller Beverage Investments or provide loans to SABMiller Beverage Investments to be applied by SABMiller Beverage Investments for an Acquisition Purpose (as defined in Section 5.9.3(i)), as well as to pay associated transaction costs.

SABMiller Beverage Investments' rights to require funding to be provided under the Funding Agreement are not subject to any conditions, other than satisfaction or waiver of the conditions to the Scheme Implementation Deed and the Scheme becoming Effective. SABMiller Beverage Investments will deposit the funds provided to it under the Funding Agreement for the payment of the Scheme Consideration in an account nominated by Foster's before 12.00pm on the Implementation Date.

5.9.3 SABMiller's group funding arrangements

(i) Overview of funding arrangements

SABMiller will obtain (or procure that its subsidiaries obtain) the funds required to be provided to SABMiller Beverage Investments under the Funding Agreement from a combination of existing resources of the SABMiller Group (**Existing Resources**) and external debt to be provided to SABMiller Holdings Inc. and SABMiller (the **Borrowers**) under a new US\$12,500 million multicurrency term and revolving facilities agreement (the **Acquisition Facilities Agreement**) with 10 banks (each of which as at the date of this Booklet has an S&P Credit rating of A or above) (**Syndicate Banks**) under which the Borrowers have available term loan facilities totalling US\$11,500 million (the **Acquisition Facilities**), and a revolving facility totalling US\$1,000 million (the **Revolving Facility**).

The proceeds of the Acquisition Facilities are available to SABMiller Beverage Investments for, among other purposes, financing the cash consideration payable under the Scheme and financing any transaction costs associated with the Scheme (each an **Acquisition Purpose**). The Revolving Facility may be used for the same purposes as the Acquisition Facilities, or after the date on which Foster's becomes a member of the SABMiller Group, for general corporate purposes of the SABMiller Group.

The funds available under the Acquisition Facilities Agreement are in excess of the amount that could be required to fund the Acquisition Purposes and are sufficient to cover any adverse movements in exchange rates that reduce the Australian dollar value of these funds that SABMiller believes is likely prior to payment of the Scheme Consideration. However, where considered appropriate by SABMiller Beverage Investments and SABMiller, Existing Resources may be used to fund the aggregate Scheme Consideration, any other Acquisition Purpose or the amounts required to cover all transaction costs associated with the Scheme in place of the funds available under the Acquisition Facilities Agreement.

(ii) Conditions to drawdown of the Acquisition Facilities Agreement

SABMiller Holdings Inc.'s ability to draw down under the Acquisition Facilities Agreement is subject to certain conditions (which SABMiller Beverage Investments believes are customary for facilities of this nature) being satisfied or waived, including:

- receipt by the lenders of a certificate from SABMiller signed by a director certifying certain factual matters in relation to the Scheme including Court approval of the Scheme on the Second Court Date and satisfaction or waiver of all Conditions Precedent to the Scheme becoming Effective; and
- the satisfaction of other conditions precedent which are customary for facilities of this kind (for example, the delivery of a drawdown notice and payment of fees and expenses).

It is expected that these conditions will be satisfied on or before the Second Court Date (other than those conditions relating to the Scheme becoming Effective and certain other conditions which are intended to be satisfied concurrently with, or prior to, the Implementation Date including the payment of fees and expenses).

Drawdown is subject to the further condition that certain representations and warranties (customary for facilities of this kind) are true in all material respects and certain events of default (customary for facilities of this kind) have not occurred and are not subsisting. As at the date of this Booklet, neither SABMiller Beverage Investments nor SABMiller is aware of the existence of any event or circumstance that would or would likely give rise to a breach of any of these representations and warranties or the occurrence of any event of default.

5.10 Interest in Foster's Shares

5.10.1 Relevant interests

As at the date of this Booklet, neither SABMiller Beverage Investments nor SABMiller has a relevant interest in any Foster's Shares.

5.10.2 Voting power

As at the date of this Booklet, neither SABMiller Beverage Investments nor SABMiller has any voting power in Foster's.

5.10.3 Economic interest

SABMiller Beverage Investments has entered into a number of "cash settled equity swap" contracts with each of J.P. Morgan Chase Bank N.A. and The Royal Bank of Scotland N.V., Australian Branch. Together these contracts provide SABMiller Beverage Investments with an economic exposure equivalent to 78,245,288 Fully Paid Shares (being approximately 4.0% of the total number of issued Fully Paid Shares). Under these contracts, SABMiller Beverage Investments derives profits from increases, and incurs losses from decreases, in the value of specified numbers of Fully Paid Shares from an initial price determined pursuant to each relevant contract. Such initial prices were determined by reference to the prevailing market price at the time the relevant contracts were entered into, and are within a range of \$4.28 to \$4.90, with a volume weighted average of \$4.65. SABMiller Beverage Investments is also credited with amounts reflecting any distributions on the referenced Fully Paid Shares.

No acquisitions above \$4.7675 were made on or after 1 September 2011 which was the date the Fully Paid Shares commenced trading on ASX ex-dividend.

In addition to ongoing payments of amounts calculated by reference to specified benchmark interest rates plus agreed margins under those contracts, the contracts require SABMiller Beverage Investments to pay commissions and/or other fees to the relevant counterparties, either as stand-alone payments or as reflected in the pricing of the transactions.

The equity swap contracts are entirely cash settled and do not permit delivery of Fully Paid Shares to SABMiller Beverage Investments or any of its affiliates to satisfy payment obligations. SABMiller Beverage Investments has no right to acquire, or control the acquisition or disposal of, any Fully Paid Shares under the equity swap contracts.

5. Information on SABMiller

5.10.4 Dealing in Foster's Shares in previous four months

Except for the consideration to be provided under the Scheme, none of SABMiller Beverage Investments, SABMiller or any of their associates have provided, or agreed to provide, consideration for any Foster's Shares under any purchase or agreement, during the period of four months before the date of this Booklet. However, SABMiller Beverage Investments has acquired economic exposure to Foster's Shares in that period as set out in Section 5.10.3.

5.10.5 Benefits to holders of Foster's Shares in previous four months

Neither SABMiller Beverage Investments, SABMiller nor any of their associates have, during the period of four months before the date of this Booklet, given, offered or agreed to give a benefit to another person where the benefit was likely to induce the other person, or an associate of that person, to:

- vote in favour of the Scheme; or
- dispose of Foster's Shares,

which benefit was not offered to all Foster's Shareholders under the Scheme.

5.10.6 Benefits to Directors

Neither SABMiller Beverage Investments nor SABMiller will make any payment or give any benefit to any Director as compensation or consideration for, or otherwise in connection with, his or her resignation from office in Foster's or a related Foster's Group entity if the Scheme is implemented and the Foster's Board is reconstituted.

6. Australian taxation implications of the Scheme



6. Australian taxation implications of the Scheme

6.1 Introduction

The following is a general outline of the main Australian taxation implications for Foster's Shareholders who are residents of Australia for income tax purposes, hold Fully Paid Shares on capital account, are not subject to the TOFA Rules in respect of their Fully Paid Shares and participate in the Transaction (**Participating Australian Shareholders**).

This outline relates solely to matters governed by, and should be interpreted in accordance with, the laws of Australia as in force and as interpreted on the date of this Booklet. Future amendments to taxation legislation, or its interpretation by the courts or Australian taxation authorities, may take effect retrospectively and/or affect the conclusions drawn. This outline does not take into account or anticipate changes in the law (by legislation or judicial decision) or practice (by ruling or otherwise) after that time.

This outline is not a complete analysis of Australian taxation laws which may apply in relation to the Transaction. The outline is also not exhaustive of all taxation implications which could apply in the circumstances of any given Foster's Shareholder. In particular, special rules apply to certain shareholders such as persons not resident in Australia for income tax purposes, tax exempt organisations, listed investment companies, insurance companies, superannuation funds, banks, Foster's Shareholders who hold their Foster's Shares as trading stock or on revenue account and Foster's Shareholders who hold their Foster's Shares as a result of participating in an employee share scheme. This outline does not address any of the above circumstances or special rules.

All Foster's Shareholders, and particularly those Foster's Shareholders not covered by this outline as noted above, including Partly Paid Shareholders, should consult with their own independent taxation advisers regarding the Australian and, if applicable, foreign taxation implications of participating in the Transaction given the particular circumstances which apply to them.

6.2 Application for the ATO Class Ruling

Foster's has applied to the Commissioner of Taxation (**Commissioner**) for the ATO Class Ruling confirming certain income tax implications of the Capital Return for Participating Australian Shareholders.

The Commissioner has not issued the ATO Class Ruling at the date of this Booklet. The outline below is based on the assumption that the Commissioner will not apply the anti-avoidance rules dealing with disguised dividends to treat any part of the Capital Return Consideration as an unfranked dividend, and therefore does not address the implications if the Commissioner were to do so.

6.3 Australian taxation implications of the Transaction

6.3.1 Capital gains tax (CGT) implications for Participating Australian Shareholders

If the Scheme is approved by Foster's Shareholders and becomes Effective, then Participating Australian Shareholders will dispose of their Fully Paid Shares to SABMiller Beverage Investments. This change in ownership of the Fully Paid Shares will result in a CGT event happening in relation to each Fully Paid Share held by a Participating Australian Shareholder for Australian income tax purposes.¹⁴ The CGT event will happen on the Implementation Date.

A capital gain will arise to the extent the capital proceeds from the disposal of the Fully Paid Shares exceed the cost base of a Participating Australian Shareholder in respect of their Fully Paid Shares. A capital loss will be incurred to the extent the capital proceeds are less than the reduced cost base (effectively the cost base of an asset excluding certain items, such as deductible expenditure and indexation) of a Participating Australian Shareholder in respect of their Fully Paid Shares.

The capital proceeds will be equal to the Transaction Consideration of \$5.40, being the aggregate of the Scheme Consideration to be paid by SABMiller Beverage Investments to Participating Australian Shareholders (\$5.10 per Fully Paid Share) and the Capital Return Consideration to be paid by Foster's (\$0.30 per Fully Paid Share). If the Commissioner does not provide the ATO Class Ruling in a form and substance reasonably satisfactory to Foster's and SABMiller, Foster's and SABMiller have agreed to adjust the Scheme Consideration and the Capital Return Consideration in the manner described in Section 3.6 although the amount of the Transaction Consideration, and therefore the capital proceeds, will remain unchanged.

In some cases, a dividend paid to shareholders contemporaneously with a scheme of arrangement for the acquisition of their shares may also form part of the capital proceeds received by the shareholders for

¹⁴ CGT event A1 - see section 104-10 of the *Income Tax Assessment Act 1997* (Cth).

those shares. In respect of the Scheme, the better view is that the Final Dividend declared by the Foster's Board (13.25 cents per Fully Paid Share) will not form part of the consideration for the disposal of the Fully Paid Shares to SABMiller Beverage Investments.¹⁵

The cost base and reduced cost base of the Fully Paid Shares held by Participating Australian Shareholders will depend on whether they held their Fully Paid Shares prior to the demerger of Treasury Wine Estates on 20 May 2011.

(i) Cost base and reduced cost base for Participating Australian Shareholders who held their Fully Paid Shares at the time of the demerger

Participating Australian Shareholders who held their Fully Paid Shares at the time of the demerger of Treasury Wine Estates were required to apportion the cost base and reduced cost base of their Fully Paid Shares between their Foster's and Treasury Wine Estates shares held after the demerger. Foster's sent a letter to its shareholders and included a sample calculator on its website (www.fostersgroup.com) to assist Foster's Shareholders to calculate the cost base and reduced cost base of their Fully Paid Shares and the cost base and reduced cost base of their Treasury Wine Estates shares after the demerger. The ATO has also issued a fact sheet in relation to the apportionment of the cost base and reduced cost base that is available on its website (www.ato.gov.au). Participating Australian Shareholders should consult with their own independent taxation advisers regarding the cost base and reduced cost base of their Fully Paid Shares if they require any advice or assistance with these calculations.

(ii) Cost base and reduced cost base for Participating Australian Shareholders who acquired their Fully Paid Shares after the demerger

The cost base and reduced cost base of Fully Paid Shares acquired by Participating Australian Shareholders after the demerger will generally be equal to the amount that a Participating Australian Shareholder paid to acquire the Fully Paid Shares (plus some associated costs, eg broker's fees).

Any capital gain or capital loss on the disposal of Fully Paid Shares acquired or deemed to be acquired before 20 September 1985 will be disregarded.

The capital gains and any capital losses of Participating Australian Shareholders from all CGT events are aggregated, and any applicable discounts applied, to

calculate their net capital gains or losses for the income year. A net capital gain is included in assessable income and may be subject to income tax. A net capital loss may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains (subject to satisfaction of loss recoupment tests for certain taxpayers, eg, companies and trustees of trusts).

Participating Australian Shareholders may adjust the cost base of Fully Paid Shares acquired, or deemed to have been acquired, at or before 11.45am on 21 September 1999 to include indexation (by reference to changes in the Consumer Price Index) from the calendar quarter in which the shares were acquired until the quarter ended 30 September 1999.

Individuals and trustees of trusts (other than a trust that is a complying superannuation entity) who do not index, or are not entitled to index, the cost base of their shares may be entitled to discount the amount of their capital gain from the disposal of Fully Paid Shares (ie, after taking into account current year or carry forward capital losses) by 50%.

The above CGT discount will only be available if the Participating Australian Shareholders have held their shares for at least 12 months.

Although trustees of trusts may be entitled to the above CGT discount, special rules apply in respect of beneficiaries of such trusts. Participating Australian Shareholders that are trustees should consult with their own independent taxation advisers regarding the income tax implications of distributions attributable to discount capital gains.

Participating Australian Shareholders that are companies (not acting as trustees) or who have chosen to apply indexation will not be entitled to any discount in respect of their net capital gains on disposal of their Fully Paid Shares.

6.3.2 Goods and services tax (GST)

The transfer of the Fully Paid Shares as a result of the Scheme will not be subject to GST. Depending on their own particular circumstances, Participating Australian Shareholders may not be entitled to claim input tax credits for costs they incur associated with the disposal of their Fully Paid Shares.

6.3.3 Stamp duty

Participating Australian Shareholders will not be subject to stamp duty in any Australian State or Territory in respect of the transfer of their Fully Paid Shares to SABMiller Beverage Investments under the Scheme.

¹⁵ Refer to *Taxation Ruling TR 2010/4*, paragraph 26.

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7. Additional Information



7. Additional information

This Section 7 sets out the statutory information required by section 412(1) of the Corporations Act and Part 3 of Schedule 8 of the Corporations Regulations, but only to the extent that this information is not otherwise disclosed in other Sections of this Booklet. This Section 7 also includes additional information that the Directors consider material to a decision on how to vote on the resolutions to approve the Transaction.

7.1 Interests of Directors

7.1.1 Interests in Foster's Shares held by or on behalf of Directors

Other than the following marketable securities in Foster's, which are held by or on behalf of the Directors, no marketable securities are held by or on behalf of any Directors as at the date of this Booklet:

Director	Number of Foster's Shares held by or on behalf of the Director
David Crawford, AO	68,697
John Pollaers	57,546
Paul Clinton	4,073
Paula Dwyer	Nil
Judith Swales	Nil
Michael Ullmer	14,421
Michael Wesslink	7,971

John Pollaers also holds 1,103,339 Performance Rights issued to him under the LTIP. Information regarding the manner in which these Performance Rights will be dealt with in connection with the Transaction is set out in Section 7.2.1.

Directors who hold Foster's Shares will be entitled to vote at the Meetings and receive the Transaction Consideration on the same terms as all other Foster's Shareholders.

Each Director intends to vote any Foster's Shares held or controlled by him or her in favour of the Transaction Resolutions, in the absence of a Superior Proposal.

7.1.2 Interests in SABMiller Shares held by or on behalf of Directors

No marketable securities in SABMiller are held by, or on behalf of, any Director as at the date of this Booklet.

7.1.3 Agreements or arrangements with Directors

Other than as set out elsewhere in this Booklet, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Transaction.

7.1.4 Payments and other benefits to Directors, secretaries or executive officers

Other than as set out in elsewhere in this Booklet, no payment or other benefit will be made or given to any director, secretary or executive officer of Foster's or of any corporation related to Foster's as compensation for loss of, or as consideration for or in connection with, his or her retirement from office as director, secretary or executive officer of Foster's or any corporation related to Foster's as a result of the Transaction.

7.1.5 Interests of Directors in contracts entered into by SABMiller

No Director has any interest in a contract entered into by SABMiller or SABMiller Beverage Investments.

7.2 Impact of the Transaction on Foster's Employee Incentive Plans

Foster's operates the following Employee Incentive Schemes under which it has issued or granted Foster's Shares or Performance Rights:

- the Long Term Incentive Plan (**LTIP**);
- the Employee Share and Option Plan (**Loan Plan**);
- the Employee Share Grant Plan (**ESGP**); and
- the Restricted Share Plan (**RSP**).

The impact of the Transaction on Foster's Shares or Performance Rights issued or granted under these Employee Incentive Schemes is described below.

7.2.1 LTIP

Under the LTIP, the Foster's Board is entitled to grant Performance Rights to senior employees.

Upon vesting, each Performance Right entitles the recipient to be allocated one Fully Paid Share. Vesting is subject to satisfaction of certain performance conditions relating to Total Shareholder Return and EBIT.

As at the date of this document there are 2,695,887 Performance Rights on issue.

It is a condition of the Scheme Implementation Deed that any Performance Rights are either cancelled, or are vested in a manner that ensures any Fully Paid Shares allocated on vesting participate in the Transaction on the same basis as all other Fully Paid Shares.

The Performance Rights currently on issue fall into three categories:

- Pre-2011 Performance Rights (granted prior to September 2011) – comprising 491,671 Performance Rights in aggregate;

- Tranche 1 2011 Performance Rights (granted in September 2011 and having a performance testing period ending on 30 June 2014) – comprising 1,157,550 Performance Rights in aggregate; and
- Tranche 2 2011 Performance Rights (granted in September 2011 and having a performance testing period ending on 30 June 2015) – comprising 1,046,666 Performance Rights in aggregate.¹⁶

The Foster's Board has determined, in accordance with the LTIP rules and the respective offers of Performance Rights, that on the Effective Date:

- all Pre-2011 Performance Rights and all Tranche 1 2011 Performance Rights will vest;
- 50% of the Tranche 2 2011 Performance Rights will vest; and
- 50% of the Tranche 2 2011 Performance Rights will lapse and be cancelled.

In respect of those Performance Rights that vest, Fully Paid Shares will be allocated prior to the Record Date, ensuring that those Fully Paid Shares are able to participate in the Transaction on the same basis as all other Fully Paid Shares.

Foster's and each holder of Performance Rights have entered a Vesting and Cancellation Deed in respect of their Performance Rights pursuant to which they have agreed to the vesting and cancellation arrangements described above.

The Vesting and Cancellation Deeds are conditional upon the Scheme becoming Effective.

As noted in Section 7.1.1, Foster's Chief Executive Officer, John Pollaers, holds 1,103,339 Performance Rights. Under the terms of the vesting and cancellation arrangements described above, 863,317 Performance Rights held by Mr Pollaers will be vested (and the remaining Performance Rights cancelled), and Mr Pollaers will be allocated 863,317 Fully Paid Shares that will participate in the Transaction.

In addition, the Board has also determined that, if the Scheme becomes Effective, Foster's will pay to each holder of Performance Rights a cash bonus of an amount equal to 13.25 cents, being the amount of the Final Dividend per Fully Paid Share paid to Fully Paid Shareholders on 3 October 2011, for each Performance Right that vests in accordance with the arrangements described above. For Mr Pollaers, this additional cash bonus will be \$114,389. The payment of the cash bonus

is conditional upon the Scheme becoming Effective and will be paid to those entitled to it at or about the same time as the Transaction Consideration is paid to Foster's Shareholders.

7.2.2 Loan Plan, ESGP and RSP

Under each of the Loan Plan, the ESGP and the RSP, the Foster's Board is entitled to allocate or issue Fully Paid Shares to Foster's employees.

Fully Paid Shares allocated or issued under each of the Loan Plan, the ESGP and the RSP are subject to varying disposal restrictions. In addition, under the Loan Plan, Foster's provided a loan to participants to 'fund' their acquisition of Fully Paid Shares under the Loan Plan and that loan is to be repaid using dividends and the proceeds of any permitted sale of the applicable Fully Paid Shares.

The number of Fully Paid Shares that remained subject to each of these plans as at the close of trading on ASX on 24 October 2011 is described below:

- the Loan Plan – 3,031,100 Fully Paid Shares;
- the ESGP – 1,363,617 Fully Paid Shares; and
- the RSP – 737,425 Fully Paid Shares.

Subject to the repayment of outstanding loans under the Loan Plan (described below), Fully Paid Shares acquired under the Loan Plan, the ESGP and the RSP will participate in the Transaction on the same basis as all other Fully Paid Shares.

In relation to Foster's Shareholders who hold Fully Paid Shares issued or held under the Loan Plan, the Transaction Consideration attributable to those Fully Paid Shares will first be applied to repay any remaining loan balances on those Fully Paid Shares and the remaining amount will be paid to the Foster's Shareholder.

7.3 Consents and disclaimers

The following parties have given and have not, before the time of registration of this Booklet by ASIC, withdrawn their written consent to be named in this Booklet in the form and context in which they are named:

- Allens Arthur Robinson as Australian legal adviser to Foster's;
- Corrs Chambers Westgarth as Australian taxation advisor to Foster's;

¹⁶ The Tranche 1 2011 Performance Rights and Tranche 2 2011 Performance Rights granted to Foster's Chief Executive Officer, John Pollaers, were granted in October 2011 after Foster's Shareholder approval to the grant was obtained at the Foster's Annual General Meeting held on 25 October 2011.

7. Additional information

- Goldman Sachs & Partners Australia Pty Ltd and Gresham Advisory Partners Limited respectively as financial advisers to Foster's;
- Grant Samuel as the Independent Expert;
- Computershare Investor Services Pty Limited as the Foster's Share Registry; and
- PricewaterhouseCoopers as auditor of Foster's.

Grant Samuel has given and has not, before the time of registration of this Booklet by ASIC, withdrawn their written consent to the inclusion of the Independent Expert's Report set out in Appendix 1 to this Booklet and to the inclusion in this Booklet of statements attributed to, or said to be based on statements by, Grant Samuel (in each case in the form and context in which they appear in this Booklet).

PricewaterhouseCoopers has given and has not, before the time of registration of this Booklet by ASIC, withdrawn their written consent to the inclusion in this Booklet of statements in relation to its role as auditor of Foster's 2011 financial report in the form and context in which they appear in this Booklet.

Each of SABMiller and SABMiller Beverage Investments has given and has not, before the time of registration of this Booklet by ASIC, withdrawn their written consent to the inclusion of the information contained in Section 5 in the form and context in which it appears in this Booklet.

Each of the above persons:

- does not make, or purport to make, any statement in this Booklet or any statement on which a statement in this Booklet is based, other than, in the case of SABMiller, SABMiller Beverage Investments, Grant Samuel and PricewaterhouseCoopers, a statement or report included in this Booklet with the consent of that party;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Booklet, other than, in the case of SABMiller, SABMiller Beverage Investments and Grant Samuel, a statement or report included in this Booklet with the consent of that party; and
- except SABMiller and SABMiller Beverage Investments, does not assume any responsibility for the accuracy or completeness of the information contained in Section 5 (which information has been prepared by and is the responsibility of SABMiller and SABMiller Beverage Investments).

7.4 Foreign selling restrictions

The distribution of this Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. Foster's disclaims all liabilities to such persons. Foster's Shareholders who are nominees, trustees or custodians are advised to seek independent advice as to how they should proceed.

No action has been taken to register or qualify this Booklet or any aspect of the Transaction in any jurisdiction outside of Australia.

7.5 Independent Expert

Grant Samuel has prepared the Independent Expert's report set out in Appendix 1 to this Booklet advising as to whether, in its opinion, the Transaction is in the best interests of Foster's Shareholders and whether existing Foster's creditors will be materially prejudiced by the Capital Return.

The Independent Expert has concluded that the Transaction is fair and reasonable and in the best interests of Foster's Shareholders, that existing Foster's creditors will not be materially prejudiced by the Capital Return and that the Transaction is fair and reasonable to and in the best interests of Partly Paid Shareholders.

Grant Samuel will be paid a fee of \$1.25 million (plus GST) for the preparation of its report.

7.6 Status of Conditions Precedent

As summarised in Section 3.8.3 of this Booklet, implementation of the Transaction is subject to the Conditions Precedent.

On 28 September 2011, the ACCC provided written notification that it does not propose to oppose or intervene in the Transaction or the Pacific Beverages Transaction.

7.7 ASIC and ASX relief

7.7.1 ASIC Relief

ASIC has granted to SABMiller and SABMiller Beverage Investments conditional relief from the obligation under section 631 of the Corporations Act to make offers to Foster's Shareholders pursuant to, and within two months after, the announcement by SABMiller on 17 August 2011 of its intention to make a takeover bid for Foster's.

For further information regarding this relief, refer to Section 3.8.5.

7.7.2 ASX Relief

ASX has agreed in principle to grant Foster's relief from Listing Rule 7.24.2 to permit Foster's to reduce the issue price (and therefore the unpaid portion of the issue price) of the Partly Paid Shares pursuant to the Capital Return.

7.8 No unacceptable circumstances

The Foster's Board believes that the Transaction does not involve any circumstances in relation to the affairs of Foster's that could reasonably be characterised as constituting unacceptable circumstances for the purposes of section 657A of the Corporations Act.

7.9 Directors' intentions regarding the business, assets and employees of Foster's

If the Transaction is approved by Foster's Shareholders and the Court and is implemented, the existing Foster's Board will be reconstituted in accordance with the instructions of SABMiller Beverage Investments as the only Foster's Shareholder on the Implementation Date.

Accordingly, it is not possible for your existing Directors to provide a statement of their intentions regarding:

- the continuation of the business of Foster's or how Foster's existing business will be conducted;
- any major changes to be made to the business of Foster's, including any redeployment of the fixed assets of Foster's; or
- the future employment of the present employees of Foster's,

in each case, after the Transaction is implemented.

If the Transaction is approved by Foster's Shareholders and the Court and is implemented, SABMiller will have 100% ownership and control of Foster's Shares, and the intentions of SABMiller are as set out in Section 5.7.

7.10 Material changes in the financial position of Foster's

Other than:

- the accumulation of profits in the ordinary course of trading; or
- as disclosed in the Booklet or as otherwise disclosed to ASX by Foster's,

to the knowledge of the Directors the financial position of Foster's has not materially changed since 30 June 2011, being the date of Foster's last balance sheet sent to Foster's Shareholders.

For further information regarding the availability of Foster's ASX announcements, refer to Section 4.6.

7.11 Other information material to the making of a decision in relation to the Transaction

Except as set out in this Booklet, there is no other information material to the making of a decision in relation to the Transaction, being information that is within the knowledge of any of the Directors, or any director of any Related Body Corporate of Foster's, which has not been previously disclosed to Foster's Shareholders.

7.12 Supplementary information

Foster's will issue a supplementary document to this Booklet if it becomes aware of any of the following between the date of lodgement of this Booklet for registration with ASIC and the Effective Date:

- a material statement in this Booklet is or becomes false or misleading;
- a material omission from this Booklet;
- a significant change affecting a matter included in this Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Booklet if it had arisen before the date of lodgement of this Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Foster's may circulate and publish any supplementary document by:

- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document on Foster's website, www.fostersgroup.com; or
- making an announcement to ASX.

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8. Glossary of terms



8. Glossary of terms

In this Booklet, unless the context otherwise requires:

Term	Meaning
ACCC	Australian Competition and Consumer Commission.
Adjusted EBITDA	net cash generated from operations before working capital movements, before cash flows from exceptional items, together with dividends received from the MillerCoors joint venture.
ADS	American depository share.
Adviser	in relation to an entity, means a person who in the ordinary course of its business provides services as a financier, financial adviser, corporate adviser, legal adviser, or technical or other expert adviser or consultant and who has been engaged in that capacity in connection with the Transaction, or any response to it, by the entity, but does not include the Independent Expert.
Affiliates	any entity which is a subsidiary of such entity, of which such entity is a subsidiary (ie a holding company) or which is a subsidiary of a common holding company (ie a sister entity).
ASIC	Australian Securities and Investments Commission.
Associated Companies	any entity in which another entity beneficially owns, directly or indirectly, 20% or more but 50% or less of the entire issued equity share capital or other equity interests and over which such other entity exercises significant influence (and which is not a subsidiary).
ASX	ASX Limited ABN 98 008 624 691 or the financial market operated by the Australian Securities Exchange, as the context requires.
ASX Settlement	ASX Settlement Pty Limited ABN 49 008 504 532 as a holder of a licence to operate a clearing and settlement facility.
ATO	Australian Taxation Office.
ATO Class Ruling	the class ruling from the Commissioner of Taxation described in clause 3.1(d) of the Scheme Implementation Deed, a copy of which is set out in Appendix 4 to this Booklet.
Beer Product	alcoholic and non-alcoholic beer including alcoholic ginger beer (but for the avoidance of doubt excludes all other non-alcoholic beverages using beer as a descriptor such as non-alcoholic ginger beer and non-alcoholic root beer) and cider.
Booklet	this document dated 26 October 2011, the Scheme Meeting Proxy Form and the General Meeting Proxy Form.
Business Day	a weekday on which trading banks are open for business in Melbourne, Australia or, where appropriate, a "Business Day" as defined in the Listing Rules.
Capital Return	the equal reduction of the share capital of Foster's as set out in the Capital Return Resolution.
Capital Return Amount	\$0.30 per Foster's Share.
Capital Return Consideration	\$0.30 per Foster's Share held by Foster's Shareholders as at the Record Date or such lesser amount as is determined in accordance with clause 3.5 of the Scheme Implementation Deed, a copy of which is set out in Appendix 4 to this Booklet.
Capital Return Resolution	the ordinary resolution to approve the Capital Return to be considered at the General Meeting set out in the notice of meeting contained in Appendix 6 to this Booklet.
CCA	Coca-Cola Amatil Limited ABN 26 004 139 397.
CHES	the clearing house electronic subregister system of share transfers operated by ASX Settlement.
Competing Proposal	has the meaning given to that term in clause 1.1 of the Scheme Implementation Deed, a copy of which is set out in Appendix 4 to this Booklet.
Conditions Precedent	the conditions precedent to the Scheme set out in clause 3 of the Scheme.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	the <i>Corporations Regulations 2001</i> (Cth).
Court	the Supreme Court of Victoria.

Term	Meaning
Deed Poll	the deed poll dated 25 October 2011 executed by SABMiller and SABMiller Beverage Investments relating to the Scheme, the terms of which are set out in Appendix 3 to this Booklet.
Director	a director of Foster's.
EBIT	earnings before interest and tax, which, unless otherwise stated, is before individually material items.
EBITDA	earnings before interest, tax, depreciation and amortisation.
Effective	the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.
Effective Date	the date on which the Scheme becomes Effective.
ESGP	Foster's Employee Share Grant Plan.
End Date	29 February 2012 or such later date as agreed by Foster's and SABMiller.
Exclusivity Period	the period commencing from 21 September 2011 to the earlier of: <ul style="list-style-type: none"> • the termination of the Scheme Implementation Deed; and • the End Date.
Final Dividend	Foster's final unfranked dividend for the 2011 financial year, as announced to ASX on 23 August 2011 and paid on 3 October 2011.
FIRB	Foreign Investment Review Board.
First Court Hearing	the day on which an application was made to the Court for orders under section 411(1) of the Corporations Act convening the Scheme Meeting to consider the Scheme, being 26 October 2011.
Foster's	Foster's Group Limited ABN 49 007 620 886 and, where the context requires, its subsidiaries from time to time.
Foster's ADS	an ADS representing a Fully Paid Share under the deposit agreement dated 2 April 1987 (as amended and restated) between Foster's, the depositary for those ADSs and all owners and holders of those ADSs.
Foster's Board	the board of directors of Foster's from time to time.
Foster's Group	Foster's and its related bodies corporate.
Foster's Parties	Foster's, its related bodies corporate and their respective directors, officers, employees and Advisers.
Foster's Shares	either or both Fully Paid Shares and Partly Paid Shares.
Foster's Share Register	the register of members of Foster's maintained in accordance with the Corporations Act.
Foster's Shareholder	each person who is registered as the holder of a Foster's Share.
Foster's Shareholder Information Line	the information line set up for the purpose of answering enquiries from Foster's Shareholders in relation to the Transaction, being 1300 048 608 (within Australia) or +61 3 9415 4812 (international) on Business Days between 9.00am and 5.00pm (Melbourne time).
Fully Paid Shareholder	each person who is registered on the Foster's Share Register as the holder of Fully Paid Shares.
Fully Paid Shares	fully paid ordinary shares in the capital of Foster's.
General Meeting	the extraordinary general meeting of Foster's Shareholders convened to consider the Capital Return Resolution and to be held at Melbourne Recital Centre, 31 Sturt Street, Southbank, Victoria 3006, on Thursday, 1 December 2011 at 9.15am (Melbourne time) or as soon thereafter as the Scheme Meeting has concluded or been adjourned.
General Meeting Proxy Form	the blue proxy form for the General Meeting which forms part of this Booklet.
Goldman Sachs	Goldman Sachs & Partners Australia Pty Limited ABN 25 006 163 524.
Grant Samuel	Grant Samuel & Associates Pty Limited ABN 28 050 036 372.
Gresham	Gresham Advisory Partners Limited ABN 88 093 611 413.

8. Glossary of terms

Term	Meaning
Implementation Date	the date on which the Capital Return and the Scheme are to be implemented, being the date that is the fifth Business Day after the Record Date, or such other date as Foster's and SABMiller agree.
Independent Expert	Grant Samuel.
Independent Expert's Report	the report by the Independent Expert, a copy of which is set out in Appendix 1 to this Booklet.
Listing Rules	the listing rules of ASX.
Loan Plan	Foster's Employee Share and Option Plan.
LTIP	Foster's Long Term Incentive Plan.
Meetings	the Scheme Meeting and the General Meeting.
million	1,000,000
Pacific Beverages	Pacific Beverages Pty Ltd ACN 121 046 348.
Pacific Beverages Transaction	the proposed acquisition by an entity within the SABMiller Group of all of the shares in Pacific Beverages that the SABMiller Group does not already own.
PB Agreement	the agreement described in Section 5.3.2.
Participating Australian Shareholders	has the meaning given in Section 6.1 of the Booklet.
Partly Paid Shareholder	each person who is registered on the Foster's Share Register as the holder of a Partly Paid Share.
Partly Paid Shares	partly paid ordinary shares in the capital of Foster's.
Performance Right	a right to subscribe for or acquire a Foster's Share, granted by Foster's pursuant to the LTIP.
Prescribed Occurrence	has the meaning given to that term in clause 1.1 of the Scheme Implementation Deed, a copy of which is set out in Appendix 4 to this Booklet.
Record Date	7.00pm (Melbourne time) on the fifth Business Day after the Effective Date.
Regulatory Authorities	include: <ul style="list-style-type: none"> • ASX and ASIC; • a government or governmental, semi-governmental or judicial entity or authority; • a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and • any regulatory organisation established under statute.
Related Body Corporate	has the meaning given in the Corporations Act.
Representatives	has the meaning given to that term in clause 1.1 of the Scheme Implementation Deed, a copy of which is set out in Appendix 4 to this Booklet.
Rest of World	the business comprising all Foster's operations outside Australia, and includes earnings from the sale, licensing and distribution of Foster's Australian beer brands in markets outside of Australia and earnings from a distribution joint venture serving the Middle East, but excludes earnings from Foster's operations in the Pacific.
RSP	Foster's Restricted Share Plan.
S&P	Standard & Poor's.
SABMiller	SABMiller plc (Company No. 032528416) incorporated in England, whose registered office is at SABMiller House, Church Street West, Woking, Surrey, GU21 6HS, UK, and where the context requires, its subsidiaries from time to time.
SABMiller Beverage Investments	SABMiller Beverage Investments Pty Limited ACN 150 900 093, an indirect wholly owned Australian subsidiary of SABMiller.
SABMiller Group	SABMiller and its related bodies corporate (excluding, at any time, Foster's and its subsidiaries to the extent that Foster's and its subsidiaries are subsidiaries of SABMiller at that time).
SABMiller Parties	SABMiller, its related bodies corporate and their respective directors, officers, employees and Advisers.

Term	Meaning
Scheme	the members' scheme of arrangement under Part 5.1 of the Corporations Act between Foster's and the Scheme Shareholders substantially in the form set out in Appendix 2 to this Booklet or in such other form as Foster's and SABMiller agree in writing.
Scheme Consideration	in respect of a Foster's Share that is: <ul style="list-style-type: none"> • a Fully Paid Share - \$5.10 per Fully Paid Share held by Scheme Shareholders or such greater amount as is determined in accordance with clause 5.1(b) of the Scheme; and • a Partly Paid Share - the amount per Partly Paid Share held by Scheme Shareholders as is determined in accordance with clause 5.1(a)(ii) of the Scheme.
Scheme Implementation Deed	the deed between Foster's and SABMiller under which each party undertakes specific obligations to implement the Scheme dated 21 September 2011 (as amended on 25 October 2011), the terms of which are set out in Appendix 4 to this Booklet.
Scheme Meeting	the meeting of Foster's Shareholders (other than any entity within the SABMiller Group) to be convened by the Court in relation to the Scheme under section 411(1) of the Corporations Act to be held at Melbourne Recital Centre, 31 Sturt Street, Southbank, Victoria 3006 on Thursday, 1 December 2011 at 9.00am (Melbourne time).
Scheme Meeting Proxy Form	the yellow proxy form for the Scheme Meeting which forms part of this Booklet.
Scheme Resolution	the resolution to approve the Scheme to be considered by Foster's Shareholders at the Scheme Meeting set out in the notice of meeting contained in Appendix 5 to this Booklet.
Scheme Shareholder	a Foster's Shareholder other than an entity within the SABMiller Group as at the Record Date.
Second Court Date	the date of the Second Court Hearing.
Second Court Hearing	the hearing of the application made to the Court for orders pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.
Section	a section of this Booklet.
Settlement Operating Rules	the operating rules of ASX Settlement.
Share Registry	the share registry of Foster's, being Computershare Investor Services Pty Limited ABN 48 078 279 277.
Spirits Brands	any interest of the Foster's Group (whether ownership, licensed or agency) in spirits brands.
Spirits RTD Brands	any interest of the Foster's Group (whether ownership, licensed or agency) in spirits ready-to-drink brands.
Subsidiary	has the meaning given in section 9 of the Corporations Act.
Superior Proposal	has the meaning given to that term in clause 1.1 of the Scheme Implementation Deed, a copy of which is set out in Appendix 4 to this Booklet.
TOFA Rules	the rules concerning the taxation of financial arrangements contained in Division 230 of the <i>Income Tax Assessment Act 1997</i> (Cth).
Transaction	the Scheme and, subject to clause 3.5 of the Scheme Implementation Deed, the Capital Return.
Transaction Consideration	in respect of: <ul style="list-style-type: none"> • a Fully Paid Share - the aggregate of the Capital Return Consideration and the Scheme Consideration for a Fully Paid Share (both payable in cash as described in Section 3); and • a Partly Paid Share - the aggregate of the Capital Return Consideration (being a reduction in the issue price of that Partly Paid Share as described in Section 3) and the Scheme Consideration for that Partly Paid Share (payable in cash as described in Section 3).
Transaction Resolutions	the Capital Return Resolution and the Scheme Resolution.
Treasurer	the Treasurer of the Commonwealth of Australia.
Treasury Wine Estates	Treasury Wine Estates Limited ABN 24 004 373 862.
VWAP	volume weighted average price.

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Appendix 1 Independent Expert's Report



Appendix 1 – Independent Expert’s Report

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26 October 2011

The Directors
Foster’s Group Limited
77 Southbank Boulevard
Southbank VIC 3006

Dear Directors

SABMiller Proposal

1 Introduction

On 21 September 2011, Foster’s Group Limited (“Foster’s”) announced that it had entered into a Scheme Implementation Deed with SABMiller plc (“SABMiller”) under which SABMiller will acquire all the shares in Foster’s (the “Proposal”). Under the Proposal, Foster’s shareholders are to be offered a total of \$5.40 cash per share (“Proposal Consideration”) comprising:

- \$5.10 cash per share pursuant to a scheme of arrangement (“Scheme”); and
- \$0.30 cash per share pursuant to an equal capital reduction (“Capital Return”).

Shareholders who owned fully paid shares in Foster’s on 7 September 2011 will also have received the final dividend for the financial year ended 30 June 2011 of 13.25 cents per share.

The Proposal extends to all the partly paid ordinary shares in Foster’s. Holders of partly paid shares will receive between \$1.36 and \$2.17 cash per partly paid share, depending on the unpaid portion of the issue price of the partly paid share.

The Proposal is subject to the satisfaction of a number of conditions that are set out in full in the Notice of Meeting and Explanatory Booklet (“Booklet”) to be sent by Foster’s to its shareholders. The Scheme and the Capital Return are to be approved by Foster’s shareholders and the Scheme is to be approved by the Supreme Court of Victoria.

SABMiller is one of the world’s largest brewers, with brewing interests and distribution agreements across six continents. SABMiller’s portfolio includes global brands such as Pilsner Urquell, Peroni Nastro Azzurro, Miller Genuine Draft and Grolsch. SABMiller is also one of the world’s largest bottlers of Coca-Cola products. Headquartered in London, United Kingdom, SABMiller has its primary listing on the London Stock Exchange and had a market capitalisation at 21 October 2011 of approximately £36.5 billion (A\$56.1 billion). SABMiller has a secondary listing on the Johannesburg Stock Exchange.

The Proposal is the culmination of a series of events that commenced on 20 June 2011 with SABMiller’s indicative, non-binding and conditional proposal to the Foster’s board to acquire all the issued shares in Foster’s for \$4.90 cash per share, reduced by the amount of any dividend or distribution paid or declared

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ABN 28 050 036 372 AFS LICENCE NO 240985

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by Foster's¹. On 21 June 2011, Foster's announced that it had rejected this proposal. On 17 August 2011, SABMiller announced its intention to make an off-market takeover offer for all the issued shares in Foster's for \$4.90 in cash per share, reduced by the amount of any dividend or distribution paid or declared by Foster's¹. Foster's declared a final dividend for the year ended 30 June 2011 of 13.25 cents per share on 23 August 2011, which reduced the cash consideration for the fully paid shares under the SABMiller offer to \$4.7675 per share. On 18 August 2011, the directors of Foster's announced that they intended to unanimously recommend that Foster's shareholders reject the SABMiller offer. On 21 September 2011, Foster's announced that it had entered into the Scheme Implementation Deed with SABMiller. In that announcement, the Foster's Board unanimously recommended that Foster's shareholders vote in favour of the Proposal, in the absence of a superior proposal and subject to an independent expert concluding that the Proposal is in the best interests of Foster's shareholders.

The directors of Foster's have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Proposal is in the best interests of Foster's shareholders. The report will also state whether the Capital Return will materially prejudice the ability of Foster's to pay its creditors. A copy of the report will accompany the Booklet to be sent to shareholders by Foster's. This letter contains a summary of Grant Samuel's opinion and main conclusions.

2 Summary of Opinion

Grant Samuel has valued Foster's in the range \$5.17-5.70 per share. The valuation range reflects the estimated full underlying value of Foster's. The valuation range exceeds the price at which Grant Samuel would expect Foster's shares to trade in the absence of the Proposal or speculation regarding some alternative corporate transaction. As the Proposal Consideration of \$5.40 cash per share (comprising cash consideration of \$5.10 under the Scheme and the Capital Return of \$0.30 cash per share) falls within the valuation range, the Proposal is fair and therefore reasonable. Accordingly, in Grant Samuel's opinion, the Proposal is in the best interests of Foster's shareholders.

The Proposal Consideration of \$5.40 per share is well within Grant Samuel's valuation range for Foster's shares. In Grant Samuel's view, the Proposal Consideration fairly reflects the strategic attractiveness of Foster's, its leading market position in the Australian beer industry and the potential to improve Foster's financial and operating performance. The Proposal crystallises value for Foster's shareholders that could otherwise only be delivered by the Foster's business over a period of time on the assumption of a recovery in the beer category and a reversal of Foster's recent market share declines. Whilst Foster's management is forecasting considerable earnings growth over the next five years, this growth is subject to a range of uncertainties and risks, many of which are outside of the control of Foster's. In the short term, an improvement in earnings is dependent on a recovery in economic conditions and consumer confidence resulting in a revival of the beer market, combined with Foster's stabilisation of its market share. Competitor behaviour is intrinsically uncertain and will influence the performance of Foster's, potentially materially. In the context of the risks and uncertainties relating to the future performance of Foster's, in Grant Samuel's view, the certain cash value delivered by the Proposal is attractive for Foster's shareholders.

The Proposal Consideration is at a premium to Foster's share price prior to the announcement of the initial approach by SABMiller on 21 June 2011. Since the announcement of SABMiller's initial approach, the Australian sharemarket has fallen by approximately 7% and it is likely that the effective premium delivered by the Proposal has increased. In the absence of the Proposal or a similar transaction, shareholders could only realise their investment by selling on market at a price that would not include any premium for control and would be reduced by transaction costs (i.e. brokerage). Absent the Proposal (and assuming no speculation as to a revised offer or an

¹ In the case of partly paid shares, the consideration is also reduced by any amounts unpaid on those shares, subject to a minimum price of \$0.01 per partly paid share.

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alternative offer), it is likely that Foster’s shares under current market conditions would trade at prices well below \$5.40 for the foreseeable future.

Grant Samuel believes that the prospects of a superior alternative offer in the short to medium term are remote.

In Grant Samuel’s view, in the absence of a superior offer for Foster’s, shareholders will be better off if they vote in favour of the Proposal than if they do not. Accordingly, Grant Samuel has concluded that the Proposal is in the best interests of Foster’s shareholders.

3 Key Conclusions

- Foster’s equity has been valued in the range \$10,028–11,060 million, representing \$5.17-5.70 per share.

Foster’s has been valued in the range of \$5.17-5.70 per share. The valuation represents the full underlying value of Foster’s assuming 100% of the company was available to be acquired and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Foster’s shares to trade on the ASX in the absence of the Proposal or expectations of some similar change of control transaction. The valuation is summarised below:

Foster’s - Valuation Summary (\$ million)		
	Value Range	
	Low	High
Foster’s operating business	11,700	12,700
Other assets and liabilities	(65)	(33)
Net borrowings at 30 June 2011 (adjusted)	(1,607)	(1,607)
Value of equity	10,028	11,060
Fully diluted shares on issue (million)	1,941.5	1,941.5
Value per share	\$5.17	\$5.70

The valuation of Foster’s is the aggregate of the estimated market value of its operating business and non-trading assets less external borrowings and non-trading liabilities as at 30 June 2011.

The valuation of the Foster’s operating business represents an overall judgement having regard to a number of valuation methodologies and parameters, including capitalisation of earnings (multiples of EBITDA² and EBIT³) and discounted cash flow (“DCF”) analysis.

The valuation takes into consideration the historical performance, market position and short to medium term growth outlook for Foster’s as well as market evidence in terms of multiples implied by the acquisition of comparable brewing companies and the share prices of Australian and international listed brewing companies.

The valuation reflects Foster’s unique position as Australia’s only large ASX-listed pure play beer and cider company, with market leadership in both the beer and cider categories. Foster’s could be a strategically attractive asset to a number of global brewing industry participants. The valuation includes an estimate of the synergies that could be available to potential purchasers and a judgment as to the likely amount that a potential purchaser would be prepared to pay for those synergies. The valuation also takes into account Foster’s recent earnings decline, the market and competitive challenges currently facing the business and the risks as to the extent and timing of any turnaround in the performance of the business.

² EBITDA is earnings before net interest, tax, depreciation, amortisation and significant and non-recurring items.

³ EBIT is earnings before net interest, tax and significant and non-recurring items.

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- **The Proposal Consideration is well within the valuation range. Accordingly, the Proposal is fair and reasonable.**

The Proposal Consideration is cash of \$5.40 per share (comprising cash consideration of \$5.10 under the Scheme and a Capital Return of \$0.30 cash per share). In addition, investors who held shares in Foster's on 7 September 2011 will have received the fully franked final dividend for the 2011 financial year of \$0.1325 per share. The Proposal Consideration is well within Grant Samuel's valuation range of \$5.17-5.70 per share. Accordingly, the Proposal is fair and reasonable.

- **The Proposal crystallises value for Foster's shareholders that could otherwise only be delivered by Foster's over a period of time and would require a recovery in the Australian beer market and a reversal of Foster's recent market share declines.**

The Proposal crystallises immediate and certain cash value for Foster's shareholders. It is conceivable that comparable value could be delivered to shareholders if Foster's continued on a standalone basis. However, this would only be achieved over time and would require a material improvement in the performance of the Foster's business. Foster's management is forecasting considerable earnings growth over the next five years. Achievement of that growth is subject to a range of risks and uncertainties, some of which are outside the control of Foster's. In the short term, any significant growth in earnings is likely to require a recovery in economic conditions and an improvement in consumer confidence, resulting in a revival of the beer market. Foster's will need to ensure that there is no further erosion of its market share and, over time, work to rebuild market share. In the interim, Foster's will be exposed to price and other competition from its major competitors, as well as ongoing price pressure from its key customers. In the context of these risks and uncertainties, in Grant Samuel's view, the certainty of value delivered by the Proposal is attractive for Foster's shareholders.

- **The Proposal Consideration (including the final dividend) represents a premium to the price at which Foster's shares traded prior to the initial approach by SABMiller.**

The Proposal Consideration of \$5.40 cash per share adjusted to include the final dividend of \$0.1325 per share (totalling \$5.5325 per share) represents a premium to the Foster's share price prior to the announcement of the initial approach by SABMiller on 21 June 2011:

Foster's – Premium over Pre Initial Approach Prices		
Period	Share Price/VWAP ⁴ (\$)	Premium
20 June 2011 (pre-announcement closing price)	4.53	22.1%
1 month prior to 20 June 2011 (VWAP)	4.48	23.5%
10 May 2011 to 20 June 2011 (VWAP)	4.46	23.9%

Source: IRESS and Grant Samuel analysis

The level of premia observed in takeovers varies depending on the circumstances of the target and other factors (such as the potential for competing offers) but tends to fall in the range 20-35%. The premium represented by the Proposal Consideration relative to the Foster's share price prior to the announcement of the approach by SABMiller on 21 June 2011 is within the range of those typically seen in takeovers, albeit at the bottom end. However, given the ongoing speculation of a potential bid for Foster's, it is likely that the share price already reflected some expectation for corporate activity (and arguably has done so ever since the demerger).

Moreover, since the announcement on 21 June 2011 of the SABMiller approach, the Australian sharemarket generally has fallen significantly. The All Ordinaries Index declined by approximately 7% between 21 June 2011 and 21 October 2011. In this context, the effective premium implicit in the Proposal is almost certainly higher than the premia in the range 22.1-23.9% calculated above.

⁴ VWAP is volume weighted average price.

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Takeover premium analysis is not conclusive as it is not possible to determine the impact of speculation on Foster’s share price prior to the announcement of SABMiller’s initial approach, or the price at which Foster’s shares might now be trading (in the context of the falls in the overall sharemarket) absent the Proposal. As a result, there is no clear reference price against which to calculate the premium being offered. In any event, the magnitude of the premium is of only limited relevance to an assessment of the Proposal. The premium that Foster’s shareholders could expect to realise is a function of the underlying value of the company and its attractiveness to potential acquirers, rather than determinative of value.

■ **The price of shares in Foster’s is likely to fall below \$5.40 in the absence of the Proposal.**

In the absence of the Proposal or a similar transaction, shareholders could only realise their investment by selling on market at a price that would not include any premium for control and would be reduced by transaction costs (i.e. brokerage). Foster’s shares were trading at around \$4.50 before the announcement of the initial approach from SAB Miller. Since that time, the overall sharemarket has declined by approximately 7%. Absent the Proposal (and assuming no speculation as to a revised offer or an alternative offer), it is likely that Foster’s shares under current market conditions would trade at prices well below \$5.40 for the foreseeable future.

■ **The prospects of a higher alternative offer appear remote.**

There are only a limited number of potential acquirers that are likely to be able to fund an acquisition of the size of Foster’s. Investment in Australia may be strategically unattractive for some global brewers, many of which are seeking growth through exposure to emerging regions rather than developed markets like Australia. The limited strategic appeal of the mature, low growth Australian beer market is compounded by the recent poor performance of the Australian beer category and the ongoing market share declines of Foster’s. Any potential acquirer of Foster’s would have been aware since the announcement on 26 May 2010 of Foster’s intention to demerge its wine business that there was an impending opportunity to acquire the Foster’s beer business. Since the announcement of SABMiller’s approach to Foster’s on 21 June 2011, there has been ample time for any other interested party to make a competing offer. No such offer has been made. Accordingly, it appears that there is little likelihood that an alternative bidder will make a more attractive offer for Foster’s.

■ **The Proposal is in the best interests of Foster’s shareholders.**

In Grant Samuel’s view, the Proposal is fair and reasonable. The Proposal will provide certain value for Foster’s shareholders that could otherwise only be delivered by Foster’s over a period of time and through a substantial improvement in the performance of its beer business. Such an improvement would be subject to considerable risk. The prospects of a higher alternative proposal appear remote. Accordingly, in Grant Samuel’s view, in the absence of a superior proposal, the Proposal is in the best interests of Foster’s shareholders. As the Scheme is an integral component of the Proposal, the Scheme is also in the best interests of the shareholders of Foster’s.

■ **Shareholders should consider the other advantages and disadvantages of the Proposal.**

Other factors that shareholders should take into consideration are:

- if the Proposal is not approved, Foster’s will be required to pay transaction costs including legal and other advisers’ fees as well as printing and mailing costs. Furthermore, in certain circumstances, Foster’s will also be liable to pay a \$99 million break fee to SABMiller; and
- the taxation consequences of the Proposal will vary depending upon, amongst other things, whether shareholders are Australian residents. For some Australian shareholders a taxable capital gain may arise. The taxation implications for non-Australian resident shareholders will depend on their domicile.



4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Foster's shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Booklet issued by Foster's in relation to the Proposal.

Voting for or against the Proposal is a matter for individual shareholders, based on their own views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Proposal should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in Foster's. This is an investment decision upon which Grant Samuel does not offer an opinion and is independent of a decision on whether to vote for or against the Proposal. Shareholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act, 2001. The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully

GRANT SAMUEL & ASSOCIATES PTY LIMITED

Grant Samuel & Associates



**Financial Services Guide
and
Independent Expert’s Report
in relation to the Proposal by
SABMiller plc**

Grant Samuel & Associates Pty Limited
(ABN 28 050 036 372)

26 October 2011

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Financial Services Guide

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act, 2001 requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Foster's Group Limited ("Foster's") in relation to the proposal by SABMiller plc ("the Foster's Report"), Grant Samuel will receive a fixed fee of \$1,250,000 plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 7.3 of the Foster's Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Foster's Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 March 2011. The following information in relation to the independence of Grant Samuel is stated in Section 7.3 of the Foster's Report:

"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Foster's or SABMiller or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposal.

Grant Samuel advises that in November 2009 it was engaged by Foster's to conduct preliminary work to allow Grant Samuel to prepare an independent expert's report for Foster's should such a report be required. In November 2010, Grant Samuel was engaged by Foster's to prepare an independent expert's report in relation to the proposed demerger of its wine business, Treasury Wine Estates.

Grant Samuel had no part in the formulation of the Proposal. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of \$1,250,000 for the preparation of this report. This fee is not contingent on the outcome of the Proposal. Grant Samuel's out-of-pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011."

Grant Samuel has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, No. 11929. If you have any concerns regarding the Foster's Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Financial Ombudsman Service at GPO Box 3 Melbourne VIC 3001 or 1300 780 808. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act, 2001.

Grant Samuel is only responsible for the Foster's Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

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1 Details of the Proposal

On 21 September 2011, Foster's Group Limited ("Foster's") announced that it had entered into a Scheme Implementation Deed with SABMiller plc ("SABMiller") under which SABMiller will acquire all the shares in Foster's (the "Proposal"). Under the Proposal, Foster's shareholders are to be offered a total of \$5.40 cash per share ("Proposal Consideration") comprising:

- \$5.10 cash per share pursuant to a scheme of arrangement ("Scheme"); and
- \$0.30 cash per share pursuant to an equal capital reduction ("Capital Return").

Shareholders who owned fully paid shares in Foster's on 7 September 2011 will also have received the final dividend for the financial year ended 30 June 2011 of 13.25 cents per share.

The Proposal extends to all the partly paid ordinary shares in Foster's. Holders of partly paid shares will receive between \$1.36 and \$2.17 cash per partly paid share, depending on the unpaid portion of the issue price of the partly paid shares.

SABMiller is one of the world's largest brewers, with brewing interests and distribution agreements across six continents. SABMiller's portfolio includes global brands such as Pilsner Urquell, Peroni Nastro Azzurro, Miller Genuine Draft and Grolsch. SABMiller is also one of the world's largest bottlers of Coca-Cola products. Headquartered in London, United Kingdom, SABMiller has its primary listing on the London Stock Exchange and had a market capitalisation at 21 October 2011 of approximately £36.5 billion (A\$56.1 billion). SABMiller has a secondary listing on the Johannesburg Stock Exchange.

The Proposal is the culmination of a series of events that commenced on 20 June 2011 with SABMiller's indicative, non-binding and conditional proposal to the Foster's board to acquire all the issued shares in Foster's for \$4.90 cash per share, reduced by the amount of any dividend or distribution paid or declared by Foster's¹. On 21 June 2011, Foster's announced that it had rejected this proposal. On 17 August 2011, SABMiller announced its intention to make an off-market takeover offer for all the issued shares in Foster's for \$4.90 in cash per share, reduced by the amount of any dividend or distribution paid or declared by Foster's¹. Foster's declared a final dividend for the year ended 30 June 2011 of 13.25 cents per share on 23 August 2011, which reduced the cash consideration for the fully paid shares under the SABMiller offer to \$4.7675 per share. On 18 August 2011, the directors of Foster's announced that they intended to unanimously recommend that Foster's shareholders reject the SABMiller offer. On 21 September 2011, Foster's announced that it had entered into the Scheme Implementation Deed with SABMiller. In that announcement, the Foster's board unanimously recommended that Foster's shareholders vote in favour of the Proposal, in the absence of a superior proposal and subject to an independent expert concluding that the Proposal is in the best interests of Foster's shareholders.

Under section 631 of the Corporations Act, 2001 ("the Corporations Act"), SABMiller is required to make a takeover offer to Foster's shareholders within two months after the announcement of its intention to make an offer on 17 August 2011. SABMiller has been granted relief from this obligation, subject to certain conditions. Following the period of three weeks from a party to the Scheme announcing that the Scheme Implementation Deed is terminated or that the Proposal will not proceed, or four months and 14 days from the initial takeover offer (whichever of those dates occurs first), SABMiller must make offers to Foster's shareholders on the same or better terms than the initial takeover offer.

The Proposal is subject to the satisfaction of a number of conditions which are set out in full in the Notice of Meeting and Explanatory Booklet ("Booklet"). In summary, the key conditions include:

- a resolution to approve the Scheme by Foster's shareholders under section 411 of the Corporations Act. Under section 411, a scheme of arrangement must be approved by a majority in number (i.e.

¹ In the case of partly paid shares, the consideration is also reduced by any amounts unpaid on those shares, subject to a minimum price of \$0.01 per partly paid share.

Appendix 1 – Independent Expert’s Report

G R A N T S A M U E L



more than 50%) of Foster’s shareholders present and voting (either in person or by proxy) at the meeting who together hold at least 75% of the votes cast on the resolutions;

- a resolution to approve the Capital Return by Foster’s shareholders (i.e. more than 50%);
- the approval of the Scheme by the Supreme Court of Victoria at a hearing following the shareholder votes referred to above;
- all regulatory approvals, including the approval of the Foreign Investment Review Board (“FIRB”) obtained by the second court hearing;
- no prescribed occurrences for Foster’s (which are defined in the Scheme Implementation Deed to cover standard prescribed events, such as changes to capital structure, share issues and insolvency events);
- no “material adverse change” (as defined in the Scheme Implementation Deed); and
- each representation and warranty given by SABMiller and Foster’s is true and correct at 8.00 am on the second court date.

The resolutions to approve the Scheme and the Capital Return are interdependent. Failure to approve either of these resolutions will result in the Proposal not proceeding. In the event the Australian Taxation Office (“ATO”) does not grant a ruling in connection with the Capital Return that is to the satisfaction of Foster’s and SABMiller, the Capital Return (or any portion of the Capital Return for which the ruling is not obtained) will no longer be proposed to shareholders and the consideration under the Scheme will be increased by \$0.30 per share (or any portion of the \$0.30 per share for which the ruling is not obtained).

The Scheme Implementation Deed includes no talk, no shop and no due diligence provisions. Under these provisions, Foster’s (including any related parties) may not solicit or encourage any counter-proposal and may not enter into or permit any negotiations or discussions in relation to any competing proposal for Foster’s or provide any information to a third party that may lead to a competing proposal, subject to an exception for a bona fide competing proposal that the Foster’s board determine is reasonably likely to constitute a superior proposal and for which the directors of Foster’s determine that failing to respond to the proposal would be likely to constitute a breach of their fiduciary or statutory duties. Foster’s is also required to notify SABMiller if it is approached by another person to engage in any activity in this regard and SABMiller has a right to be informed about and then match the terms of any superior proposal (within a 3 day period). The Scheme Implementation Deed also contains various provisions under which Foster’s must seek the return of information provided to third parties and enforce any breach of confidentiality undertakings.

A break fee of \$99 million (being approximately 1% of the Scheme consideration) is payable by Foster’s to SABMiller in certain circumstances, including where any of Foster’s directors either recommend a competing proposal or withdraw their recommendation of the Scheme if a competing proposal is successful, or if there is a material breach of the Scheme Implementation Deed by Foster’s and the agreement is subsequently terminated.



2 Scope of the Report

2.1 Purpose of the Report

The Proposal is subject to the approval of Foster's shareholders in accordance with:

- Sections 256B and 256C of the Corporations Act ("Sections 256B and 256C"); and
- Section 411 of the Corporations Act ("Section 411").

Sections 256B and 256C, and Section 411, govern reductions of share capital and schemes of arrangement respectively. They require the prior approval of shareholders before a capital reduction or scheme of arrangement can be effected. Sections 256B and 256C do not require an independent expert's report to be prepared.

Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to Section 411. Part 3 of Schedule 8 requires an independent expert's report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement has a prescribed shareholding in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether the scheme of arrangement is in the best interests of shareholders subject to the scheme and must state reasons for that opinion.

Although there is no requirement in the present circumstances for an independent expert's report pursuant to the Corporations Act or the Australian Securities Exchange ("ASX") Listing Rules, the directors of Foster's have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Proposal is in the best interests of Foster's shareholders and to state reasons for that opinion. Grant Samuel has also been requested to give its opinion as to whether the Capital Return will materially prejudice the ability of Foster's to pay its creditors. A copy of the report will accompany the Booklet to be sent to shareholders by Foster's.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Foster's shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Booklet issued by Foster's in relation to the Proposal.

Voting for or against the Proposal is a matter for individual shareholders based on their views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Proposal should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Foster's, SABMiller or the merged entity. This is an investment decision upon which Grant Samuel does not offer an opinion and is independent of a decision to vote for or against the Proposal. Shareholders should consult their own professional adviser in this regard.

2.2 Basis of Evaluation

There is no legal definition of the expression "in the best interests". However, the Australian Securities & Investments Commission ("ASIC") has issued Regulatory Guide 111 which establishes guidelines in respect of independent expert's reports. ASIC Regulatory Guide 111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback), the expert is required to distinguish between "fair" and "reasonable". A proposal that was "fair and reasonable" or "not fair but

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reasonable” would be in the best interests of shareholders. For most other transactions, the expert is to weigh up the advantages and disadvantages of the proposal for shareholders. If the advantages outweigh the disadvantages, a proposal would be in the best interests of shareholders.

The Proposal is economically the same as a takeover offer. Accordingly, Grant Samuel has evaluated the Proposal as a control transaction and formed a judgement as to whether the Proposal is “fair and reasonable”.

Fairness involves a comparison of the offer price with the value that may be attributed to the securities that are the subject of the offer based on the value of the underlying businesses and assets. For this comparison, value is determined assuming 100% ownership of the target and a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length. Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer such as:

- the offeror’s existing shareholding;
- other significant shareholdings;
- the probability of an alternative offer; and
- the liquidity of the market for the target company’s shares.

An offer could be considered “reasonable” if there were valid reasons to accept the offer notwithstanding that it was not “fair”.

Fairness is a more demanding criterion. A “fair” offer will always be “reasonable” but a “reasonable” offer will not necessarily be “fair”. A fair offer is one that reflects the full market value of a company’s businesses and assets. An offer that is in excess of the pre-bid market prices but less than full value will not be fair but may be reasonable if shareholders are otherwise unlikely in the foreseeable future to realise an amount for their shares in excess of the offer price. This is commonly the case where the bidder already controls the target company. In that situation the minority shareholders have little prospect of receiving full value from a third party offeror unless the controlling shareholder is prepared to sell its controlling shareholding.

Grant Samuel has determined whether the Proposal is fair by comparing the estimated underlying value range of Foster’s with the offer price. The Proposal will be fair if it falls within the estimated underlying value range. In considering whether the Proposal is reasonable, the factors that have been considered include:

- the estimated value of Foster’s compared to the offer price;
- the existing shareholding structure of Foster’s;
- the likelihood of an alternative offer and alternative transactions that could realise fair value;
- the likely market price and liquidity of Foster’s shares in the absence of the Proposal; and
- other advantages and disadvantages for Foster’s shareholders of accepting the Proposal.

In forming its opinion as to whether the Capital Return materially prejudices Foster’s ability to pay its existing creditors, Grant Samuel has considered the following:

- the effect of the capital reduction on the financial position and size of Foster’s;
- the debt facilities available to Foster’s after the capital reduction;
- the impact of the capital reduction on the cash flows of Foster’s; and
- any other issues relating to the capital reduction.



2.3 Sources of the Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

Publicly Available Information

- the Booklet (including earlier drafts);
- annual report and results presentation of Foster's for the year ended 30 June 2011;
- scheme booklet in relation to the proposed demerger of Treasury Wine Estates Limited ("Treasury Wine Estates");
- press releases, public announcements, media and analyst presentation material and other public filings by Foster's including information available on its website;
- industry publications on the Australian and global beer markets;
- brokers' reports and recent press articles on Foster's and the global beer industry; and
- sharemarket data and related information on Australian and international listed companies engaged in the beer industry and on acquisitions of companies and businesses in this industry.

Non Public Information provided by Foster's

- budget for the year ending 30 June 2012 prepared by Foster's management;
- long term forecasts to 30 June 2021 prepared by Foster's management, including a high level financial model; and
- other confidential documents, board papers, presentations and working papers.

Grant Samuel has also held discussions with, and obtained information from, senior management of Foster's and its advisers.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by Foster's and its advisers. Grant Samuel has considered and relied upon this information. Foster's has represented in writing to Grant Samuel that to its knowledge the information provided by it was complete and not incorrect or misleading in any material aspect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Proposal is in the best interests of Foster's shareholders. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its

Appendix 1 – Independent Expert’s Report

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opinion, “due diligence” of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming an opinion of the kind expressed in this report consists of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Foster’s. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The information provided to Grant Samuel included the budget for Foster’s for the year ending 30 June 2012 (“2012 Budget”) prepared by management and adopted by the directors of Foster’s, and supplementary information relating to the 2012 Budget.

Foster’s is responsible for this financial information. Grant Samuel has used and relied on this financial information for the purposes of its analysis. The major assumptions underlying the 2012 Budget were reviewed by Grant Samuel in the context of current economic, financial and other conditions. However, it should be noted that the 2012 Budget and the underlying assumptions have not been reviewed (nor is there a statutory or regulatory requirement for such a review) by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions.

Subject to these limitations, Grant Samuel considers that, based on the inquiries it has undertaken and only for the purposes of its analysis for this report (which do not constitute, and are not as extensive as, an audit or accountant’s examination), there are reasonable grounds to believe that the 2012 Budget has been prepared on a reasonable basis. In forming this view, Grant Samuel has taken the following factors, inter alia, into account that:

- the 2012 Budget has been adopted by the directors of Foster’s; and
- Foster’s has sophisticated management and financial reporting processes. The prospective financial information has been prepared through a detailed budgeting process involving preparation of “ground up” projections by management and is subject to ongoing analysis and revision to reflect the impact of actual performance or assessments of likely future performance.

The information provided to Grant Samuel also included long term management forecasts for the ten years ending 30 June 2021 (the “Forecasts”). Foster’s is responsible for the Forecasts. Grant Samuel has not relied on the Forecasts for the purposes of its report. Grant Samuel has had regard to the Forecasts in developing a financial model for Foster’s as discussed in Section 5.3.4 of this report but did not specifically rely on these projections for its valuation.

The directors of Foster’s have decided not to include the 2012 Budget or the Forecasts in the Booklet and therefore the 2012 Budget and Forecasts have not been disclosed in this report.

Grant Samuel has no reason to believe that the 2012 Budget and Forecasts reflect any material bias, either positive or negative. However, the achievability of the 2012 Budget and Forecasts is not warranted or guaranteed by Grant Samuel. Future profits and cash flows are inherently uncertain. They are predictions by management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of the company or its management. Actual results may be significantly more or less favourable.

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As part of its analysis, Grant Samuel has reviewed the sensitivity of net present values to changes in key variables. The sensitivity analysis isolates a limited number of assumptions and shows the impact of variations to those assumptions. No opinion is expressed as to the probability or otherwise of those variations occurring. Actual variations may be greater or less than those modelled. In addition to not representing best and worst outcomes, the sensitivity analysis does not, and does not purport to, show the impact of all possible variations to the financial model. The actual performance of the business may be negatively or positively impacted by a range of factors including, but not limited to:

- changes to the assumptions other than those considered in the sensitivity analysis;
- greater or lesser variations to the assumptions considered in the sensitivity analysis than those modelled; and
- combinations of different variations to a number of different assumptions that may produce outcomes different to the combinations modelled.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the information set out in the Booklet sent by Foster's to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Proposal will be implemented in accordance with its terms; and
- the legal mechanisms to implement the Proposal are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.

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3 Industry Overview

3.1 Australian Beer Market

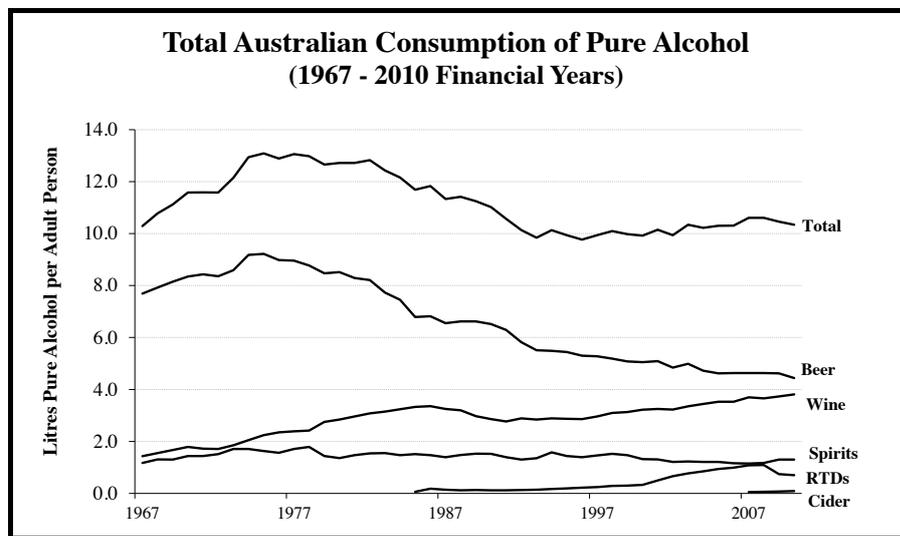
Beer consumption in Australia has steadily declined on a per capita basis since the early 1970s. Between 1975 and 2010 annual beer consumption has fallen from 9.2 litres of pure alcohol per capita to 4.44 litres of pure alcohol per capita.² Australian beer consumption totalled 17.7 million hectolitres for the year ended 31 December 2010.³

While beer has historically been the leading alcohol beverage in Australia, wine is now the most frequently consumed alcohol beverage (44%) in terms of alcohol occasions. The increasing popularity of wine may be attributed to a proliferation of high quality affordable wine, increasing health consciousness, heightened interest in food and wine pairing and the growth in the off-premise distribution channel.

The decline in beer consumption was accelerated by the increase in the consumption of ready-to-drink alcohol (“RTDs”) that followed the introduction of a more attractive excise tax regime on RTDs in 2000. While the growth in RTD consumption has reversed since 2008, when the excise tax was increased to the same level as for spirits⁵, RTDs and spirits have collectively maintained a significant share of the overall alcohol beverage market.

While still only representing 1% of the overall market, cider is the fastest growing segment in the alcohol beverage market in Australia.

The historical trends in Australian annual alcohol consumption are illustrated below:



Source: ABS 43070DO001 Apparent Consumption of Alcohol, Extended Time Series, AC Nielsen, Foster’s

² Source: Australian Bureau of Statistics (“ABS”) 43070DO001 Apparent Consumption of Alcohol, Extended Time Series; Foster’s, based on pure alcohol volumes per capita.

³ Source: Canadean, Global Beer Trends Report 2011.

⁴ Source: Datamonitor analysis, August 2011 – The Future of Alcoholic Beverage Consumer Trends in Australia.

⁵ Historically, there has been a strong correlation between changes in the excise tax and consumption of beer versus RTDs. The Henry Review, published in April 2010, recommended the implementation of a flat volumetric tax system across all alcohol, which would remove the current differential categories and rates for beer. However, in a media release following the Henry Review, the Commonwealth Government stated that it would not reform alcohol taxation while the wine industry faced significant restructuring in the context of a wine glut. Foster’s believes that it is unlikely that there will be any reform to alcohol excise during the current term of Commonwealth Government.

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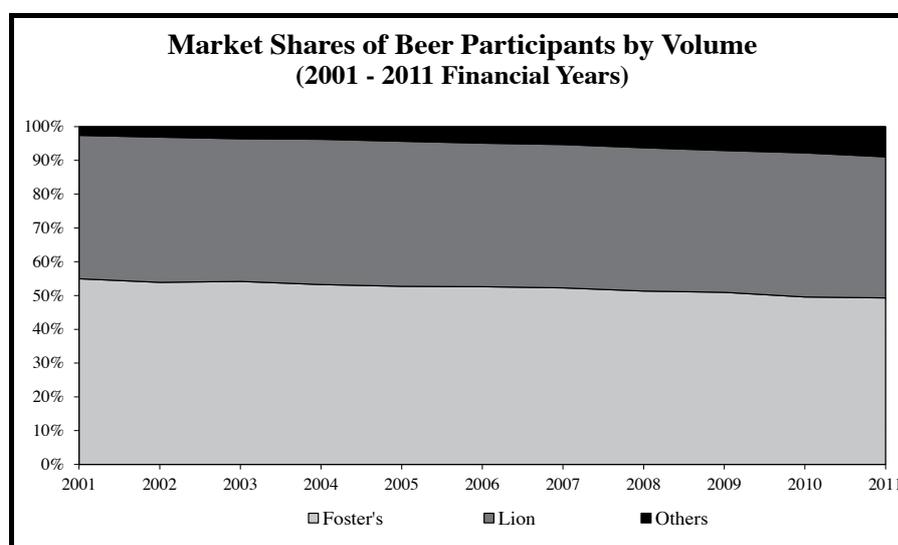


Based on pure alcohol consumption on a per capita basis, beer consumption is still slightly ahead of wine consumption, although the gap is narrowing. Over the next few years, it is expected that per capita wine consumption will overtake per capita beer consumption. Total beer volumes are expected to increase marginally (around 0.5% per annum)⁶ in the medium term, on the basis that population growth is expected to outweigh the decline in per capita consumption.

The Australian brewing industry has undergone significant consolidation. Historically breweries operated on a regional basis, each focussed on its home State. Today, the national brewing groups, Foster’s and Lion (formerly Lion Nathan (a wholly owned subsidiary of the Japanese brewer, Kirin Holdings Company Limited (“Kirin”))), are the two leading players in the Australian brewing industry.

Foster’s and Lion accounted for over 90% of packaged (off-premise) beer volume in the 2011 financial year⁷. Smaller market participants include Coopers Brewery Limited, Pacific Beverages Pty Limited (“Pacific Beverages”) (a joint venture between Coca-Cola Amatil Limited (“Coca-Cola Amatil”) and SABMiller), Independent Distillers Group, Little World Beverages Limited (“Little World Beverages”) and micro brewers and private label brands sold by Woolworths Limited (“Woolworths”) and Wesfarmers Limited (“Wesfarmers”) (via Coles).

Australian beer margins are among the highest in the world, partly driven by high supplier concentration. Beer drinkers are loyal to brands on a regional basis and both of the major brewers have large market shares in each of the States and Territories of Australia. International brands currently represent around 10.2% of the Australian packaged (off-premise) beer market (by volume)⁷. While Foster’s and Lion still dominate, the smaller market participants have been steadily gaining market share. The market shares of Foster’s and Lion are illustrated below:



Source: AC Nielsen

The premium beer segment accounts for 15.8% of the Australian packaged (off-premise) beer market by volume⁷. Consistent with global trends, this market segment has seen significant growth in recent years driven by both the premium domestic and premium international market segments. Premium domestic beers include Crown Lager, Boag’s Premium, Coopers Sparkling Ale, Toohey’s Extra Dry Platinum and Cascade Premium. Premium international beers compete

⁶ Source: Datamonitor analysis, December 2010, Beer, Cider and FABs in Australia to 2014 Market Databook.

⁷ Source: AC Nielsen.

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strongly in the premium beer market against locally produced premium beers. Corona Extra, a Mexican beer licensed to and distributed by Foster’s in Australia, is the leading premium brand. Certain beers may be regarded as “premium” in certain States, whilst classified as mainstream in other States.

The craft beer segment (a sub-category of the premium domestic beer category) has also experienced an increase in the number of market participants and now represents 17.3% of the market volume in the premium domestic packaged (off-premise) category. This is a result of consumers’ desire to enjoy products with a unique or superior flavour and an interesting product story. Craft beer brands include Matilda Bay, Blue Tongue, Little Creatures and Malt Shovel (under the James Squire Brand). Lion, Foster’s and Little World Beverages are the leading players in this segment, with domestic packaged (off-premise) craft beer market shares of 32%, 26% and 24% respectively based on volumes in the 2011 financial year.

The following table illustrates the growth in the premium category and decline in other categories, particularly light beer, over the past five years in the off-premise channel:

Market Share by Type of Beer (Off-Premise Volume %)						
Market Segment	Alcohol by Volume (%)	Year ended 30 June				
		2007	2008	2009	2010	2011
Premium International	>3.5	5.4	6.5	8.1	8.1	9.3
Premium Domestic	>3.5	6.5	5.7	5.8	6.5	6.5
Regular	>3.5	59.6	59.8	60.4	59.4	59.0
Mid	3.0 - 3.5	19.7	20.4	20.1	20.0	19.8
Light	1.15 -3.0	8.8	7.6	6.6	6.1	5.4

Source: AC Nielsen, ABS

The growth in premium beers has resulted in some decline in traditional regular beer consumption. However, the regular segment has been boosted by growth in reduced carbohydrate beers, in particular Pure Blonde (owned by Foster’s). The Australian reduced carbohydrate beer segment now represents 18.6% by volume of total packaged (off-premise) beer sales. Other reduced carbohydrate beer brands include Carlton Dry, Hahn Super Dry, Toohey’s New White Stag and Boag’s Classic Blonde.

Consumption of reduced strength beer has been gradually declining and mid-strength beer has gained market share from light beer in the reduced strength domestic market. Despite the decline, light beer consumption per capita in Australia is amongst the highest in the world.

In addition, the private label brands of Australia’s major supermarket retailers have also gained market share in recent years and now constitute over 2% of the market.

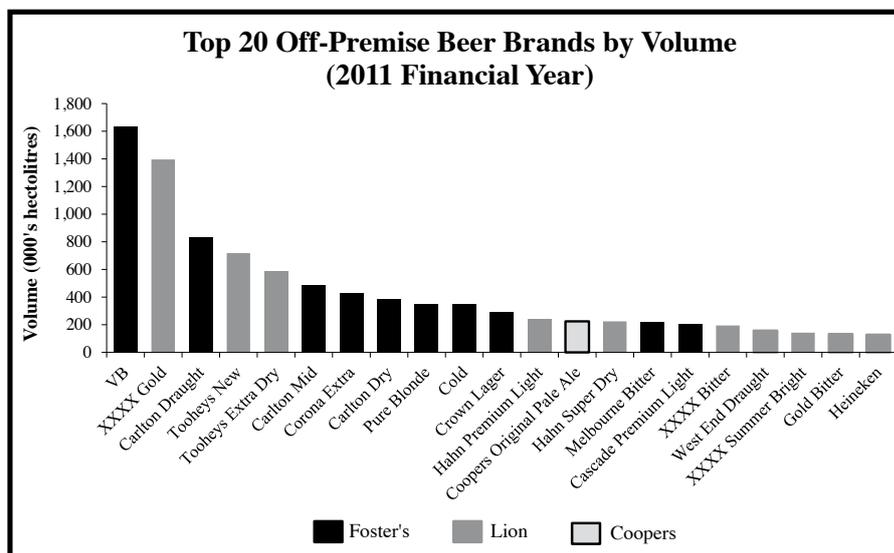
Distribution arrangements with retailers (off-premise) and pubs and hotels (on-premise) are critical in the Australian beer market. Off-premise continues to dominate the beer sales channel, accounting for 66%⁸ of all beer sold. In recent years, growth in off-premise consumption has outpaced growth in alcohol consumption generally, which is attributed to the impact of the economic downturn, compelling many drinkers to consume at home rather than at comparatively more expensive bars and restaurants. Foster’s and Lion are the leaders in the off-premise market with strong distribution networks. Approximately 42%⁹ of off-premise beer is sold through Wesfarmers (via Liquorland, Vintage Cellars and 1st Choice) and Woolworths (via Woolworths Liquor, Safeway Liquor and BWS), with the remainder sold by independents and Woolworths’ Dan Murphy’s chain. The joint market share of Woolworths and Wesfarmers (Coles) has doubled over the last ten years.

⁸ Source: Datamonitor analysis, August 2011 – The Future of Alcoholic Beverage Consumer Trends in Australia.

⁹ Source: AC Nielsen.



VB, owned by Foster's, is the most popular packaged (off-premise) beer sold in Australia:



Source: AC Nielsen

The beer market in Australia is subject to high levels of taxation via excises, which are adjusted on a half yearly basis (every February and August) in line with the Consumer Price Index. The excise is dependent on the volume of alcohol and whether the beer is in containers exceeding 48 litres. Excise on Australian beer is the second largest source of indirect tax revenue in Australia (behind petrol taxes). Excises constitute almost half of the retail price of beer in the lower price bracket.

3.2 Global Beer Market

Global beer consumption volumes totalled over 1.9¹⁰ billion hectolitres in the year ended 31 December 2010, with the global economic downturn exacerbating volume declines in some countries, particularly in Europe and in the United States. The global beer market grew by an average growth rate of 2.7% per annum over the five years to 31 December 2010 and is forecast to grow at an average growth rate of 2.7%¹⁰ between 2011 and 2016. It is forecast to reach 2.0 billion hectolitres by 2013¹⁰.

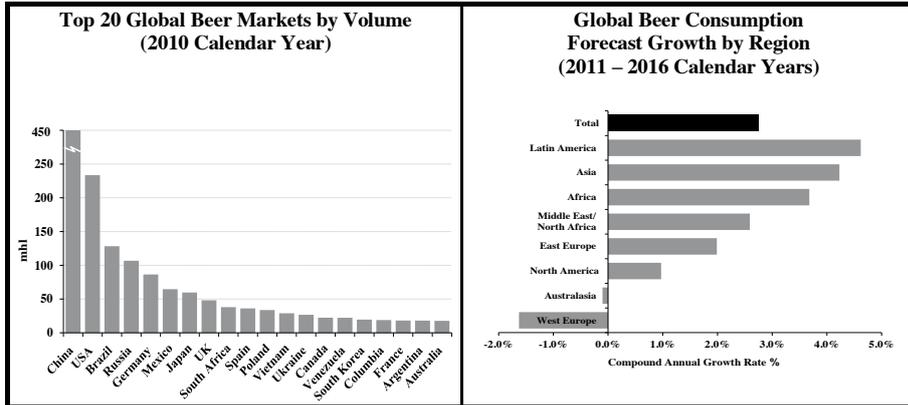
Emerging markets such as Africa, Latin America, China and India account for the majority of growth in global beer consumption. By contrast, the mature markets of North America, Western Europe and Australasia have generated relatively flat sales volumes in recent years. Beer consumption on a per capita basis in the United States, United Kingdom, Canada and Australia has been in decline for a prolonged period. Developed beer market volumes are expected to remain flat or marginally decline.

¹⁰ Source: Canadean, Global Beer Trends Report 2011.

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The following graphs summarise the top 20 global beer markets by volume in the 2010 calendar year and the forecast compound annual growth rate (“CAGR”) by region for the period 2011 to 2016:



Source: Canadean, Global Beer Trends Report 2011

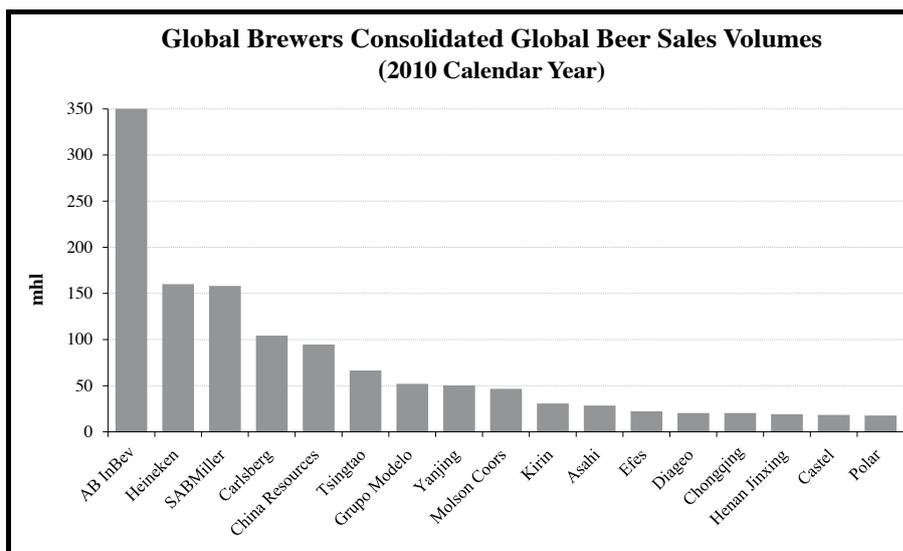
China is currently the largest beer market in the world by volume and is also one of the fastest growing beer markets, characterised in recent years by rapidly increasing volumes, market consolidation and improving efficiency. Continued strong volume growth is expected as per capita consumption increases. Price increases are expected to improve profitability, with prices having remained largely unchanged for an extended period of time.

India is expected to continue to grow volumes at double digit rates, with significant population and consumption upside (current per capita consumption is less than two litres per year). However, factors such as the restrictive regulatory environment, affordability, infrastructure limitations associated with a large percentage of the population residing in rural areas, as well as cultural influences affecting alcohol consumption, may present some impediments in this market.

Strong volume growth in Africa and Latin America is expected to result from the younger demographic and increasing incomes.



The global beer industry has undergone significant consolidation over the last decade. The top four brewers, Anheuser-Busch InBev N.V. (“AB InBev”), SABMiller, Heineken N.V. (“Heineken”) and Carlsberg A/S (“Carlsberg”), have significantly increased volumes and market presence through acquisitions as well as operating joint ventures and accounted for over 41% of global beer volumes in the 2010 calendar year ¹¹:



Source: Canadean, Global Beer Trends Report 2011

InBev Nederland N.V.’s (“InBev”) US\$52 billion acquisition of Anheuser-Busch Companies (“Anheuser-Busch”) in late 2008 created the world’s largest beer company AB InBev. While global consolidation is expected to continue, merger activity is expected to abate in terms of both frequency and size as the number of viable targets reduces and major brewers seek to reduce borrowings that funded a number of large acquisitions in recent years.

Globally, beer remains a local business, with just 6% of global beer volumes represented by imports, or brands sold outside their home markets.¹²

3.3 Australian Cider, Spirits and RTD Markets

The Australian cider, spirits and RTD segments constituted 1%, 13% and 7% respectively of the total alcohol beverage market by volume of pure alcohol for the year ended 30 June 2010, with combined sales of 35.8 million litres of pure alcohol.¹³ The market predominantly comprises imported products from a number of large international companies including Diageo plc (“Diageo”), Pernod Ricard SA (“Pernod Ricard”), Brown-Forman Corporation (“Brown-Forman”), Constellation Brands Inc, Fortune Brands Inc (“Fortune Brands”), Remy Cointreau SA and Independent Distillers Group.

The branded spirits industry is characterised by high margins, which are achieved from strong branded products, and limited cash flow requirements. A diversified product portfolio assists in lowering distribution and advertising costs. However, competition is still strong in a relatively

¹¹ Source: Canadean, Global Beer Trends Report 2011.

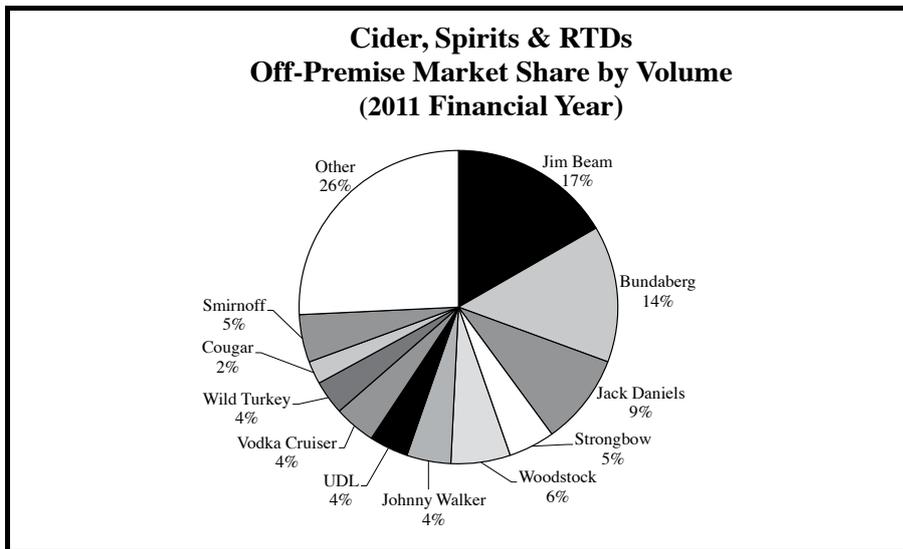
¹² Source: Canadean, Global Beer Trends Report 2011.

¹³ Source: ABS 43070DO001 Apparent Consumption of Alcohol, Extended Time Series; Foster’s, based on pure alcohol volumes per capita.

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crowded market. Jim Beam (Fortune Brands) and Bundaberg Rum (Diageo) were the two largest brands by market share in Australia in the 2011 financial year:



Source: AC Nielsen

While cider is a small category in absolute dollar and volume terms, it has experienced significant growth over the last five years with a 14.6% CAGR since 2006.¹⁴ Foster’s is the category leader with a market share of 69% by volume for the year ended 30 June 2011.

¹⁴ Source: AC Nielsen June 2011, Wider Beverage Report.



4 Profile of Foster's

4.1 Background

Foster's is an Australian-based producer and marketer of beer and cider. The portfolio of brands produced by, or licensed to, Foster's includes the leaders in the traditional regular, premium domestic and premium international beer segments and the leading cider brand in Australia. Some of Foster's brands are also sold internationally. Foster's portfolio also includes a range of spirits, RTDs and non-alcohol beverages. Foster's is a top 50 ASX-listed company with a market capitalisation of approximately \$10.3 billion as at 21 October 2011.

Foster's origins date back to 1824 with the establishment of the Cascade Brewery. Australia's most popular beer today, VB, was first brewed in 1854 in Melbourne by the Victoria Brewery, which also launched Foster's Lager in 1888. In 1907, the Foster's Brewing Company and Carlton Brewery amalgamated with four other breweries to form Carlton & United Breweries. In 1983, Carlton & United Breweries established itself as a truly national brewer through the acquisition of the New South Wales brewing company, Tooth & Co. By the end of 1983, Carlton & United Breweries had become a wholly owned subsidiary of Elders IXL Limited ("Elders IXL"). In 1990, Elders IXL was renamed Foster's Brewing Group Limited, which was subsequently renamed Foster's Group Limited in 2011.

In 1996, Foster's acquired Mildara Blass, one of Australia's leading premium wine companies, following a decision to enter the wine industry. This acquisition represented the first step in a strategy to transform Foster's from a brewing business into a diversified beverage company. It was followed by the establishment of a spirits business with the acquisition of Seagram Australia in 1999. Foster's wine business gained global significance in 2000 with the acquisition of Beringer Wine Estates, followed by the acquisition in 2005 of the Australian wine company, Southcorp Limited, to create Australia's leading alcohol beverages company.

In 2006, Foster's began to divest non-core businesses and assets in line with the company's announced strategy to focus on premium beverages. Foster's sold the "Foster's" brand in Europe to its brewing and distribution partner, Scottish & Newcastle plc ("Scottish & Newcastle"), for \$750 million. In addition, Foster's exited its brewing operations in the Asian region, with the sale of its Chinese, Vietnamese and Indian breweries.

Foster's announced a restructuring initiative focussed on a multi-beverage strategy whereby Foster's sales force, supply chain, marketing and consumer insights teams, as well as infrastructure, were shared across all product categories, and three new regional businesses were created. However, unsatisfactory performance of the wine business following the restructure led to a detailed review of the company's wine business in 2008. The review resulted in the disbandment of the multi-beverage model and the structural separation of the Australian beer and wine businesses.

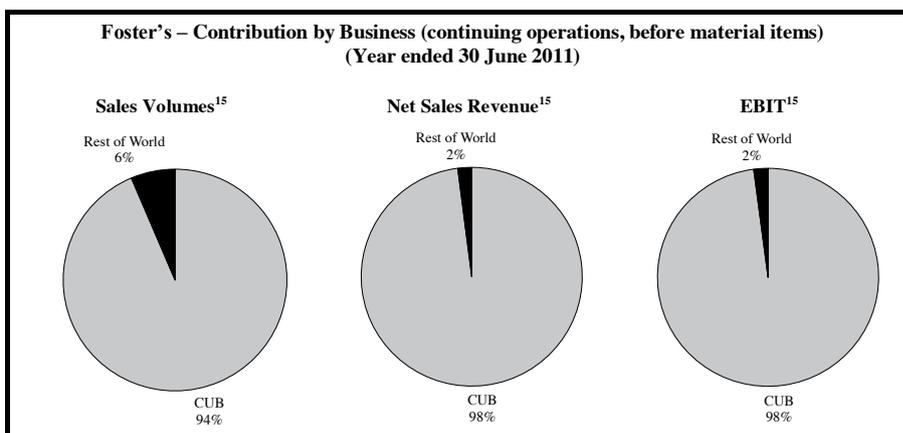
In May 2010, Foster's announced its intention to create separate ASX-listed companies for the beer and the wine businesses via a demerger. The demerger of the wine business, Treasury Wine Estates, became effective on 9 May 2011.

Today, Foster's is primarily focused on brewing activities with the majority of its sales revenue and earnings generated by its Australian and Pacific beer business, Carlton United Brewers ("CUB"), (approximately 98% of its net sales revenues and EBIT in the 2011 financial year) and the remainder by the Rest of World business. The Rest of World business generates earnings from the sales, licensing and distribution of its Australian beer brands in markets outside Australia and the Pacific and from a distribution joint venture in the Middle East.

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The graphs below illustrate the source of sales volumes, net sales revenues and EBIT of Foster’s in the year ended 30 June 2011:



Source: Foster’s Full Year Results Presentation 23 August 2011

4.2 Operations

4.2.1 CUB

CUB’s activities include the brewing, packaging, marketing, distribution and sale of beer, cider and spirits in Australia, as well as operations in Fiji and Samoa.

Beer Brands

CUB has 25 beer brands in the Australian market and seven of the top ten largest beer brands in the packaged (off-premise) beer channel in Australia. CUB’s beer brand portfolio comprises its own domestically produced brands, international brands that it produces domestically under licence and international brands that it imports and distributes. Maintaining the leading market position of CUB’s core brands, and the ability to supplement these brands with a range of innovative and emerging brands, is critical to CUB’s continued growth. CUB’s market leading beer brands are shown in the table below:

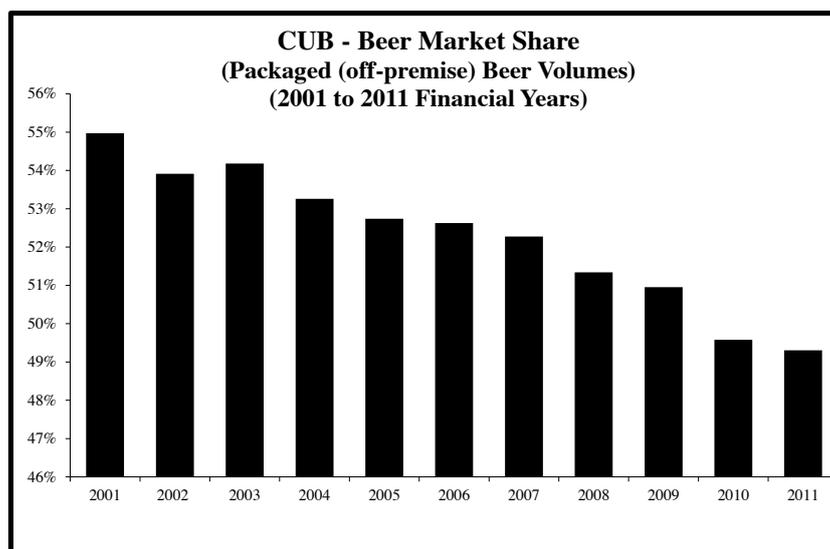
CUB – Market Leading Beer Brands	
VB	#1 selling packaged (off-premise) beer brand in Australia
Crown Lager	#1 selling domestic premium packaged (off-premise) beer in Australia
Corona Extra	#1 selling premium international packaged (off-premise) beer in Australia
Carlton Draught	#1 selling draught beer, the third fastest growing packaged (off-premise) beer by volume and third largest selling packaged (off-premise) beer brand in Australia
Carlton Dry	Second fastest growing new style brand by retail sales in Australia
Pure Blonde	#1 selling reduced carbohydrate beer in Australia
Fat Yak	#1 growing brand in combined packaged (off-premise) and draught sales and second fastest growing packaged (off-premise) craft beer by retail sales in Australia

Source: Foster’s

¹⁵ CUB includes Pacific operations.



Although CUB has experienced a long term decline in market share, it remains Australia's largest participant in the beer market with an estimated 49.3% volume share of the packaged (off-premise) beer category in the year ended 30 June 2011:



Source: AC Nielsen

CUB experienced a decline in market share (based on packaged (off-premise) beer volumes) from 55.0% in the 2001 financial year to 49.3% in the 2011 financial year. This share loss was primarily attributable to Foster's beer portfolio being weighted heavily towards lower growth segments (e.g. traditional regular), notwithstanding that Foster's has stated that it is undertaking initiatives to rebalance its portfolio.

Whilst CUB's market share in the off-premise market improved in the first half of the 2011 financial year, this was reversed in the second half, as CUB resisted below-cost selling by a number of retailers and maintained prices notwithstanding increased competitor promotional activity. However, CUB believes that it stabilised its market share of the broader beer market (draught beer and packaged beer (off-premise)) in the 2011 financial year, largely through gains in the on-premise category.

CUB is the market leader in all beer segments (regular, premium domestic, light and premium international) with the exception of mid-strength. Consistent with global trends, CUB's premium beer, new style regular (reduced carbohydrate and flavoured) and craft beer segments have experienced significant growth in recent years.

While CUB remains the market leader in the fast growing premium domestic and premium international beer categories, its overall portfolio remains weighted to lower growth traditional mainstream beers and is underweight in mid-strength and the faster growing craft categories and new style beers. CUB continues to focus on realigning its beer portfolio towards the faster growing categories:

- CUB has a leading position in the premium domestic beer segment due to Crown Lager's position as Australia's number one premium domestic beer. This has been complemented by the Cascade range. The premium domestic beer segment experienced a 3.2% CAGR in the two years ended 30 June 2011;
- CUB has a 37% share of the new style regular segment, with Pure Blonde and the second fastest growing new style brand, Carlton Dry. Pure Blonde is the leading

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brand in the reduced carbohydrate segment, although its sales continue to be affected by increased competition from new entrants. CUB has also successfully launched Carlton Dry Fusion Lime, Lemon and Black (flavoured beers), as well as Pure Blonde White (a reduced carbohydrate wheat beer) and Pure Blonde Naked (a reduced carbohydrate mid-strength beer) into this category. The new style regular segment experienced a 2.0% CAGR in the two years ended 30 June 2011;

- craft beer is a small but fast growing beer segment in Australia, experiencing a 28% CAGR in the two years ended 30 June 2011. CUB launched Matilda Bay’s Fat Yak in 2008. Matilda Bay’s Fat Yak is currently the fastest growing craft beer, experiencing volume growth of almost 40% in fiscal year 2011. CUB’s share of the packaged (off-premise) craft beer segment was 26% as at 30 June 2011; and
- the premium international beer segment is more fragmented than the other segments. CUB has a strong market position through its distribution of Corona Extra, which is Australia’s largest premium international beer, the strong contribution from Stella Artois, which is the third largest premium international beer, and the manufacturing and distribution rights for Carlsberg. The premium international beer category experienced an 11% CAGR in the two years ended 30 June 2011. This resulted from an increase in the number of brands in the market and the price reductions relative to domestic full-strength beer due to the strength of the Australian dollar.

CUB is the clear market leader in the traditional regular beer segment, with a market share of approximately 66% for the year ended 30 June 2011. This is predominantly attributable to CUB’s VB and Carlton Draught brands. CUB is in the second year of a five year plan to reinvigorate the VB brand, in part by innovations such as unique product packaging. In the 2011 financial year, Carlton Draught volume grew for the tenth consecutive year, strengthening its position as the number one draught beer in Australia. The traditional beer segment, while a lower growth segment, currently represents almost 40% of the total beer market.

CUB’s share of the light beer market has fallen. However, the light beer category has been losing share to mid-strength and premium beers. CUB’s brands in the light beer segment include Cascade Premium Light and Foster’s Light Ice.

Cider Brands

Cider is the fastest growing alcohol category in Australia, growing at 20% per annum in the two years ended 30 June 2011. CUB has the leading cider portfolio in Australia and has a 69% share of the total off-premise cider market by volume. CUB’s Strongbow brand is a market leader in the cider category. CUB’s other cider brands are Bulmers and Mercury. In the 2011 financial year, Bulmers Cider doubled sales from the prior year to become CUB’s fifth largest selling draught product in Australia. In addition, CUB has recently launched new cider products (Bulmers Pear, Strongbow Pear and Matilda Bay’s Dirty Granny) to enhance the portfolio with new flavours and brands and take advantage of the strong growth in the cider category.

RTD and Non-Alcohol Brands

CUB has a portfolio of spirits, RTDs and non-alcohol beverages that are either owned by or licensed to CUB. In the spirits and RTD category, CUB’s strongest performing brands are Cougar bourbon (the fifth most popular bourbon) and Black Douglas (the second most popular scotch). Non-alcohol beverage brands include Torquay waters and the Cascade range of fruit juices and soft drinks.

Although CUB does not have the strong market position in these other beverage segments that it enjoys in the beer market, it is well positioned for growth by leveraging CUB’s brand building and distribution capabilities.



Production

CUB operates two of Australia’s largest breweries, the Yatala brewery in Queensland and the Abbotsford brewery in Melbourne, as well as two smaller breweries, the historic Cascade brewery in Tasmania and a boutique craft beer facility in Melbourne. In addition, CUB operates a cider facility in Campbelltown in New South Wales. The following table sets out the key products manufactured at each of these major production facilities:

CUB – Major Production Facilities	
Brewery	Key Products Produced
Abbotsford, VIC	Primarily beer in bottles, cans and kegs
Yatala, QLD	Primarily beer in bottles, cans and kegs. Also spirits such as Cougar and Black Douglas in bottles, plus RTDs in cans and kegs, and filling cider ex-Campbelltown in kegs
Matilda Bay Garage, VIC	Kegs and bottles of specialty/craft beers
Cascade Brewery, TAS	Cascade and some other specialty/craft beers and ciders in bottles, cans and kegs, as well as various other non-alcohol beverages
Campbelltown, NSW	Cider in bottles

Source: Foster’s

CUB continues to invest in its production network to increase flexibility and better meet consumer demands through innovative packaging solutions.

Foster’s has announced that a review of the CUB supply network will be undertaken during the 2012 financial year, encompassing all Australian production sites, logistics sites and supplier arrangements. The objective of the review is to determine the most appropriate supply footprint for CUB for the long term.

Distribution

Distribution arrangements with retailers (off-premise) and pubs and hotels (on-premise) are critical in the Australian beer market. Off-premise is the dominant beer sales channel, accounting for approximately 66%¹⁶ of all beer sold.

The national accounts of Wesfarmers (through its Coles Liquorland supermarket outlets and Vintage Cellars and 1st Choice stores) and Woolworths (through its Woolworths and Safeway supermarket outlets, Dan Murphy’s and BWS stores) are an increasingly significant component of CUB’s beer, cider and spirits beverage sales.

CUB primarily deals directly with its customers. However, it has established relationships and trading terms with two major wholesalers: Australian Liquor Marketers (“ALM”) and Liquor Marketing Group (“LMG”). ALM is owned by Metcash and is Australia’s largest independent liquor wholesaler, supplying a number of liquor store chains including Cellarbrations, Bottle-O, IGA, Thirsty Camel and Harbottle. LMG is the largest independent hotel banner and marketing group, with a number of stores including Bottlemart, Hotel Liquor Wholesalers, Sip’n Save and Western Cellars.

CUB’s direct distribution network is extensive and averages 3,200 daily product deliveries to a customer base of approximately 17,000 outlets. Next day service delivery is fulfilled across all metropolitan centres via a council of third party logistics suppliers integrated into CUB’s order-to-cash processes.

¹⁶ Source: Datamonitor analysis, August 2011 – The Future of Alcoholic Beverage Consumer Trends in Australia.

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Pacific

Foster’s owns and operates breweries and distilleries in Fiji and Samoa and has distribution agreements with various distributors in other parts of the Pacific. Foster’s is the largest brewer in Fiji.

In 2009, Foster’s purchased an additional 29% interest in Foster’s Group Pacific Limited (“FGPL”), increasing Foster’s ownership interest in FGPL to 89.5%. FGPL owns and operates breweries and distilleries in Fiji, producing and distributing various brands including Fiji Bitter, Fiji Gold and Vailima.

Foster’s has a 80.4% interest in a beer production and sales business in Samoa.

4.2.2 Rest of World

The Rest of World business is focussed on the distribution of CUB’s beer brands in over 45 countries across the Americas, Europe, Middle East and Africa, Asia and New Zealand.

Americas

Foster’s North American operations consist of a joint venture owned 49.9% by Foster’s and 50.1% by Miller Coors for the distribution, sales and marketing of beer under the Foster’s brand in the United States. The joint venture licenses the Foster’s brand from Foster’s and sources beer from Miller Coors under a brewing and packaging agreement. Foster’s also has a licence agreement with Molson Coors Brewing Co (“Molson Coors”) in Canada, for the brewing, packaging, marketing, distribution and sale of beer under the Foster’s brand and a licence agreement with Treasury Wine Estates covering the distribution, sales and marketing of VB branded beer.

Foster’s receives earnings from the joint venture (which is equity accounted for accounting purposes) and licence fees under these arrangements.

Foster’s also has distribution agreements with various distributors in Central and South America covering distribution, sales and marketing of Foster’s and other CUB brands with product exported from Australia.

Europe, the Middle East and Africa

In Europe, the Middle East and Africa, Foster’s markets a range of beer products direct to customers and using local distributors. The key markets are the United Kingdom and the Middle East.

Foster’s has direct distribution arrangements with retailers in the United Kingdom for VB and Crown Lager. Foster’s does not own the rights to the Foster’s brand in Europe.

Foster’s is distributed in the Middle East and African markets through partnerships and licensing arrangements. Foster’s also owns 39.95% of African and Eastern Dubai and African & Eastern Oman (together “A&E”) in the Middle East. A&E is a distributor of alcohol and non-alcohol drinks. A&E markets the major international liquor brands (including Foster’s beer) in the Emirate of Dubai and Oman.

Foster’s receives income from the joint venture (which is equity accounted for accounting purposes).



Asia

Foster's has an export business into Asia, which primarily consists of the sale of Foster's Lager. Key export markets include Hong Kong, Japan, Korea, Taiwan, Bangladesh, Malaysia, Singapore and Thailand. In addition, Foster's participates in a joint venture licensing arrangement with Asia Pacific Breweries Limited ("Asia Pacific Breweries") in Vietnam.

New Zealand

Foster's distributes a range of beer, cider and spirits products in New Zealand under a distribution agreement with Treasury Wine Estates. The market is extremely competitive across all segments and there has been an ongoing focus on building profitability through premium products within the portfolio.

4.3 Business Strategy

Following the operational separation of the beer and wine businesses in Australia including the appointment of a new management team, Foster's commenced the process of improving the performance of the business during the 2011 financial year. The first phase of the process involved the identification and implementation of six key imperatives focussed on stabilising the business (the "Urgent Agenda"). Urgent Agenda initiatives are now substantially complete, with CUB's fundamental business challenges having been addressed.

Foster's "Full Potential" strategy was developed in the 2011 financial year and is the second phase of Foster's business turnaround. The Full Potential strategy builds upon the foundations established under the Urgent Agenda initiatives achieved in the 2011 financial year. However, the Full Potential strategy shifts the focus from addressing legacy business issues to exploring growth opportunities.

The Full Potential strategy of Foster's is based on five strategic imperatives, with the objective of returning the business to its "full potential" to achieve strong sustainable growth and returns over the next two to three years. The five strategic imperatives as stated by Foster's are:

- *"bring the core business to full potential first;*
- *target cost leadership;*
- *drive consumer-led growth;*
- *out-invest and out-execute the competition; and*
- *lead industry evolution and aggressively defend the core."*

CUB's historical revenue growth was achieved through a combination of price increases and mix driven by premiumisation. While this delivered significant growth in earnings over time, the reliance on price increases has resulted in beer prices increasing at a faster rate than prices in other alcohol beverages categories, particularly wine. Combined with the differential tax regimes across the alcohol beverages market, this encouraged consumers to switch out of beer. It has also contributed to an increase in parallel imports, as price increases have resulted in CUB's premium international beer prices being higher than prices offered by parallel imports (which have benefited from the strong Australian dollar).

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Foster’s intends to focus on achieving revenue growth through a balance of volume growth, mix improvements and modest price increases.

One of the key imperatives of the Full Potential Strategy is to “target cost leadership” by leveraging Foster’s scale and experience to reduce costs materially below those of its competitors. Foster’s has commenced a cost reduction program that will begin to generate benefits in the 2012 financial year. Part of the benefit of the cost reduction program will be used to increase reinvestment in the Foster’s brands with the balance expected to flow to earnings.

The first phase of the cost reduction program focuses on overheads and cost of goods sold and is expected to generate approximately \$55 million of annual benefits by the end of the 2013 financial year. The initiatives include the elimination of approximately 145 roles spread across Foster’s head office and production sites. Foster’s incurred one-off costs of \$35 million before tax, primarily relating to redundancies and restructuring in the 2011 financial year. Approximately \$45 million of benefits are expected to be generated in the 2012 financial year and the remainder in the 2013 financial year. These initiatives are largely complete.

The second phase of the cost reduction program is expected to be implemented in the 2012 and 2013 financial years, with a continued focus on overheads and cost of goods sold. The benefits from this second phase are expected to be delivered from the 2013 financial year onwards.

In addition, Foster’s has commenced a review of its supply network, including all Australian production and logistics sites and key supplier arrangements. The objective of the review is to identify the optimal supply network for CUB having regard to volume and product mix requirements, the need for increased packaging flexibility and the forecast growth of the craft beer and cider categories. The review is expected to be completed within the next six months.

4.4 Financial Performance

The historical financial performance of Foster’s for the two years ended 30 June 2011 is presented below:

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Foster's - Financial Performance (\$ million)		
	Year ended 30 June	
	2010 actual	2011 actual
Volume (9 litre equivalents)		
CUB ¹⁷	106.6	101.0
Rest of World	7.2	6.9
Total volume	113.8	107.9
Net Sales Revenue		
CUB ¹⁷	2,337.1	2,228.8
Rest of World	58.3	46.0
Net sales revenue (continuing business)	2,395.4	2,274.8
EBITDA (continuing business)¹⁸	950.6	869.6
Depreciation and amortisation (continuing business)	(63.2)	(52.9)
EBIT¹⁹		
CUB ¹⁷	904.1	847.8
Rest of World	18.0	18.0
Corporate	(34.7)	(49.1)
EBIT (continuing business)¹⁹	887.4²⁰	816.7²¹
Net interest expense	(118.8)	(119.8)
Operating profit before tax²²	768.6	696.9
Income tax expense ²²	(226.3)	(201.6)
Operating profit after tax²²	542.3	495.3
Outside equity interests	(0.4)	(0.4)
Discontinued operations (net of tax)	156.4	99.3
Material items (continuing operations) (net of tax)	10.7	551.6
Material items (discontinued operations) (net of tax)	(1,173.4)	(1,234.8)
Profit after tax attributable to Foster's shareholders	(464.4)	(89.0)
Statistics		
<i>Basic earnings per share (cents)²³</i>	28.10	25.60
<i>Dividends per share (cents)²⁴</i>	27.25	25.25
<i>Dividend payout ratio (%)²⁵</i>	75.3%	83.0%
<i>Amount of dividend franked (%)²⁶</i>	100%	47.5%
<i>Net sales revenue growth (%)</i>	2.1%	(5.0%)
<i>EBITDA growth (%)</i>	1.6%	(8.5%)
<i>EBIT growth (%)</i>	3.1%	(8.0%)
<i>EBITDA margin (%)</i>	39.7%	38.2%
<i>EBIT margin (%)</i>	37.0%	35.9%
<i>Interest cover (x)²⁷</i>	7.5x	6.8x

Source: Foster's Full Year Results Presentation 23 August 2011, Foster's 2011 Annual Report, Grant Samuel analysis

¹⁷ Includes Pacific operations.

¹⁸ EBITDA is earnings before net interest, tax, depreciation and amortisation, investment income and material items.

¹⁹ EBIT is earnings before net interest, tax, investment income and material items.

²⁰ Pro forma EBIT for the year ended 30 June 2010 is \$884.5 million. Net pro forma adjustments of (\$2.9) million relate to an adjustment to the Treasury Wine Estates' logistics recharge, New Zealand beer profit share agreement and a restatement of corporate costs.

²¹ Pro forma EBIT for the year ended 30 June 2011 is \$818.5 million. Net pro forma adjustments of \$1.8 million relate to an adjustment to the Treasury Wine Estates' logistics recharge, New Zealand beer profit share agreement and a restatement of corporate costs.

²² Excluding material items and discontinued operations.

²³ Earnings per share calculation is based on continuing operations before material items.

²⁴ Dividend for the 2010 financial year represents a 12.0 cent per share ordinary dividend plus a 15.25 cent per share special dividend announced on 26 October 2010, following shareholder approval of amendments to the company's constitution.

²⁵ Dividend payout ratio calculation is based on net profit after discontinued operations before material items.

²⁶ Foster's final dividend of 13.25 cents per share is unfranked.

²⁷ Interest cover is EBIT divided by net interest.

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Until the end of the first half of the 2010 financial year, CUB had consistently improved performance driven by favourable price and mix trends, as well as growth in the premium international category.

The key adverse influence on Foster’s financial performance in the 2011 financial year was the 6% decline in the Australian beer category volume²⁸. The decline was largely attributable to a combination of declining consumer confidence (higher savings rates influenced by increasing interest rates and global economic uncertainty, amongst other factors) and unusual weather conditions (low temperatures, above average rainfall and the impact of the Queensland and Victorian floods). CUB’s Australian beer volume declined 5.6% in the 2011 financial year (CUB’s total volumes declined 5.3%, driving a decline in EBIT margin).

Notwithstanding the decline in beer category volumes, CUB believes that it stabilised its market share (draught beer and packaged (off-premise) beer volumes) in the 2011 financial year, reversing a long term trend. The 2011 financial year was also characterised by high levels of promotional discounting and the negative impact on CUB’s imported international beer business of a strong Australian dollar increasing competition in parallel imports. CUB achieved price increases on domestic beer, which were partly offset by price deflation on international brands. CUB’s costs were tightly controlled during the 2011 financial year. However, there was a 4.1% increase in investment in advertising and promotion compared to the prior year.

The key contributor to the earnings of the Rest of World business is the equity accounted profits from Foster’s interest in the A&E joint venture. A&E continues to benefit from an improved consumer environment in the Middle East and the expansion of A&E’s retail network, despite regional instability and regulatory changes. Volume declines in Asia and New Zealand partly offset the strong performance in the Middle East.

Discontinued operations represent earnings relating to the demerged wine business, Treasury Wine Estates.

Material items affecting the continuing operations of Foster’s are summarised below:

Foster’s – Material Items relating to Continuing Operations (\$ million)	
	2011 actual
<i>Ashwick tax litigation settlement</i>	
Interest income	136.1
Total Ashwick tax litigation settlement	136.1
<i>CUB restructuring</i>	
Redundancy costs	(18.2)
Asset write downs	(17.9)
Restructuring provisions	(6.7)
Other expenses	(15.4)
Total CUB restructuring	(58.2)
Total material items before tax	77.9
Tax benefit ²⁹	473.7
Total material items after tax	551.6

Source: Foster’s, Grant Samuel analysis

²⁸ Source: AC Nielsen, draught beer and packaged (off-premise) beer volume.

²⁹ The tax benefit recorded as a material item primarily comprises the Ashwick tax litigation settlement, with the remainder relating to tax benefits associated with CUB restructuring.

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The major material items relating to continuing operations arose from Foster's success in the Ashwick litigation ("Ashwick"). The disputed assessments related to the utilisation of tax losses associated with the funding of Elders Finance Group in the 1980s and 1990s. The assessment notice from the ATO was for tax of \$548.7 million and penalties and interest of \$302.0 million. Foster's disputed these assessments. On 26 November 2009, Foster's successfully appealed the income tax assessments. The ATO appealed the decision to the Full Federal Court. The appeal was heard on 16 and 17 August 2010, with judgement delivered in favour of Foster's on 8 April 2011. On 9 May 2011, Foster's was notified that the Australian Commissioner of Taxation (the "Commissioner") would not seek special leave to appeal to the High Court. Accordingly, this matter is now concluded in favour of Foster's. Part payment in relation to the dispute had been made to the Commissioner pending resolution of the litigation. Foster's is entitled to receive cash from the ATO of \$392.7 million, including \$136.0 million of interest. As at 30 June 2011, approximately \$211.0 million had been received. In addition, Foster's has tax losses totalling \$1,491.6 million to reduce tax payable in future. A deferred tax asset of \$447.5 million has been recorded as a material item in the 2011 financial year (i.e. the majority of the tax benefit in the above table).

Other material items relating to continuing operations include costs relating to the cost reduction program and other CUB restructuring costs.

Material items relating to discontinued operations represent the accounting adjustments to reflect the financial result of the demerger of Treasury Wine Estates.

Outlook

Foster's has not publicly released earnings forecasts for the year ending 30 June 2012 or beyond.

However, Foster's has provided some general guidance about its expectations of the underlying market trends over the short to medium term. Foster's has indicated that the key variable affecting the earnings for the year ending 30 June 2012 is an improvement in the level of consumer confidence and the rate of recovery of the Australian beer category.

Foster's expects that the rates of decline in the Australian beer category will moderate in the first half of the 2012 financial year and that, once through the current period of economic uncertainty, the Australian beer category will return to modest growth. Craft beer and premium international beer will continue to be the fastest growing segments of the beer category. The cider category is expected to continue to grow strongly.

Foster's expects its growth to be underpinned by volume growth, modest price growth and mix improvements. Accordingly, Foster's expects that it will achieve modest, but sustainable, price increases, although this is dependent on the retail and competitive environment.

Foster's also intends to pursue aggressive cost management (both overheads and cost of goods sold). However, it expects to increase its investment in advertising and promotion. Foster's expects to realise a \$45 million cost benefit in the 2012 financial year through the cost reduction program, which will underpin both an increase in earnings and an increase in investment in advertising and promotion. Mix adjusted unit cost of goods sold is expected to increase between 1% and 2% with increases in malt, utilities and wages costs partially offset by the benefits of the cost reduction program.

Appendix 1 – Independent Expert’s Report

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In order to provide an indication of the expected future earnings performance of Foster’s, Grant Samuel has considered brokers’ forecasts for Foster’s (see Appendix 1) as follows:

Foster’s – Earnings (\$ million)			
	Year end 30 June		
	2011 actual	Broker Consensus (Median)	
		2012	2013
EBITDA	870	920	981
EBIT	817	867	924
Operating profit after tax ³⁰	495	517	543

Source: Grant Samuel analysis (see Appendix 1).

4.5 Financial Position

The financial position of Foster’s as at 30 June 2011 is summarised below:

Foster’s - Financial Position (\$ million)	
	As at 30 June 2011 actual
Debtors and prepayments	546.4
Inventories	157.8
Creditors, accruals and employee provisions	(510.5)
Net working capital	193.7
Property, plant and equipment (net)	683.5
Intangible assets	806.9
Investments accounted for using the equity method	62.9
Derivative financial instruments (net)	(0.6)
Inventories (non-current)	9.8
Deferred tax assets (net)	275.9
Other provisions	(71.2)
Other (net)	(47.8)
Total funds employed	1,913.1
Cash and deposits	58.3
Bank loans, other loans and finance leases	(1,675.8)
Fair value of fixed rate debt hedges	104.0
Net borrowings	(1,513.5)
Net assets	399.6
Outside equity interests	(12.2)
Equity attributable to Foster’s shareholders	387.4
<i>Statistics</i>	
<i>Fully paid ordinary shares on issue at period end (million)</i>	<i>1,940.9</i>
<i>Net assets per share</i>	<i>0.21</i>
<i>NTA³¹ per share</i>	<i>(0.21)</i>
<i>Gearing³²</i>	<i>79.1%</i>

Source: Foster’s, Grant Samuel analysis

³⁰ Profit after tax from continuing operations, before material items.

³¹ NTA is net tangible assets, which is calculated as net assets less intangible assets.

³² Gearing is net borrowings divided by net assets plus net borrowings.

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The following should be noted in relation to Foster's financial position as at 30 June 2011:

- the intangible assets balance primarily represents brand names, licences and goodwill relating to both the CUB and Rest of World businesses;
- Foster's investments accounted for using the equity method include Foster's 49.9% interest in the joint venture with Miller Coors in the United States and Molson Coors in Canada and its 39.9% interest in the A&E joint venture in the Middle East;
- debtors includes a \$181.7 million receivable from the ATO comprising a refund of tax paid and interest on overpayments in relation to the successful resolution of the Ashwick litigation. A deferred tax asset of \$447.5 million has also been recorded in the balance sheet and is included in deferred tax assets (net);
- debtors also include an additional \$33.3 million in relation to a disputed tax assessment relating to a capital loss in the 2004 financial year. Foster's has paid \$33.3 million in respect of the assessments to the ATO and this amount is fully refundable in the event the matter is resolved in Foster's favour. A deferred tax asset of \$18.1 million has been recorded in the balance sheet in relation to this matter;
- other provisions includes onerous contract provisions and restructuring provisions. Onerous contract provisions relate to surplus facility leases following production site closures or restructuring. Restructuring provisions primarily relate to obligations arising from the demerger of Treasury Wine Estates in May 2011 and Foster's restructuring;
- Foster's net debt position as at 30 June 2011 was \$1,513.5 million:

Foster's – Net Debt (\$ million)	
	As at 30 June 2011
United States Bonds	1,496.7
Syndicated US\$300m 2012	100.0
Other borrowings	2.3
Gross borrowings	1,599.0
Debt issuance costs	(18.2)
Fair value adjustments to fixed debt	95.0
Borrowings as per balance sheet	1,675.8
Cash	(58.3)
Fair value of fixed rate debt hedges	(104.0)
Net debt	1,513.5

Source: Foster's

- Foster's converted its exposure on US\$1.6 billion of US\$144A notes into Australian dollars in early May 2011 via a series of cross currency swaps at an average exchange rate of US\$1.08 = A\$1.00. As a result, all of Foster's gross debt is effectively in Australian dollars and was at floating interest rates as at 30 June 2011;
- Foster's debt includes United States dollar denominated bonds (US\$144A notes), which were issued as part of the Southcorp acquisition:

Foster's – United States Bonds at 30 June 2011		
Series	Maturity Date	US\$ million
US\$300.0 million at 4.875%	2014	300.0
US\$700.0 million at 5.125%	2015	700.0
US\$300.0 million at 7.875%	2016	300.0
US\$300.0 million at 5.875%	2035	300.0
Total		1,600.0

Source: Foster's

Appendix 1 – Independent Expert’s Report

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- Foster’s seeks to mitigate risk from adverse movements in commodity prices (e.g. aluminium) through the use of short to medium term derivative instruments. As at 30 June 2011, Foster’s hedge book had a mark-to-market pre-tax liability value of \$0.6 million; and
- as at 30 June 2011, Foster’s had \$175.3 million of off-balance sheet operating leases which predominantly relate to CUB premises leases.

The statement of financial position as at 30 June 2011 does not reflect the final dividend of 13.25 cents per share announced on 23 August 2011 and paid on 3 October 2011.

4.6 Cash Flow

Foster’s cash flow for the two years ended 30 June 2011 is summarised below:

Foster’s - Cash Flow (\$ million)		
	Year ended 30 June	
	2010 actual	2011 actual
EBITDA (continuing operations)	950.6	869.6
Changes in working capital	5.5	13.8
Other items	(7.9)	(10.7)
Operating cash flow before interest and tax (continuing business)	948.2	872.7
Net interest paid (continuing business)	(111.0)	(96.6)
Tax paid (continuing business)	(266.8)	(302.6)
Net operating cash flows (continuing business)	570.4	473.5
Net capital expenditure (continuing business)	(80.4)	(105.9)
Cash flow before dividends	490.0	367.6
Net operating cash flows (continuing business)	570.4	473.5
Continuing business material items operating cash flow	(30.5)	67.7
Continuing business net operating cash flow	539.9	541.2
Discontinued operating cash flow before material items	422.7	223.2
Discontinued business material items operating cash flow	(27.9)	(14.9)
Net cash flow from operating activities	934.7	749.5

Source: Foster’s, Grant Samuel analysis

Foster’s generates strong cash flows. Key cash flow items over the past two years include:

- major capital expenditure in the 2010 financial year included continued costs associated with Foster’s global information technology project; and
- the major capital expenditure project during the 2011 financial year was Foster’s global information technology transformation project. Other capital expenditure included upgrades and maintenance at the Yatala, Abbotsford and Cascade breweries. Material cash flow items in the 2011 financial year included \$67.7 million Ashwick litigation receipts offset by payments associated with one-off demerger costs.

The directors of Foster’s have also announced that capital management options to return at least \$500 million will be pursued in the 2012 financial year. Options include a capital reduction (which involves seeking a tax ruling from the ATO and shareholder approval) and an on-market share buy-back.



4.7 Taxation Position

Under the Australian tax consolidation regime, Foster's and its wholly-owned Australian resident entities have elected to be taxed as a single entity.

Foster's has substantial tax losses totalling \$1,491.6 million that are available (subject to certain contingencies) following its success in the Ashwick litigation. A deferred tax asset of \$447.5 million has been booked as a material item as at 30 June 2011.

Foster's is also involved in an additional tax dispute with the ATO relating to a capital loss. Foster's has made a payment of \$33.3 million pending resolution of the dispute.

At 30 June 2011, Foster's had no accumulated franking credits.

4.8 Capital Structure and Ownership

4.8.1 Capital Structure

As at 21 October 2011, Foster's had the following securities on issue:

- 1,941,514,539 ordinary shares;
- 786,510 partly paid ordinary shares; and
- 1,735,799 Foster's Performance Rights.

As at 21 October 2011, 0.6% of the ordinary shares of Foster's are comprised of American Depository Shares.

The partly paid shares were issued under the 1987 Employee Share Plan. They have been paid up to 1.67 cents. The terms of the partly paid shares are summarised below:

Foster's – Partly Paid Shares	
Shares	Issue Price Per Share
300	\$5.83
4,800	\$7.38
27,270	\$7.97
600,000	\$9.40
62,490	\$8.30
32,700	\$7.70
25,290	\$7.63
31,800	\$7.33
450	\$5.00
810	\$4.42
600	\$4.32
786,510	

Source: Foster's

FBG Incentive Pty Ltd holds 123,030 of the above shares as trustee for 235 participants in the 1987 Foster's Employee Share Plan.

Under Foster's Long Term Incentive Plan, eligible executives are granted performance rights to acquire Foster's shares subject to satisfying certain performance conditions. Upon vesting, each performance right entitles the holder to acquire one share. Performance rights are subject to two equally weighted independent performance measures: Total Shareholder

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Return and EBIT. An eligible executive’s long term incentive opportunity is set as a percentage of their fixed remuneration.

4.8.2 Ownership

At 21 October 2011, there were 109,264 registered shareholders in Foster’s. The top twenty registered shareholders accounted for approximately 80% of the ordinary shares on issue.

The top twenty registered shareholders are principally institutional nominee or custodian companies. Foster’s has a significant retail investor base with a majority of registered shareholders classified as retail, although this represents approximately 25% of shares on issue. Foster’s registered shareholders are predominantly Australian based investors (over 95% of registered shareholders and 99% of securities on issue). Foster’s has received notices from the following substantial shareholders:

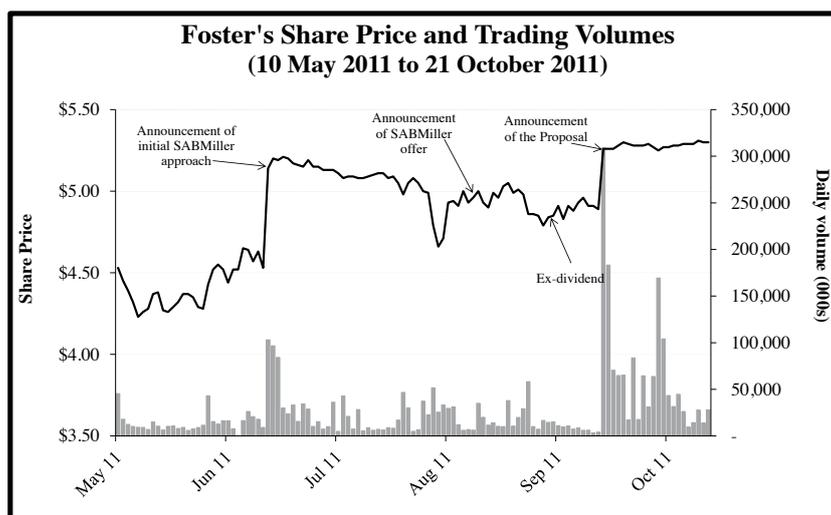
Foster’s – Substantial Shareholders as at 21 October 2011		
Shareholder	Number of Shares	Percentage
Credit Suisse Holdings (Australia) Limited	164,560,397	8.48%
Deutsche Bank AG	137,246,402	7.07%
National Australia Bank Limited	116,291,597	5.99%
Norges Bank Investment Management	103,230,158	5.32%
UBS AG	97,622,093	5.03%

Source: Foster’s

4.9 Share Price Performance

4.9.1 Share Price History

The following graph illustrates the movement in the Foster’s share price and trading volumes since the demerger became effective on 10 May 2011:



Source: IRESS

On 10 May 2011, the first day of trading following the demerger of Treasury Wine Estates, Foster’s shares opened at \$4.55, rose to an intraday high of \$4.61 before closing at \$4.53. Foster’s shares traded between \$4.23 and \$4.68 until 20 June 2011.

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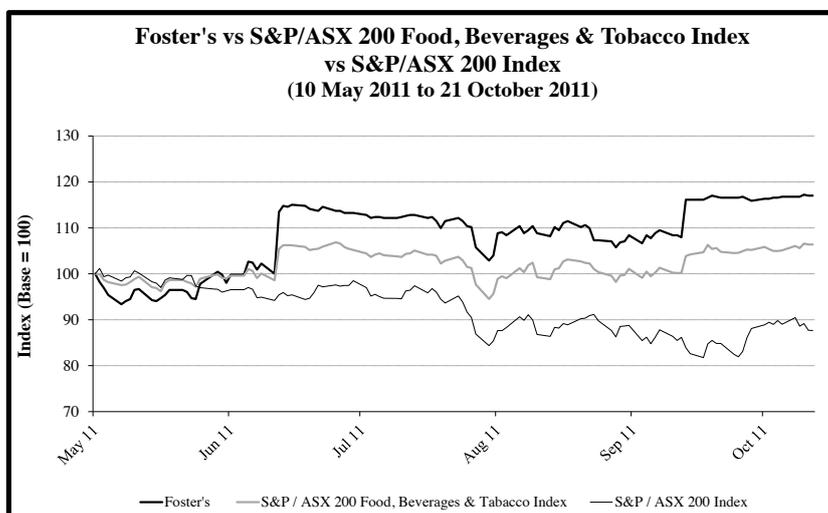
On 20 June 2011, SABMiller made a conditional proposal to Foster's to acquire all of the ordinary shares in Foster's by way of a scheme of arrangement at \$4.90 per share in cash. On 21 June 2011, Foster's announced that it had rejected SABMiller's proposal. Foster's shares rose to close at \$5.14 on 21 June 2011. Following the rejection of the proposal, Foster's shares traded between \$4.51 and \$5.23 until 16 August 2011.

Upon the announcement by SABMiller on 17 August 2011 of its intentions to make a takeover offer for Foster's, the Foster's share price increased to an intraday high of \$4.99 and closed at \$4.96. On 18 August 2011, the directors of Foster's announced that they intended to unanimously recommend that Foster's shareholders reject the Proposal. Foster's shares closed at \$5.00 on 18 August 2011.

On 21 September 2011, Foster's announced that it had entered into a Scheme Implementation Deed with SABMiller and that the Foster's board unanimously recommended that Foster's shareholders vote in favour of the Proposal (in the absence of a superior proposal and subject to an independent expert concluding that the Proposal is in the best interests of Foster's shareholders). From then until 21 October 2011, Foster's shares have traded in the range \$5.24-5.32, at a volume weighted average price ("VWAP") of \$5.27. On 21 October 2011, Foster's shares closed at \$5.30.

4.9.2 Relative Performance

Foster's is a member of various indices including the S&P/ASX 200 Food, Beverages & Tobacco Index and the S&P/ASX 200 Index. At 21 October 2011, its weighting in these indices was approximately 42.1% and 0.96% respectively. The following graph illustrates the performance of Foster's shares since 10 May 2011 relative to the S&P/ASX 200 Food, Beverages & Tobacco Index and the S&P/ASX 200 Index:



Source: IRESS

Foster's generally tracks the S&P/ASX Food, Beverage & Tobacco Index reflecting Foster's significant weighting in the index. Foster's (and consequently the S&P/ASX Food, Beverage & Tobacco Index) outperformed the S&P/ASX 200 Index since SABMiller's announcement of its initial proposal on 21 June 2011.

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5 Valuation of Foster’s

5.1 Summary

Foster’s equity has been valued in the range \$10,028-11,060 million, which corresponds to a value of \$5.17-5.70 per share. The valuation represents the estimated full underlying value of Foster’s assuming 100% of the company was available to be acquired and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Foster’s shares to trade on the ASX in the absence of a takeover offer.

The value for Foster’s is the aggregate of the estimated market value of its operating business and non-trading assets less external borrowings and non-trading liabilities. The valuation is summarised below:

Foster’s - Valuation Summary (\$ million)			
	Report Section Reference	Value Range	
		Low	High
Foster’s operating business	5.3	11,700	12,700
Other assets and liabilities	5.5	(65)	(33)
Net borrowings at 30 June 2011 (adjusted)	5.6	(1,607)	(1,607)
Value of equity		10,028	11,060
Fully diluted shares on issue (million)		1,941.5	1,941.5
Value per share		\$5.17	\$5.70

The value attributed to the operating business is an overall judgement having regard to a number of valuation methodologies and parameters, including capitalisation of earnings (multiples of EBITDA and EBIT) and discounted cash flow (“DCF”) analysis. The valuation is consistent with the market evidence in terms of multiples implied by the acquisitions of domestic and international brewing companies and the share prices of listed domestic and international brewing companies.

The valuation reflects the particular attributes of Foster’s business. In particular, it takes into account the following positive characteristics of Foster’s:

- Foster’s position as Australia’s only large ASX-listed pure play beer and cider company, following the demerger of Treasury Wine Estates in May 2011;
- Foster’s market share leadership in what is essentially a duopoly in the Australian beer market. (Foster’s and Lion have a joint market share of more than 90% of the market by volume, with only a limited number of much smaller competitors);
- Foster’s strong portfolio of owned and licensed brands, particularly in the beer and cider categories, but also in spirits and RTDs. However, whilst beer brands have historically enjoyed strong customer loyalty, more recently brand loyalty appears to have weakened and customers are seeking a range of beer brands and innovation;
- the consistent generation of significant free cash flows by Foster’s. Foster’s achieved cash conversion of 100.4% of EBITDA in the 2011 financial year;
- the continuation of the “premiumisation” trend in the beer market. Growth in the higher priced premium international, premium domestic, new style regular and craft beer categories is expected to exceed growth in the traditional regular and light beer segments. Foster’s expects to benefit from a continued shift in mix to higher margin premium and craft products and new product development, although existing and new competitors are likely to also compete strongly in this space;
- the expectation of a significant reduction in Foster’s costs through initiatives resulting from the cost reduction program;

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- the potential benefits from supply asset initiatives to improve flexibility and create operating efficiencies. On the other hand, there are substantial costs and risks associated with these proposals;
- the benefit of \$1,491.6 million of tax losses (equating to a deferred tax asset of \$447.5 million) available to Foster's to reduce tax payable in the 2012 financial year and subsequent years; and
- the strategic appeal of Foster's in a global beer industry in which there are relatively few opportunities to acquire a brewing business of the size and market position of Foster's. There has been considerable consolidation in the global beer industry in recent years and this process is expected to continue in the medium term as participants vie for scale and key brands. Foster's represents the only opportunity to acquire a pure play beer and cider company of significant size in Australia.

On the other hand, the valuation also has regard to the following:

- the risk that Foster's will not be able to maintain its current market share. Foster's market share has declined significantly over the past decade. Foster's believes that its market share stabilised in the 2011 financial year through increasing on-premise volumes, although off-premise volume share continued to decline, albeit at a slower rate. It is possible that Foster's will not be able to stem this decline through increased advertising, promotion and innovation;
- the mature nature of the Australian beer market, which is characterised by a long-term decline in beer consumption per capita. Whilst Foster's is confident that population growth will support a recovery of the beer category from its 6%³³ volume decline in the 2011 financial year, the extent and timing of the recovery is uncertain. Future growth in Australian beer volumes is expected to be limited;
- increasing competition in the Australian beer market. Notwithstanding Foster's strong market position, a number of new players have entered the market (e.g. Pacific Beverages, private labels and parallel imports (largely the result of current exchange rates)). This trend is being evidenced primarily in the premium market in relation to premium international and craft beers, but also in the traditional regular beer segment;
- the growing strength of liquor retailers and high levels of retailer-driven promotional activity, which is likely to put pressure on industry margins and Foster's profitability. In addition, Foster's is reliant on a small number of major customers for a significant portion of its revenues; and
- the risk for any potential acquirer of Foster's that the business (post acquisition) would lose contracts for key brands that Foster's does not own and that are subject to change of control provisions. Foster's generates significant earnings from a number of imported brands, including Corona Extra. Foster's has recently negotiated an extension to the Corona Extra contract.

The valuation includes a premium for control. The premia implied by the valuation range relative to the share price prevailing prior to the announcement of the initial proposal from SABMiller on 21 June 2011 are in the range of 17.0-28.7%. Takeover premia are typically in the range 20-35% depending on the individual circumstances. Synergies available to acquirers such as cost savings through merging operations are normally a significant factor in supporting acquirers' ability to pay a meaningful premium over market prices. In the case of SABMiller (and other potential foreign acquirers of Foster's) the synergies available are likely to be relatively modest. The premia implied by Grant Samuel's valuation of Foster's are at the low end of the level typically observed in takeovers. However, judgements regarding the premia in this case are not straightforward, as it is arguable that the pre-announcement Foster's share price already reflected some speculation as to a potential control transaction for Foster's. Moreover, since the announcement of the SABMiller approach on 21 June 2011, the Australian sharemarket has fallen by approximately 7%. In the

³³ Source: AC Nielsen, draught beer and packaged beer (off-premise) volume.

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context of these factors, the premia implied by Grant Samuel’s valuation of Foster’s is consistent with typical levels of takeover premia.

5.2 Methodology

5.2.1 Overview

Grant Samuel’s valuation of Foster’s has been estimated by aggregating the estimated market value of its operating business together with the realisable value of non-trading assets and deducting external borrowings and non-trading liabilities as at 30 June 2011. The value of the operating business has been estimated on the basis of fair market value as a going concern, defined as the maximum price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information.

The valuation of Foster’s is appropriate for the acquisition of the company as a whole and, accordingly, incorporates a premium for control. The value is in excess of the level at which, under current market conditions, shares in Foster’s could be expected to trade on the sharemarket. Shares in a listed company normally trade at a discount of 15-25% to the underlying value of the company as a whole (but this discount does not always apply).

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm’s length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies that are commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved.

Nevertheless, valuations are generally based on either or both DCF or multiples of earnings and Grant Samuel has had regard to both methodologies in the valuation of Foster’s. The value ranges selected for Foster’s are judgements derived through an iterative process. The objective is to determine a value that is both consistent with the market evidence as to multiples and fits with the output of the DCF analysis in terms of the various scenarios and their likelihood.

5.2.2 Capitalisation of Earnings or Cash Flows

Capitalisation of earnings or cash flows is the most commonly used method for valuation of industrial businesses. This methodology is most appropriate for industrial businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual capital expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBIT or net profit after tax. These are referred to respectively as EBITDA multiples, EBIT multiples and price earnings multiples. Price earnings multiples are commonly used in the context of the sharemarket.



EBITDA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer but are also used extensively in sharemarket analysis.

Where an ongoing business with relatively stable and predictable cash flows is being valued, Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point.

Application of this valuation methodology involves:

- estimation of earnings or cash flow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

The choice between parameters is usually not critical and should give a similar result. All are commonly used in the valuation of industrial businesses. EBITDA can be preferable to EBIT if depreciation or non-cash charges distort earnings or make comparisons between companies difficult. On the other hand, EBIT can better adjust for differences in relative capital expenditure intensity.

Determination of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers it is necessary to infer the appropriate multiple from other evidence.

The primary approach used by valuers is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. However, each transaction will be the product of a unique combination of factors, including:

- economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
- strategic attractiveness of the business - its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
- rationalisation or synergy benefits available to the acquirer;
- the structural and regulatory framework;
- investment and sharemarket conditions at the time; and
- the number of competing buyers for a business.

A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. This range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings.

An alternative approach in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the sharemarket. This gives an indication of the price levels at which portfolio investors are prepared to invest in these

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businesses. Share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor. To convert sharemarket data to meaningful information on the valuation of companies as a whole, it is market practice to add a “premium for control” to allow for the premium which is normally paid to obtain control through a takeover offer. This premium is typically in the range 20-35%.

The premium for control paid in takeovers is observable but caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. The premium for control is an outcome of the valuation process, not a determinant of value. Premia are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premia may be minimal or even zero. It is inappropriate to apply an average premium of 20-35% without having regard to the circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through an initial public offering.

Acquisitions of listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall sharemarket levels and ratings between countries, economic factors (economic growth, inflation, interest rates) and market structures and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or sharemarket levels.

The analysis of comparable transactions and sharemarket prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

In determining a value for the Foster’s operating business, Grant Samuel has placed particular reliance on the EBITDA and EBIT multiples implied by the valuation range compared to the EBITDA and EBIT multiples derived from an analysis of comparable listed companies and transactions involving comparable businesses.

5.2.3 Discounted Cash Flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries and for the valuation of start-up projects where earnings during the first few years can be negative but it is also widely used in the valuation of established industrial businesses. DCF valuations involve calculating the net present value of projected cash flows. This methodology is able to explicitly capture depleting resources, development projects and fixed terms contracts, the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate which reflects the risk associated with the cash flow stream.

Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate necessarily involve a substantial element of judgement. In addition, even where cash flow forecasts are available, the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a “de facto” cash flow capitalisation valuation). The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are



often not meaningful or reliable. Notwithstanding these limitations, DCF valuations are commonly used and can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions as to expected future performance need to be made.

A financial model of the Foster's operating business has been developed by Grant Samuel with reference to the 2012 Budget and long term Forecasts developed by Foster's. The model is based on a large number of assumptions and is subject to significant uncertainty and contingencies, many of which are outside the control of Foster's. A number of different scenarios have been developed and analysed to reflect the impact on value of various key assumptions relating to sales volumes, pricing, costs, capital expenditure and synergies. The model is discussed in more detail in section 1.3.4 of this report.

5.2.4 Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used as a "cross check" of the result determined by a capitalised earnings valuation or by discounting cash flows. While they are only used as a cross check in most cases, industry rules of thumb can be the primary basis on which buyers determine prices in some industries. Grant Samuel is not aware of any commonly used rules of thumb that would be appropriate to value the business of Foster's. In any event, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.

5.2.5 Net Assets/Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading. Such an approach is not appropriate in Foster's case.

5.3 Value of Foster's Business

5.3.1 Overview

Grant Samuel has estimated that the value of Foster's business operations is in the range \$11,700-12,700 million. This valuation is an overall judgement having regard to both DCF analysis and earnings multiple analysis. The value range selected is a judgement derived through an iterative process. The objective of the valuation process is to determine a value that is both consistent with the market evidence as to multiples and fits with the output of DCF analysis in terms of the various scenarios and their likelihood.

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5.3.2 Earnings Multiple Analysis

Summary of Implied Multiples

The valuation of the Foster’s operating business in the range of \$11,700-12,700 million implies the following multiples of EBITDA and EBIT:

Foster’s – Implied Valuation Parameters			
	Variable (\$ million)	Low	High
Multiple of EBITDA			
Year ended 30 June 2010	950.6	12.3	13.4
Year ended 30 June 2011	869.6	13.5	14.6
Year ended 30 June 2011 (pro forma ³⁴)	871.4	13.4	14.6
Year ending 30 June 2012 (brokers’ consensus forecasts)	920.0	12.7	13.8
Multiple of EBIT			
Year ended 30 June 2010	887.4	13.2	14.3
Year ended 30 June 2011	816.7	14.3	15.6
Year ended 30 June 2011 (pro forma ³⁴)	818.5	14.3	15.5
Year ending 30 June 2012 (brokers’ consensus forecasts)	867.0	13.5	14.6

The directors of Foster’s have decided not to include the 2012 Budget in the Booklet and therefore this information has not been disclosed in this report. As a consequence, to provide an indication of the expected future earnings performance of Foster’s, Grant Samuel has considered brokers’ forecasts for Foster’s (see Appendix 1). The brokers’ consensus forecasts for 2012 are sufficiently close to the 2012 Budget to be useful for the purpose of multiples analysis (notwithstanding that recent trading conditions remain challenging which could impact the achievement of the 2012 Budget).

Transaction Evidence

The following table sets out the EBITDA and EBIT multiples implied by selected transactions involving the acquisition of brewing companies both in Australia and internationally since 2002 for which earnings and pricing information were publicly disclosed:

³⁴ Adjusted to reflect the full year impact of the demerger of Treasury Wine Estates.

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Recent Transaction Evidence – Brewing Companies								
Date	Target	Transaction	Equity Consideration ³⁵ (\$ million)	EBITDA Multiple ³⁶ (times)		EBIT Multiple ³⁷ (times)		
				Historical ³⁸	Forecast	Historical ³⁸	Forecast	
Aug 11	Independent Liquor	Acquisition by Asahi	NZ\$1,525	14.2	12.4	18.5	13.6	
Aug 11	Schincariol Group	Acquisition by Kirin	BRL4,050	15.8	14.1	nm	21.7	
Jan 10	FEMSA Cerveza	Acquisition by Heineken	US\$5,273	11.2	na	17.9	na	
Jan 10	San Miguel Corp	Acquisition by Top Frontier	PHP237,136	7.8	na	11.3	na	
Apr 09	Lion Nathan	Acquisition by Kirin	A\$6,414	13.9	12.7	16.5	15.0	
Mar 09	San Miguel Brewery	Acquisition of 48.304% stake by Kirin	PHP136,244	7.5	na	8.3	na	
Jun 08	Anheuser-Busch	Acquisition by InBev	US\$49,915	13.1	12.6	16.7	16.1	
Apr 08	Beverage division of Eichhof Holding	Acquisition by Heineken	CHF279	12.0	na	na	na	
Nov 07	Koninklijke Grolsch	Acquisition by SABMiller	€817	15.7	14.7	34.6	30.2	
Nov 07	J Boag & Son	Acquisition by Lion	A\$325	18.2	17.4	20.8	19.9	
Oct 07	Scottish & Newcastle	Acquisition By Heineken and Carlsberg	£7,607	15.3	12.8	18.4	16.9	
Apr 06	Quilmes Industrial (Quinsa) Societe Anonyme	Acquisition of 34.46% stake by AmBev	US\$3,627	10.3	na	13.9	na	
Jan 06	Fujian Sedrin Brewery Co	Acquisition by InBev	RMB5,886	13.0	na	na	na	
Jul 05	Bavaria	Acquisition by SABMiller	US\$6,166	10.5	na	na	na	
Jul 04	Molson	Acquisition by Coors	C\$6,165	11.4	10.0	13.0	11.1	
Mar 04	Ambev	Acquisition by Interbrew	US\$17,073	15.7	11.6	20.4	14.2	
Mar 04	Labatt	Transfer from Interbrew to AmBev	US\$5,746	12.9	11.1	18.0	13.2	
Feb 04	Carlsberg	Acquisition by Carlsberg of Orkla's 40% stake	DKK37,250	8.6	na	10.9	na	
Jan 04	Holsten	Acquisition by Carlsberg	€1,063	9.1	7.7	na	na	
Sep 03	Spaten	Acquisition by Interbrew	€533	8.9	na	na	na	
May 03	Birra Peroni	Acquisition of 60% interest by SABMiller	€503	12.6	11.8	20.3	18.3	
May 03	BBAG	Acquisition by Heineken	€1,899	10.0	9.2	22.3	20.0	
Nov 02	Gilde	Acquisition by Interbrew	€475	8.6	na	na	na	
May 02	Miller	Divestment by Phillip Morris to SAB	US\$2,993	8.2	8.0	10.5	9.7	
Feb 02	Hartwall	Acquisition by Scottish & Newcastle	€2,126	9.4	na	12.8	na	

Source: Grant Samuel analysis (see Appendix 2)

³⁵ Implied equity value if 100% of the company or business had been acquired.

³⁶ Represents gross consideration divided by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items.

³⁷ Represents gross consideration divided by EBIT. EBIT is earnings before net interest, tax, amortisation, investment income and significant and non-recurring items.

³⁸ Historical multiples are based on the most recent publicly available full year earnings prior to the transaction announcement date. Forecast multiples are based on company published earnings forecasts or brokers' reports available at transaction announcement date.

Appendix 1 – Independent Expert’s Report

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A more detailed description of these transactions is contained in Appendix 2 to this report. The transactions set out above imply a wide range of multiples. Transaction prices reflect a wide range of factors, including expected synergy benefits, the perceived strategic attractiveness of the target and expected or actual competition for the asset.

There has been significant consolidation in the global brewing industry over the past decade, particularly in the emerging markets of the Middle East and Africa, Asia Pacific and Latin America. Consolidation has also occurred in the more mature markets of North America and Western Europe. Whilst there have been a number of transactions in Australia involving smaller brewing businesses, the acquisition of Lion by Kirin in 2009 is the only transaction involving a major brewer. This reflects the effective duopoly structure of the Australian brewing market, in which Foster’s and Lion have a joint market share of more than 90%. Accordingly, the terms of the Kirin/Lion transaction are of particular relevance in estimating the value of Foster’s.

The acquisition of Lion by Kirin, announced in April 2009, implied:

- EBITDA multiples of 13.9 times actual EBITDA for the year ended 30 September 2008 and 12.7 times forecast EBITDA for the year ending 30 September 2009 (based on a balance sheet as at 31 March 2009); and
- EBIT multiples of 16.5 times EBIT for the year ended 30 September 2008 and 15.0 times forecast EBIT for the year ending 30 September 2009 (based on a balance sheet as at 31 March 2009).

If the multiples are recalculated based on earnings for the 12 months to 31 March 2009, the implied transaction multiples are:

- 13.3 times historical EBITDA; and
- 15.8 times historical EBIT.

Whilst there are clear similarities between the current business of Foster’s and the business of Lion at the time of the Kirin takeover offer, there are also a number of differences in their activities, market position, brand portfolio and financial performance:

- Foster’s has a greater share of the Australian beer market (approximately 49.3% volume share of the packaged (off-premise) market in the 2011 financial year) than held by Lion (approximately 42.9%³⁹ volume share of the packaged (off-premise) market at the time of the Kirin takeover offer). This reflects the strength of Foster’s beer portfolio, which includes seven of the top ten beers in Australia in the packaged (off-premise) market, including the leading beer brand;
- Foster’s has no exposure to the wine market following the demerger of Treasury Wine Estates. Lion generated approximately 8.4% of sales and 3.7% of EBIT from wine in the year ended 30 September 2008. The sales and EBIT of the wine segment declined by 8.1% and 66.7% respectively in the first half of the 2009 financial year compared to the first half of the 2008 financial year due to the global wine oversupply conditions at the time. In addition, Foster’s has greater exposure to the fast growing cider category than Lion;
- Foster’s EBITDA and EBIT margins of 38.2% and 35.9% respectively in the year ended 30 June 2011 are both higher than Lion’s EBITDA and EBIT margins of 28.9% and 24.2% in the year ended 30 September 2008;

³⁹ Source: AC Nielsen, moving annual total to 31 December 2008, packaged (off-premise) beer.

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- Foster's has lower levels of depreciation and capital expenditure as a percentage of net sales revenue (2.2% and 5.2% respectively in the 2011 financial year) compared to Lion (4.5% and 11.2% respectively in the 2008 financial year). This largely reflects Foster's asset portfolio which includes the significantly depreciated Abbotsford brewery, and the smaller percentage of the asset base that is replaced each year through capital expenditure. Foster's capital expenditure requirements are expected to increase considerably in the short to medium term, particularly in the event of a decision to invest in a new supply footprint. Further, Lion overhauled key components of its brewing infrastructure, including the development of a new brewery, during the 2007 to 2009 financial years. Therefore, these years represent a peak in Lion's capital expenditure cycle; and
- Foster's has some exposure to international markets through joint ventures and licence arrangements, whilst Lion's activities were predominantly in Australia and New Zealand.

On the other hand:

- Foster's sales revenue declined 5.0% in the year ended 30 June 2011 compared to Lion's net sales revenue growth of 6.5% in the year ended 30 September 2008. Brokers are forecasting net sales revenue growth for Foster's of approximately 3.4% per annum in the year ending 30 June 2012, whilst Lion's sales were expected to grow by approximately 6.0% in the year ending 30 September 2009; and
- Foster's EBIT declined 8.0% in the year ended 30 June 2011 compared with Lion's EBIT growth of 7.3% in the year ended 30 September 2008. The Australian beer business of Lion delivered 14.8% EBIT growth in the first half of the 2009 financial year and brokers were forecasting similar growth in the second half. Brokers were forecasting total EBIT growth (including for the wine business) of approximately 10.3% in the 2009 financial year. Brokers are forecasting EBIT growth for Foster's of approximately 6.1% per annum in the 2012 financial year.

At the time of Kirin's proposed acquisition, Kirin held a 46% interest in Lion. By contrast, Foster's has a relatively diverse shareholder base, with the largest shareholding being only 8%. The acquisition of Lion was an agreed transaction and was not the outcome of a competitive process. Therefore, it is possible that the offer price did not reflect a full premium for control. On the other hand, in formulating its offer Kirin had clearly considered the extent to which it expected to generate synergies through increasing its shareholding in Lion to 100%. In the Lion scheme booklet, Kirin did not indicate the quantum of synergies expected to be achieved from the transaction, but identified corporate functions and raw material procurement as the sources of potential synergistic benefits for the combined entity.

The transaction evidence involving other brewing companies shows that acquirers have generally paid a wide range of multiples for global and regional beer businesses. The following comments are made in relation to the transaction evidence:

- over the last three years acquirers have generally paid multiples in the range of 11.0-17.0 times forecast EBITDA and 15.0-20.0 times forecast EBIT for brewing assets;
- the August 2011 acquisition by Asahi Group Holdings, Ltd ("Asahi") of Flavoured Beverages Group Holdings Limited, trading as the Independent Liquor Group ("Independent Liquor"), reflects its strategy to increase its share of overseas sales to between 20% and 30% of total group sales. While Asahi has not publicly quantified the synergies that it expects to realise through the expansion of its overseas investment activities, these synergies have been estimated by brokers at approximately NZD\$50.0 million. The Independent Liquor transaction follows two other major transactions involving Asahi in Australia. Asahi acquired the Schweppes brand in

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April 2009 and reached an agreement to acquire P&N Beverages Australia Pty Ltd in July 2011;

- Kirin signed a share purchase agreement in August 2011 to acquire all the outstanding shares in Aleadri-Schinni Participações e Representações S.A, which owns a 50.45% stake in Schincariol Participações e Representações S.A. (“Schincariol”). Schincariol is the controlling shareholder of Schincariol Group. Kirin’s acquisition of the Schincariol Group is motivated by its desire to gain exposure to the fast growing Brazilian beer market. Kirin expects sales for the Schincariol Group to grow at 10% per annum under Kirin’s control, which is reflected in the historical EBITDA multiple of 15.8 times and forecast EBITDA multiple of 14.1 times. Schincariol Group is the second largest beer producer and the third largest carbonated soft drinks producer in Brazil;
- the acquisition of Anheuser-Busch by InBev created the largest brewery company in the world. InBev anticipated significant synergistic benefits to be generated through cross selling products in new markets, sharing cost management, sales and marketing functions, procurement efficiencies and elimination of overlapping corporate overheads;
- the high historical EBIT multiple paid by SABMiller for Koninklijke Grolsh NV (“Koninklijke”) (34.6 times) reflected a significant depreciation expense relating to Koninklijke’s property business;
- the high EBITDA multiple paid by Lion for J Boag & Son Pty Limited (“J Boag & Son”) reflected the expected synergistic benefit from combining the distribution systems of Lion with the strong brand portfolio of J Boag & Son in the growing premium beer market;
- the acquisition of Holsten-Brauerei AG’s (“Holsten”) brewing operations by Carlsberg and the acquisition of Miller Brewing Company (“Miller”) by South African Breweries plc (“SAB”) occurred at multiples below 9 times forecast EBITDA. In respect of the Holsten transaction, the multiple reflected a fragmented German market, a 10% decline in sales volumes in 2003 and the impact of a new law requiring deposits on non-reusable packaging and a consequent decline in sales. The EBITDA multiples implied by the acquisition of Miller by SAB reflected a continuing and long term decline in Miller’s market share (particularly its leading brand, Miller Lite); and
- the Birra Peroni SpA (“Peroni”) acquisition, while widely regarded as expensive, provided SABMiller with a leading position (25% market share) in the growing Italian market.



Sharemarket Evidence

There are a large number of listed brewing companies operating globally. The following table sets out the implied EBITDA and EBIT multiples for a range of listed Australian and international brewing companies:

Sharemarket Ratings of Selected Listed Brewing Companies ⁴⁰							
Company	Market Capitalisation ⁴¹ (million)	EBITDA Multiple ⁴² (times)			EBIT Multiple ⁴³ (times)		
		Historical	Forecast Year 1	Forecast Year 2	Historical	Forecast Year 1	Forecast Year 2
Global Beer							
AB InBev	€ 64,225	9.8	8.7	8.1	12.2	10.7	9.9
Heineken	€ 20,555	9.2	8.2	7.8	14.3	11.5	11.0
SABMiller	GBP 36,469	12.3	11.0	9.6	15.6	13.3	12.2
Australia							
Coca-Cola Amatil	A\$ 9,122	10.7	9.8	9.0	12.9	12.2	11.2
Little World Beverages	A\$ 219	14.1	11.8	9.8	16.7	13.8	12.0
Asia & Pacific							
Asahi	JPY 788,245	6.5	6.3	6.1	10.3	10.1	9.7
Sapporo	JPY 113,070	7.5	nc	nc	17.6	nc	nc
Kirin	JPY 960,175	6.9	6.3	6.4	11.4	12.4	11.8
Tsingtao	CNY 44,404	13.5	12.4	10.4	16.9	15.7	12.9
Asia Pacific Breweries	SGD 6,455	12.1	nc	nc	13.7	nc	nc
Americas							
Molson Coors	US\$ 7,797	8.5	8.2	7.8	10.4	10.2	9.7
Grupo Modelo	MXN 253,460	9.8	9.4	8.7	11.6	11.2	10.2
CCU	CLP 1,732,592	9.6	9.2	8.6	12.4	11.2	10.9
Ambev	BRL 162,918	13.8	12.7	11.2	15.9	14.4	12.7
Europe							
Carlsberg	DKK 54,299	6.8	6.8	6.3	9.3	9.6	8.7

Source: Grant Samuel analysis (see Appendix 3)

The multiples are based on sharemarket prices as at 21 October 2011. It should be noted that the value determined for Foster's is appropriate for the acquisition of the business as a whole and, accordingly, incorporates a premium for control, whilst the multiples set out above reflect the market prices at which shares trade on the sharemarket in the absence of a takeover offer. A more detailed discussion of these companies is set out in Appendix 3 to this report.

The following comments are made in relation to the trading multiples of comparable companies in the global brewing industry:

- while there is some variability in the trading multiples of comparable companies, brewing companies generally trade in a range of 8.0-12.0 times forecast EBITDA and 10.0-14.0 times forecast EBIT;

⁴⁰ The companies selected have a variety of year ends and therefore the data presented for each company is the most recent annual historical result plus the subsequent two forecast years.

⁴¹ Market capitalisation based on sharemarket prices as at 21 October 2011.

⁴² Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items.

⁴³ Represents gross capitalisation divided by EBIT. EBIT is earnings before net interest, tax, investment income and significant and non-recurring items.

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- there are very few listed Australian companies operating in the brewing sector, reflecting the effective duopoly structure of the Australian beer market. Little World Beverages is a small Australian brewing company with a market capitalisation of approximately \$219 million and two key brands of White Rabbit and Little Creatures. Coca-Cola Amatil operates a diversified food and beverage business with a product portfolio including non-alcohol beverages, alcohol beverages and food products. Coca-Cola Amatil’s alcohol beverage business is underpinned by a joint venture agreement with SABMiller to distribute its beer brands in Australia, which contributed \$41.3 million in revenue (excluding duties and excise taxes) in the 2010 financial year;
- the low forecast multiples for Heineken are in part due to the low free float of Heineken shares (only 40%). The remaining shares are held by Heineken Holding N.V., which owns approximately 50%, and Fomento Económico Mexicano, S.A.B. de C.V. (“FEMSA”), which owns approximately 10%. Heineken Holding N.V. is owned by L’Arche Green N.V., which is controlled by the Heineken family. Heineken is a global brewing company with more than 200 international, regional, local and specialty beers and ciders;
- Tsingtao Brewery Company Limited’s (“Tsingtao”) high multiples reflect the strong earnings growth of the business resulting from strong revenue growth and operating margin improvements. Tsingtao is one of China’s largest breweries and its primary product, Tsingtao Lager, is distributed to more than 60 countries and regions around the world;
- the high EBIT multiples of Sapporo Holdings Ltd’s (“Sapporo”) are due to the significant depreciation expense related to the real estate business, which accounts for just under half (approximately 43%) of operating income. Sapporo is a Japanese based holding company that is active in four business segments including Alcoholic Beverages, Soft Drinks, Restaurant and Real Estate. Sapporo’s sales outside the Japanese market represent less than 10% of consolidated sales;
- Carlsberg’s low trading multiples reflect an expectation of a decline in volume growth in key markets, particularly in Russia and the shareholder structure of the company. Carlsberg is a Denmark-based brewing company with operations across Northern, Western and Eastern Europe, as well as in Asia. The Carlsberg Foundation held approximately 73% of the voting rights as at the date of this report; and
- Kirin’s market capitalisation has fallen significantly since the Japanese earthquake and tsunami on 11 March 2011, due to earnings downgrades. Kirin is a Japanese-based brewing company with brewery operations across Japan, China, Taiwan, Australia (through its subsidiary Lion), the Philippines, Europe and the United States.

5.3.3 Analysis and Commentary

In Grant Samuel’s view, the multiples implied by the valuation of Foster’s business are reasonable having regard to the following:

- Foster’s is uniquely positioned as Australia’s only ASX-listed pure play beer and cider company, with market leadership in both the beer and cider categories in Australia. It represents the only opportunity to acquire a brewing company in Australia of a meaningful size;
- Foster’s is a strategically attractive asset to a number of global brewing industry participants given its market position and high profile brand portfolio, particularly those seeking a presence in the Australian market;

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- while the Australian beer market is mature and long term beer consumption per capita is in decline, Foster's offers stable returns and is highly cash generative;
- Foster's has tax losses totalling \$1,491.6 million available to reduce income tax payable in the 2012 financial year and subsequent years;
- the EBITDA multiples implied by Grant Samuel's valuation are consistent with the multiples implied by the acquisition of Lion by Kirin in 2009, although the implied EBIT multiples are lower. (If the multiples for the Lion transaction are calculated based on earnings for the 12 months to 31 March 2009, the EBIT multiples implied by the valuation of Foster's are broadly consistent with those implied by the Lion/Kirin transaction). The relatively lower EBIT multiples implied by Grant Samuel's valuation of Foster's is a result in part of the lower depreciation expense of Foster's compared to that of Lion at the time of its acquisition by Kirin. The lower depreciation of Foster's reflects its asset portfolio, which includes the long life Abbotsford Brewery, and lower levels of replacement capital expenditure. However, it is expected that Foster's capital expenditure requirements will increase considerably in the short to medium term, particularly if Foster's supply review results in increased investment in upgrading and renewing the asset footprint. By contrast, Lion was in the midst of a significant capital expenditure program involving its brewing infrastructure at the time of Kirin's acquisition, which is reflected in its higher depreciation and capital expenditure to sales ratios. In any event, to the extent that the EBIT multiples implied by the Foster's valuation are somewhat lower than those implied by the Lion/Kirin transaction, this is consistent with the earnings growth outlook for Foster's, which is less favourable than for Lion at the time of the Lion/Kirin transaction; and
- the implied multiples from Grant Samuel's valuation of Foster's are broadly consistent with the multiples implied by transactions involving comparable brewing companies, taking into account the differences in activities and level of synergies available.

5.3.4 Discounted Cash Flow Analysis

Grant Samuel has prepared DCF analysis for the operating business of Foster's. A DCF model was developed by Grant Samuel with reference to the 2012 Budget and long term Forecasts prepared by Foster's. The DCF model allows the analysis of alternative scenarios for the future financial performance of Foster's business.

The model uses as a starting point the balance sheet of Foster's as at 30 June 2011 and projects nominal after tax cash flows for a ten year period from 1 July 2011 to 30 June 2021. Net present values were calculated on an ungeared after tax basis using a nominal after tax discount rate of 8.0-9.0%. Appendix 4 sets out a detailed analysis of the selection of the discount rates used in the DCF analysis. A nominal growth rate of free cash flows of 2.0-3.0% has been assumed for the purpose of estimating terminal values.

The following additional general assumptions have been made in the DCF model:

- inflation is 2.5% per annum;
- tax is paid at the Australian general corporate tax rate of 30% and there is no change in tax legislation that has a material impact on Foster's operations;
- net working capital is assumed at 9.0% of net sales revenue for the forecast period;
- the existing supply chain infrastructure of Foster's remains in place for the forecast period. Capital expenditure is assumed to be \$122 million in the 2012 financial year, \$181 million in the 2013 financial year, \$154 million in the 2014 financial year,

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\$143 million in the 2015 financial year and then declines to \$70 million by the 2021 financial year. This assumes Foster’s invests in renewing aged assets and upgrading capacity and capability to meet demand trends such as the growth in the craft and cider segments, and in the global information technology transformation project. It is assumed that capital expenditure is equal to depreciation in the calculation of the terminal value;

- cash flows occur in the middle of each period; and
- no acquisitions or divestitures of business units occur.

Following Foster’s success in the Ashwick tax litigation, Foster’s has tax losses totalling approximately \$1,491.6 million available to reduce tax payable in the 2012 financial year and subsequent years. The DCF analysis assumes the utilisation of the tax losses. The net present value of the tax losses has been estimated by discounting nominal geared cash flows to a present value using a cost of equity of 9.0-10.0%.

Four scenarios have been developed and analysed to reflect the impact on the net present value of selected key assumptions. The scenarios selected relate primarily to changes in volume growth, pricing, costs, capital expenditure and synergies. Each scenario assumes Scenario A as a starting point. Scenario A assumes that revenue growth is achieved through a balance of volume growth and mix improvements and modest price increases. It assumes that Foster’s continues to experience beer volume and/or market share declines in the first half of the 2012 financial year and then a return to moderate growth in the second half. From the 2013 financial year onwards, it assumes a stabilisation of market share and the return of Australian beer market volumes to modest long term growth trends. An increase in advertising and promotional expenditure to support volume growth is assumed. EBITDA and EBIT margins are assumed to improve through a focus on cost management (including the cost reduction program).

The key general and operational assumptions underlying Scenario A are set out below:

- beer volume decline of 1.5% per annum for the 2012 financial year, beer volume growth of 0.6% in the 2013 financial year, 0.5% per annum between the 2014 and 2016 financial years, then growth moderating steadily to 0.25% by the 2021 financial year. Following the significant decline in the beer market in the 2011 financial year, Scenario A assumes that Foster’s continues to experience beer volume decline in the first half of the 2012 financial year and returns to moderate growth in the second half. From the 2013 financial year, it is assumed that Foster’s stabilises its market share and that underlying beer market growth will return to long term trends (i.e. modest growth). This growth is assumed to be driven by population growth, which is partially offset by declining per capita consumption;
- cider volume growth of 15% per annum between the 2012 and 2014 financial years, 13% per annum in the 2015 financial year, 12.5% per annum in the 2016 financial year, then growth moderating steadily to 2.5% by the 2021 financial year. The Australian cider industry is currently experiencing rapid growth. Cider volume growth assumptions reflect Foster’s ability to capitalise on cider category growth due to its leading market position in the category (i.e. 69% volume share);
- net sales revenue per case growth (beer and cider) of 2.4% in the 2012 financial year, 2.8% in the 2013 financial year, 3.1% in the 2014 financial year and 3.3% in both the 2015 and 2016 financial years, then growth moderating steadily to 2.5% (assumed inflation) by the 2021 financial year. Growth in net sales revenue per case reflects positive mix growth through the continued premiumisation of Foster’s portfolio (driven by strong cider and craft beer growth), combined with limited underlying price growth particularly in the 2012 and 2013 financial years;

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- advertising and promotion expenditure of 10.4% of sales revenues in the 2012 financial year, increasing to 11.0% of sales revenues in the 2013 financial year onwards;
- a decline in EBIT for the Rest of World business of 15.4% in the 2012 financial year, followed by 48.3% EBIT growth in the 2013 financial year, 34.4% EBIT growth in the 2014 financial year, 21.9% EBIT growth in the 2015 financial year, 19.0% EBIT growth in the 2016 financial year and 2.5% (assumed inflation) EBIT growth from the 2017 financial year onwards. The significant growth assumed from the 2013 financial year reflects stronger distributor relationships across Asia (in particular in the key brand building markets of Singapore, Vietnam, Korea and Japan), optimisation of the United States joint venture partnership with Miller Coors, a reduction in COGS via sourcing from global partners and the revitalisation of the Foster's brand in key international markets;
- a steady increase in EBITDA margins (pre synergies) from 38.6% in the 2012 financial year to 40.4% by the 2016 financial year, growing to 41.1% by the 2021 financial year. Assumed growth in EBITDA margins results primarily from the volume growth and the price benefits of a shift in the sales mix towards higher priced products, while the rate of growth in cost of goods sold is held below inflation (an increase in the average cost of goods sold per case associated with the change in sales mix is offset by scale effects from volume increases). The improvement in EBITDA margins also reflects the impact of assumed cost synergies (below); and
- annual synergies of \$50 million per annum, increasing with inflation (2.5%) to the 2021 financial year. It is assumed that 25% of annual synergies are achieved in the 2012 financial year and that the cost to achieve the synergies is \$50 million, which is incurred in full in the 2012 financial year.

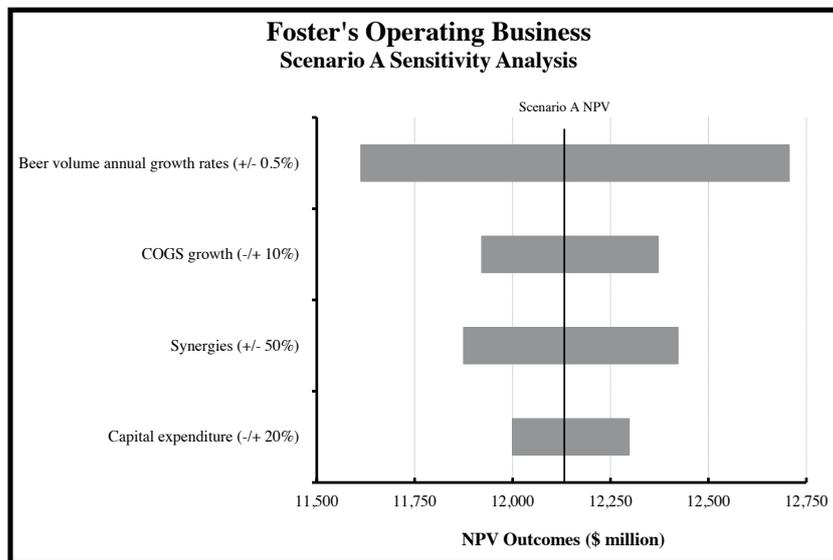
Grant Samuel has analysed Scenario A to examine the sensitivity to changes in the following variables:

- beer volume annual growth rates: +/- 0.5% per annum;
- COGS growth: +/- 10% (i.e. 110% and 90% of Scenario A);
- synergies: +/- 50% (i.e. 150% and 50% of Scenario A); and
- capital expenditure: +/- 10% (i.e. 110% and 90% of Scenario A).

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The output of the sensitivity analysis is summarised below:



Note: Based on mid-point WACC of 8.5% and terminal value growth rate of 2.5%

These sensitivities do not, and do not purport to, represent the range of potential value outcomes for Foster’s. They are simply theoretical indicators of the sensitivity of the net present values derived from the DCF analysis. In this regard, the net present value outcomes show a relatively wide range across the different sensitivities, highlighting the sensitivity to relatively small changes in assumptions. In particular, there is high sensitivity to assumptions regarding annual growth in beer volumes.

Foster’s management is forecasting that the rate of decline in the Australian beer category will moderate in the first half of the 2012 financial year and that the category will return to modest growth once the economy has cycled through the current period of uncertainty. Further, Foster’s believes that it will be able to reverse its historical beer market share trajectory, which is supported by an increase on advertising and promotion. Moreover, the cider category is expected to continue to grow strongly. Foster’s is forecasting modest growth in prices, primarily driven by positive mix growth (i.e. continued beer premiumisation and cider growth). With regards to capital expenditure, Foster’s has announced that it has commenced a review to assess the appropriate long term asset footprint for Foster’s. In the event of a substantial investment in reconfiguring the asset footprint of Foster’s, the impact on Foster’s earnings could be significant.

Foster’s planned growth in revenues and earnings over the next few years appears reasonable but is not certain and not without risk, in particular in relation to the rate of recovery of the Australian beer category, Foster’s ability to reverse its historic beer market share decline and any changes to the asset footprint of Foster’s. As a result, it is reasonable to also consider the impact of different assumptions in relation to the extent and timing of that growth.

Grant Samuel adopted assumptions for four scenarios to reflect its judgement on certain matters. The scenarios adopted by Grant Samuel and the associated calculations of future performance in the financial model are not, and are not necessarily consistent with, the assumptions and forecasts of Foster’s. The scenarios allow an assessment of the impact on value of various key assumptions. It should be recognised that the scenarios focus on assumptions regarding key value drivers, rather than detailed “bottom up” parameters.

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The assumptions underlying Scenario A are described above. The operational assumptions underlying each of the scenarios are detailed in Appendix 5 to this report and are summarised below:

Foster's – Summary of DCF Scenarios	
Scenario	Description
Scenario A	<ul style="list-style-type: none"> ▪ modest beer volume growth, cider volume growth, net sales revenue per case growth (beer and cider) and margin improvements. In addition, synergies are assumed at \$50 million per annum.
Scenario B	<ul style="list-style-type: none"> ▪ assumptions are the same as those for Scenario A, except that a more optimistic outlook for beer volume growth, cider volume growth and net sales revenue per case growth (beer and cider) is assumed. In addition, synergies are assumed at \$70 million per annum.
Scenario C	<ul style="list-style-type: none"> ▪ assumptions are the same as those for Scenario A, except that a less optimistic outlook for beer volume growth, cider volume growth and net sales revenue per case growth (beer and cider) is assumed. In addition, synergies are assumed at \$30 million per annum.
Scenario D	<ul style="list-style-type: none"> ▪ assumptions are the same as those for Scenario A, except that major supply asset investments are implemented, as a result of Foster's supply footprint review.

The assumptions adopted for the purposes of the financial model are subject to significant uncertainties and contingencies, many of which are outside the control of Foster's. Key assumptions regarding future operational performance are highly uncertain and there is scope for significant differences of opinion in relation to these assumptions. In particular:

- many of the assumptions are difficult to predict with any degree of reliability and are beyond the control of management. In particular, assumptions in relation to beer and cider volume growth are highly subjective;
- competitor behaviour could potentially have a major impact on the future performance of Foster's business. Future competitor behaviour is intrinsically uncertain;
- there is uncertainty as to the timing, costs and therefore earnings associated with any changes to the supply footprint of Foster's; and
- any changes in government policies, regulation or taxation on the alcohol beverages industry may have a material impact on Foster's future revenues and earnings.

Nevertheless, Grant Samuel considers that the analysis does provide some insight into value. The scenarios analysed do not, and do not purport to, represent possible best and worst case scenarios for the future performance of Foster's business. They are simply theoretical indicators of particular sensitivities.

The scenarios do not represent Grant Samuel's forecasts of the future financial performance of Foster's. Grant Samuel gives no undertaking and makes no warranty regarding the future financial performance of Foster's. Such future performance is subject to fundamental uncertainty. Rather, the scenarios have been developed purely to allow Grant Samuel to assess the impact on calculated net present values of alternative assumptions regarding the future financial performance of Foster's.

Moreover, DCF analysis is subject to significant limitations and net present value outcomes need to be treated with considerable caution. The calculated net present values are extremely sensitive to small changes in assumptions for many years into the future. This sensitivity to assumptions regarding future operational performance is accentuated by the fact that the terminal value (the value contributed by cash flows generated after the end of the explicit cash flow forecast period) normally contributes a high proportion of the overall value. In this respect, the implied terminal value multiples become a key valuation factor.

Appendix 1 – Independent Expert’s Report

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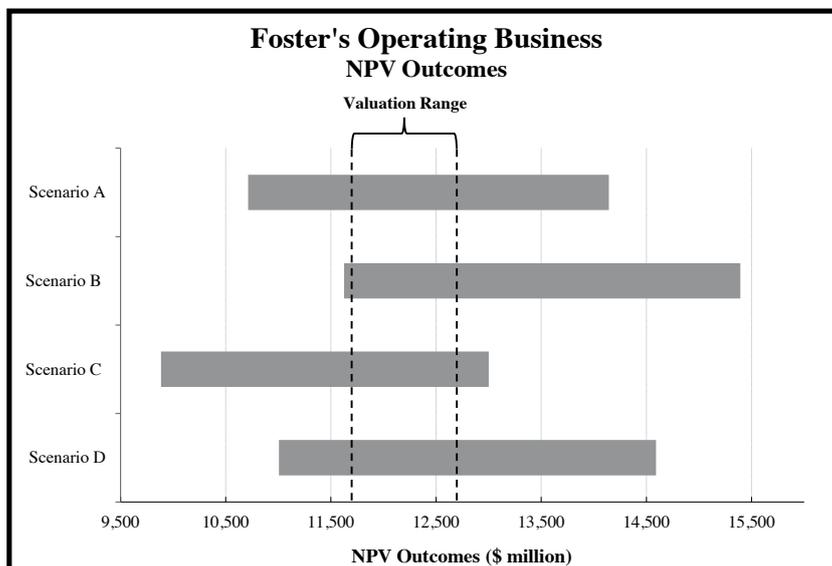


The outcomes of the DCF analysis are summarised below:

Foster’s – Net Present Value Outcomes (\$ million)				
Discount rate	8.0%		9.0%	
	2.0%	3.0%	2.0%	3.0%
Terminal value growth rate				
Scenario				
A	12,547	14,142	10,713	11,767
B	13,639	15,394	11,626	12,784
C	11,553	13,001	9,885	10,841
D	12,924	14,591	11,006	12,107

The net present value outcomes include an estimate of the value of realising the \$1,491.6 million of tax losses. The net present value analysis assumes that the tax losses are fully utilised by the end of the 2014 financial year. The tax losses have been valued by discounting nominal geared cash flows at a cost of equity of 9.0-10.0%. The analysis suggests that the tax losses would have a face value of approximately \$400 million. However, the availability of tax losses to reduce tax payable also reduces the ability of Foster’s to pay franked dividends (which may be of value to certain Foster’s shareholders). To the extent that franking credits are valuable for the marginal Foster’s investor, the tax losses will be less valuable than the range of values calculated using the DCF analysis.

Grant Samuel’s valuation range of \$11,700-12,700 million for the Foster’s operating business reflects a subjective balancing of the scenarios. The valuation range is compared with the results of the DCF analysis in the following diagram:





5.4 Synergies

Grant Samuel's analysis has included an assessment of the likely synergies available to a potential acquirer of Foster's and a judgment as to the likely amount that a potential purchaser would be prepared to pay for those synergies. Premia are paid for a variety of reasons. They can be substantial where there are extensive synergy benefits or perceived strategic benefits for the acquirer. In some cases, there may be little or no premium paid at all, particularly where there are few potential buyers.

To the extent synergies are unique to a particular acquirer ("special synergies"), it is normal valuation practice to exclude such synergies in determining fair value. However, it is normal valuation practice to allow for synergies which are achievable by more than one party. Moreover, the synergy assessment is based on an assumption that 100% of the target company is available to be acquired and is therefore not specific to the particular opportunities available to or intentions of any particular acquirer.

SABMiller expects to generate cost savings through a reduction in corporate overheads, the integration of the Pacific Beverages business and the leverage of its global scale, skills and supplier relationships. Although SABMiller has not provided its own assumptions, it has stated that it is comfortable with the broker consensus for cost savings of approximately \$130 million, which includes Foster's announced cost savings of \$55 million. SABMiller also expects to grow revenue through a better understanding of consumers, improved management of the brand portfolio and enhanced channel and revenue management with the aim to improve market share and pricing. SABMiller may also be able to generate revenue synergies by selling Foster's brands through its international network and selling SABMiller's brands through the Foster's Australian footprint. Similar synergies could be available to other potential bidders for Foster's.

Foster's unallocated adjusted corporate costs are currently around \$157 million per annum. These corporate overheads represent the costs of managing Foster's including costs associated with the senior executive team (i.e. Chief Executive Officer, Chief Financial Officer, Company Secretary, etc.), being a listed company (such as directors fees, annual reports and shareholder communications, share registry and listing fees and dividend processing) and certain group overheads (such as sales and marketing, finance, group strategy, human resources, information technology, property services). Any acquirer of 100% of Foster's would be able to save the costs associated with being a publicly listed company. It is also likely that an acquirer could save most of the costs relating to the senior executive team and some of the sales and marketing, finance, group strategy, human resources, information technology and property services costs, although the quantum of savings is likely to be limited to the extent that most potential acquirers of Foster's do not have any meaningful operations in Australia.

Some of the other cost savings outlined by SABMiller are available to it through its ownership of the Australian-based Pacific Beverages business and are unlikely to be achievable by any other potential acquirer of Foster's. Coca-Cola Amatil, the only Australian beverage manufacturer and distributor of a size comparable to that of Foster's, has indicated that it does not intend to acquire shares in Foster's. Kirin, owner of the only other major beer participant in Australia, Lion, would likely face considerable competition issues if it were to bid for Foster's. The other Australian beverage manufacturers are likely to be too small to bid for Foster's. Consequently, Grant Samuel is of the view that the synergies available to SABMiller through the ownership of Pacific Beverages are "special" synergies and has attributed no value to them for the purposes of this valuation. Furthermore, some of the measures SABMiller is proposing to implement at Foster's are likely to be very similar in nature to some of Foster's Urgent Agenda and Full Potential initiatives and are already reflected in Foster's value, at least to some extent. Finally, although the revenue synergies are potentially significant, shareholders would typically only realise a small proportion of these, especially when there has not been a competitive bidding process for the company.

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In light of the above, Grant Samuel has assumed for the purposes of the valuation annual synergies in the range of \$30-70 million per annum relating to the elimination of corporate costs, limited savings in procurement achieved through scale benefits and minimal revenue synergies.

5.5 Other Assets and Liabilities

Foster’s other assets and liabilities have been valued as follows as at 30 June 2011:

Foster’s – Other Assets and Liabilities (\$ million)		
	Value Range	
	Low	High
Demerger accruals	(24.6)	(24.6)
FBG India litigation	(19.8)	-
Contingent liability relating to ATO dispute	(12.4)	-
Employee share plan loans	5.4	5.4
Outside equity interests	(4.0)	(4.0)
Other	(9.4)	(9.4)
Total other assets and liabilities	(64.8)	(32.6)

Demerger accruals represent costs incurred by Foster’s in relation to the demerger which were yet to be paid as at 30 June 2011.

In 2006, Foster’s sold the right to the Foster’s brand in India and shares in a Mauritian company FBG India Holdings Limited. Indian taxation authorities have sought to tax the acquirer in relation to this disposal. At the time of the disposal, Foster’s agreed to indemnify the acquirer for any such tax claims. On 29 March 2011, the Indian taxation authorities passed an assessment order and issued a notice of demand for \$39.5 million. Foster’s (through the acquirer) is challenging this assessment in the High Court of Bombay. For the purposes of the valuation, Grant Samuel has assumed a liability of between \$19.8 million (equal to 50% of the maximum amount claimed by the Indian taxation authorities) and zero (should Foster’s be successful in challenging this assessment).

Foster’s is currently involved in a tax dispute with the ATO relating to a capital loss. Foster’s has received assessment notices from the ATO totalling \$91.3 million, comprising primary tax, penalties and interest. Foster’s has made a payment of \$33.3 million to the ATO pending resolution of the dispute. For the purposes of the valuation, Grant Samuel has assumed 50% of the maximum amount claimed by the ATO, less the prepayment of \$33.3 million, will be payable to the ATO (low end) or, should Foster’s be successful in challenging this assessment, no additional payment will be required (high end).

The outside equity interests primarily relate to minority shareholdings in Foster’s Fijian and Samoan breweries and distilleries.

Other liabilities comprise the fair value of commodity swaps, onerous lease contracts and the defined benefit plan liability as at 30 June 2011.



5.6 Net Borrowings

Foster's net borrowings for the purpose of the valuation are summarised below:

Foster's – Net Borrowings for the Purpose of the Valuation (\$ million)	
Gross borrowings	1,599.0
Fair value adjustment to fixed debt	95.0
Borrowings (excluding non-cash debt issuance costs)	1,694.0
Cash	(58.3)
Fair value of fixed rate debt hedges	(104.0)
Net borrowings as at 30 June 2011	1,531.7
Cash to be received from Ashwick post 30 June 2011	(181.7)
Final dividend payment	257.2
Net borrowings for valuation purposes	1,607.2

The total cash refund expected to be received from the ATO by Foster's regarding Ashwick is approximately \$390 million, including \$136 million of interest. As at 30 June 2011, Foster's had received approximately \$211.0 million from the ATO. Grant Samuel has made an adjustment to the net debt position of Foster's as at 30 June 2011 to reflect the remaining cash refund and interest to be received from the ATO in relation to Ashwick post-30 June 2011 (\$181.7 million).

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6 Evaluation of the Proposal

6.1 Conclusion

Grant Samuel has valued Foster’s in the range \$5.17-5.70 per share. The valuation range reflects the estimated full underlying value of Foster’s. The valuation range exceeds the price at which Grant Samuel would expect Foster’s shares to trade in the absence of the Proposal or speculation regarding some alternative corporate transaction. As the Proposal Consideration of \$5.40 cash per share (comprising cash consideration of \$5.10 under the Scheme and the Capital Return of \$0.30 cash per share) falls within the valuation range, the Proposal is fair and therefore reasonable. Accordingly, in Grant Samuel’s opinion, the Proposal is in the best interests of the shareholders of Foster’s.

The Proposal Consideration of \$5.40 per share is well within Grant Samuel’s valuation range for Foster’s shares. In Grant Samuel’s view, the Proposal Consideration fairly reflects the strategic attractiveness of Foster’s, its leading market share position in the Australian beer industry and the potential to improve Foster’s financial and operating performance. The Proposal crystallises value for Foster’s shareholders that could otherwise only be delivered by the Foster’s business over a period of time on the assumption of a recovery in the beer category and the reversal of Foster’s recent market share declines. Whilst Foster’s management is forecasting considerable earnings growth over the next five years, this growth is subject to a range of uncertainties and risks, many of which are outside of the control of Foster’s. In the short term, an improvement in earnings will depend on a recovery in economic conditions and consumer confidence resulting in a revival of the beer market, combined with Foster’s stabilisation of its market share. Competitor behaviour is intrinsically uncertain and will influence the performance of Foster’s, potentially materially. In the context of the risks and uncertainties relating to Foster’s future performance, in Grant Samuel’s view, the certain cash value delivered by the Proposal is attractive for Foster’s shareholders.

The Proposal Consideration is at a premium to Foster’s share price prior to the announcement of the initial approach by SABMiller on 21 June 2011. Since the announcement of SABMiller’s initial approach, the Australian sharemarket has fallen by approximately 7% and it is likely that the effective premium has increased. In the absence of the Proposal or a similar transaction, shareholders could only realise their investment by selling on market at a price that did not include any premium for control and would be reduced by transaction costs (i.e. brokerage). Absent the Proposal (and assuming no speculation as to a revised offer or an alternative offer), it is likely that Foster’s shares under current market conditions would trade at prices well below \$5.40 for the foreseeable future.

Grant Samuel believes that the prospects of a superior alternative offer in the short to medium term are remote. There are only a limited number of potential acquirers that are likely to be able to fund an acquisition of the size of Foster’s. Some of the global brewers are already highly geared as a result of recent acquisitions. Investment in Australia may be strategically unattractive for some global brewers, many of which are seeking growth through exposure to emerging regions rather than developed markets like Australia. The limited strategic appeal of the mature, low growth Australian beer market is compounded by the recent poor performance of the Australian beer category and the ongoing market share declines of Foster’s. Any potential acquirer of Foster’s would have been aware since the announcement on 26 May 2010 of Foster’s intention to demerge its wine business that there was an impending opportunity to acquire the Foster’s beer business. Since the announcement of SABMiller’s approach to Foster’s on 21 June 2011, there has been ample time for any other interested party to make a competing offer. No such offer has been made. Accordingly, it appears that there is little likelihood that an alternative bidder will make a more attractive offer for Foster’s.

In Grant Samuel’s view, in the absence of a superior offer for Foster’s, shareholders will be better off if they vote in favour of the Proposal than if they do not. Accordingly, Grant Samuel has concluded that the Proposal is in the best interests of Foster’s shareholders.



6.2 Fairness

Grant Samuel has valued Foster's in the range of \$5.17-5.70 per share. The Proposal Consideration is \$5.40 cash for each Foster's ordinary share (comprising cash consideration of \$5.10 under the Scheme and the Capital Return of \$0.30 cash per share). As the Proposal Consideration of \$5.40 per share falls within the valuation range for Foster's, the Proposal is fair.

Foster's constitutes the only opportunity in Australia to acquire an ASX-listed pure play beer company of meaningful size. Foster's has a strong portfolio of brands and the largest market share in what is effectively a duopoly market structure. While it is likely that most acquirers of Foster's would be able to generate only limited synergies from a transaction, Foster's represents a strategically attractive asset for any global brewing company interested in securing a strong position in the Australian beer market.

Shareholders should understand that valuation of Foster's is subject to considerable uncertainty for a number of reasons, including:

- Foster's financial performance is dependent on, and highly sensitive to, beer sales volumes, which in turn depend on the performance of the Australian beer category as a whole. The Australian beer category experienced a significant decline of 6% in the 2011 financial year due to a combination of low temperatures and poor consumer confidence. Although Foster's believes that the market will recover and resume growing at rates reflecting long term growth trends, the timing and extent of the recovery is difficult to predict. Whilst there are signs that the beer category has started to recover, it is possible that there will be an overall decline in beer volumes in the 2012 financial year. Further, Foster's market share continues to be under pressure, due to aggressive competitor discounting and promotional activity. Widely differing views could reasonably be adopted in relation to the timing and magnitude of a turnaround;
- the value of Foster's could increase over time, perhaps significantly, depending on a range of factors including Foster's anticipated success in recovering market share in the beer market, its ability to grow the overall beer market, planned cost reductions and margin improvements and the potential efficiencies from the supply footprint review. On the other hand, the value of Foster's will be affected by factors outside its control, potentially including the actions of its competitors. The possible future value of Foster's is not relevant to the assessment of the Proposal. Rather, the assessment involves a comparison of the price offered under the Proposal with the current value of Foster's; and
- judgements regarding the magnitude of synergies potentially available to SABMiller and other prospective purchasers of Foster's, and the extent to which they should be reflected in a valuation, are to some extent arbitrary. The cost and revenue synergies available to an offshore buyer of Foster's are unlikely to be substantial. In the absence of a competitive bidding process for Foster's, shareholders could only expect to realise a limited proportion of the available synergies.

The Proposal is the only offer that has been received for Foster's. A formal sale process has not been pursued for Foster's. However, any credible acquirer of Foster's would have been aware since Foster's announcement on 26 May 2010 of the proposed demerger of its wine business that there was an impending opportunity to acquire the Foster's beer business. Potential acquirers have had considerable time to formulate a bid for the company since the initial approach by SABMiller was announced on 21 June 2011. Accordingly, if a superior offer does not emerge prior to the shareholder vote on the Proposal, there are good grounds to argue that the Proposal represents the highest price available in the current market and is, by definition, fair value.

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6.3 Premium for Control

Takeover transactions are commonly analysed by reference to the extent of the control premium paid by the bidder relative to the pre-bid price. A control premium is the difference between the price paid for a controlling holding of securities and the market price of those securities. In the case of Foster’s, it is likely that the shares have been trading on the expectation of some corporate transaction ever since the effective date of the demerger of Treasury Wine Estates on 9 May 2011, particularly since there was media speculation regarding a potential bid for Foster’s (resulting in an ASX price query on 3 June 2011) and Foster’s announcement on 21 June 2011 that it had received an initial approach from SABMiller.

On 17 August 2011, SABMiller announced its intentions to make a takeover offer for Foster’s at \$4.90 per share less any dividend declared or paid after the announcement. Foster’s declared a dividend of 13.25 cents per share on 23 August 2011. The SABMiller offer was thereby effectively reduced to \$4.7675 per share.

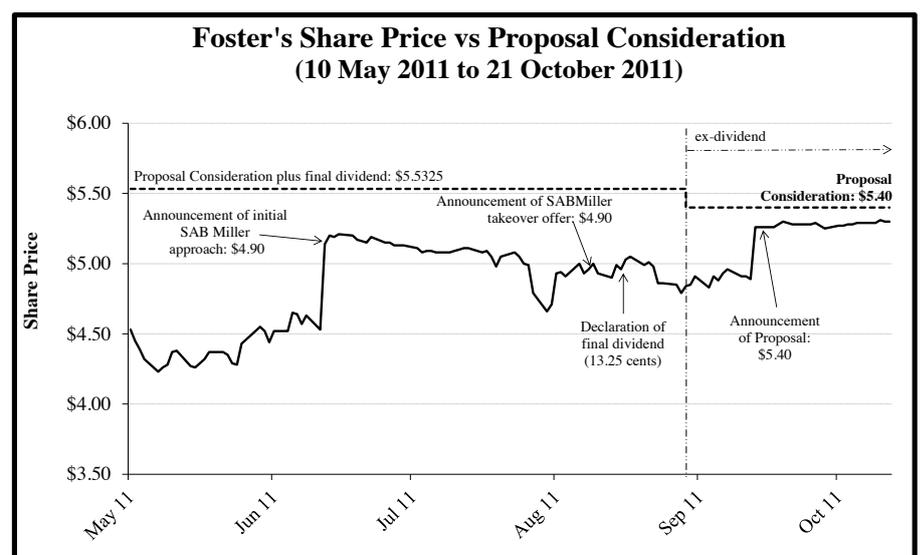
On 21 September 2011, Foster’s announced that it had entered into a Scheme Implementation Deed with SABMiller that delivers \$5.5325 per share to Foster’s shareholders. The \$5.5325 comprises cash consideration of \$5.10 per share under the Scheme, a capital return of \$0.30 per share under the Capital Return and the 13.25 cents per share final dividend declared on 23 August 2011.

The consideration of \$5.5325 per share (including the 13.25 cent per share final dividend) represents a premium to the price at which Foster’s shares traded before the announcement of SABMiller’s initial approach was announced on 21 June 2011:

Foster’s – Premium over Pre Initial Approach Prices		
Period	Share Price/VWAP (\$)	Premium
20 June 2011 (pre-announcement closing price)	4.53	22.1%
1 month prior to 20 June 2011 (VWAP)	4.48	23.5%
10 May 2011 to 20 June 2011 (VWAP)	4.46	23.9%

Source: IRESS, Grant Samuel analysis

The premium based on daily share prices is depicted graphically below:



Source: IRESS



The level of premia observed in takeovers varies depending on the circumstances of the target and other factors (such as the potential for competing offers) but tend to fall in the range 20-35%. The premium represented by the Proposal Consideration relative to the Foster's share price prior to the announcement of the approach by SABMiller on 21 June 2011 is within the range of those typically seen in takeovers, albeit towards the bottom end. However, given the ongoing speculation of a potential bid for Foster's, the share price is likely to have already reflected some expectation for corporate activity (and arguably has done so ever since the effective date of the demerger). Following the speculation in the media on 3 June 2011 regarding a potential bid for Foster's, the shares closed 3.5% higher, compared to a 0.4% decline for the broader market. Foster's shares continued to trade in the band \$4.38-4.68 between 3 June 2011 and 20 June 2011.

Moreover, since the announcement on 21 June 2011 of the SABMiller approach, the Australian sharemarket generally has fallen significantly. The Australian sharemarket has declined by approximately 7% since 21 June 2011. In this context, the effective premium implicit in the Proposal is almost certainly higher than the premia in the range 22.1-23.9% calculated above.

Takeover premium analysis is not conclusive as it is not possible to determine the impact of speculation on Foster's share price prior to the announcement of SABMiller's initial approach, or the price at which Foster's shares might now be trading (in the context of the falls in the overall sharemarket) absent the Proposal. As a result, there is no clear reference price against which to calculate the premium being offered. In any event, the magnitude of the premium is of only limited relevance to an assessment of the Proposal. The premium that Foster's shareholders could expect to realise is a function of the underlying value of the company and its attractiveness to potential acquirers, rather than determinative of value.

6.4 Alternatives

Overview

Because the Proposal is fair and reasonable, it is, by definition, in shareholders' best interests (absent a superior alternative proposal). However, it is useful in assessing the Proposal to evaluate the alternatives potentially available to Foster's shareholders. In voting in favour of the Proposal shareholders will (hypothetically at least) be giving up the opportunity to accept some superior alternative offer in the future. In addition, shareholders will be foregoing the opportunity to realise greater value through continuing to hold shares in a standalone Foster's. Accordingly, it is useful to consider the prospects of a superior alternative proposal and to assess the Proposal against the benefits, disadvantages and risks for Foster's of continuing on a standalone basis.

Alternative Proposals

Since Foster's announced on 26 May 2010 its intentions to pursue a demerger of its wine business, there has been speculation that Foster's might become a takeover target. Various groups have been linked to a potential transaction with Foster's. However, the announcement by Foster's on 21 June 2011 that it had been approached by SABMiller was the first confirmation that a proposal had been put to Foster's. Given the high profile of Foster's, it is reasonable to assume that every credible potential buyer of Foster's (primarily international buyers) would have been aware of the demerger and of SABMiller's initial approach, takeover offer and Proposal. Although the Proposal is the only offer put forward to acquire the company, it is still possible that Foster's could receive some alternative superior proposal:

- the transaction process should act as a catalyst to any genuinely interested party with a superior proposal. It provides additional information that could assist a potential third party acquirer to formulate a counter-proposal, it establishes benchmarks for value and it defines a time frame within which parties would have to act but which should be sufficient to formulate a proposal;
- following the wave of consolidation over the past decade, the number of sizeable beer companies available to be acquired has fallen. A number of beer brewers are publicly listed but are either controlled by family interests or charities (e.g. Heineken, Carlsberg and Molson

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Coors), majority-controlled by another party (e.g. Grupo Modelo SA de CV (“Grupo Modelo”), China Resources Enterprise Limited, Beijing Yanjing Brewery Co., Limited and Baltika Brewery) or have two or three shareholders together holding more than 50% of the shares (e.g. Tsingtao and Efes Beverage Group). Others are privately held (e.g. Empresas Polar CA and Suntory Holdings Limited). By contrast, Foster’s has a relatively diverse shareholder base with the largest shareholder having an effective interest in approximately 8% of Foster’s shares. SABMiller held no direct interest in Foster’s as at the date of the Booklet. Accordingly, there are no significant shareholders in Foster’s that would limit the potential for an alternative higher offer;

- as the size of the leading brewers grows, their geographic footprint widens and their share of local markets increases. This is likely to limit their ability to acquire other brewers without facing competition issues and having to divest substantial assets to satisfy regulatory requirements. Because the potential bidders for Foster’s (apart from Kirin) have a limited presence in Australia, if any, an acquisition of the company is unlikely to face significant regulatory hurdles, which contributes to the attractiveness of Foster’s as a takeover target; and
- Foster’s, together with Kirin, are the market leaders in the Australian brewing industry. Foster’s generates strong and relatively stable cash flows and constitutes the only opportunity to access the Australian beer market in a meaningful manner.

At the same time, it is necessary to recognise that:

- there are few beer brewers that are of a sufficient scale to make a competing offer for Foster’s on a standalone basis and there seems to be little prospect of a counter-proposal from these parties:
 - some of the major brewing companies are currently focussed on reducing their debt levels following sizeable acquisitions (e.g. AB InBev, Heineken and Carlsberg) or are restricted by their ownership structure in their ability to issue shares and therefore make substantial acquisitions (e.g. Heineken and Carlsberg). Heineken and Carlsberg are also facing operational issues and uncertainty in their core markets, are yet to fully extract the benefits of recent acquisitions and have stated that their focus is on growing in emerging markets;
 - Companhia de Bebidas das Americas (“AmBev”) has exposure to growth regions through its strong focus on Latin and South America and already enjoys very high margins. A combination with Foster’s is likely to deliver less incremental long term benefits to AmBev than it would to some of its peers;
 - Kirin, which owns Lion, the only other major beer participant in Australia, would almost certainly be precluded from acquiring Foster’s by the competition regulator;
 - Tsingtao, which is 30% owned by a local Chinese government and 20% by Asahi, has relatively low margins and could arguably benefit from Foster’s profitability, but it has a strategic focus on China, which is a high growth region. It also stated on 5 May 2011 that it was not intending to bid for Foster’s at the time of the demerger, although this would not preclude it from putting a counter-proposal to Foster’s;
 - Molson Coors, which had been rumoured to be entertaining a joint bid for Foster’s with Grupo Modelo, announced a US\$1.2 billion stock repurchase program on 2 August 2011, which suggests that it is not currently considering making a large acquisition; and
 - other major beer companies (e.g. Grupo Modelo and Asahi) have made statements in response to media speculation to the effect that they would not bid for Foster’s (although it should be noted that Asahi has a significant presence in the Australian



beverages sector and could potentially generate substantial synergies through the acquisition of Foster's);

- a number of other brewers that are smaller than Foster's could potentially join with other parties to make a bid. Acquisitions by a consortium can generate substantial economic benefits especially if the target's operations can be broken down into standalone divisions and integrated with the businesses of the respective bidders (e.g. Heineken's and Carlsberg's joint acquisition of Scottish & Newcastle in March 2008). However, Foster's main focus on beer in Australia might limit the benefits of a break-up of the company and potentially generate significant negative synergies. In that context, the economics of a takeover of Foster's by a group of trade buyers are unlikely to be attractive;
- a number of other large beverage manufacturers and distributors could theoretically join the bidding. Coca-Cola Amatil is the only Australian beverage manufacturer and distributor of a size comparable to that of Foster's, but it indicated in a statement released on the ASX on 21 June 2011 that it does not intend to offer to acquire Foster's. The spirits and wine companies Diageo, Pernod Ricard and Brown-Forman do not seem to have an interest in beer;
- current conditions in financial markets (particularly credit markets) combined with the size of Foster's make it difficult for financial buyers to put together competitive and fully financed proposals. Private equity funds have acquired substantial beer assets in the recent past (e.g. CVC Capital Partners acquired AB InBev's Central European operations for US\$2.2 billion in October 2009 and KKR & Co LP acquired AB InBev's South Korean Oriental Breweries for US\$1.8 billion in May 2009) but the availability of substantial debt finance at reasonable margins is critical to the ability of private equity funds to make a fully priced offer. Although credit markets should improve at some stage and enable these buyers to return, the scale of the financing required for a private equity bid for Foster's probably means that there is little prospect of a fully priced private equity offer; and
- the strength of the Australian dollar against most major currencies may make an acquisition of Foster's less attractive to a foreign buyer, including to Japanese brewers, which have been acquisitive in Australia in the recent past.

The reality is that there are very few credible potential acquirers of Foster's. Any potential acquirer with the financial capacity and strategic appetite for Foster's has had ample opportunity to formulate an alternative proposal. While the break fees of \$99 million are significant, in the context of a \$10 billion acquisition they would not be a disincentive to a determined counter-bidder. In Grant Samuel's view, although it remains possible that a counter-proposal will eventuate before shareholders vote on the Proposal, this seems unlikely. In the absence of a counter-proposal it would be reasonable to conclude that the Proposal represents the highest price that can be realised in the current market and is therefore definitionally fair. Moreover, it would be reasonable to conclude that, in voting in favour of the Proposal, it is unlikely that shareholders would be foregoing a realistic opportunity of a superior proposal in the future.

The Standalone Option

Foster's shareholders could choose to vote against the Proposal and pursue a standalone strategy. SABMiller's offer comes after Foster's earnings declined in the year ended 30 June 2011, with a fall in overall beer consumption and flat market share adversely affecting Foster's performance. Foster's believes that its new focus on beer, new management team, short term Urgent Agenda initiatives and longer term Full Potential strategy will allow it to grow the overall beer market, regain market share, increase unit revenue and reduce costs, thereby resulting in strong margin growth. Some of the initiatives implemented in the year ended 30 June 2011 have already yielded benefits. Furthermore, Foster's generates strong cash flows and has announced a capital return of at least \$500 million (subject to ATO approval). The question for shareholders is whether the combination of the performance initiatives and the capital management programme is likely to deliver more value to Foster's shareholders than the Proposal.

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It is credible that Foster’s demerger of its wine business and its consequent clear focus on the beer market will result in an improvement in the Foster’s beer business. It is conceivable (although in Grant Samuel’s view unlikely) that the improvement could be of the magnitude contemplated by Foster’s management. However, the reality is that there are a number of material risks associated with the delivery of Foster’s longer term plans. Foster’s has the largest market share in the Australian market, generating the highest EBIT and EBITDA margins of any brewer in the world, and there is an argument that its current position is not sustainable:

- although Foster’s believes that it had stabilised its market share by the year ended 30 June 2011, its market share has been trending down for at least a decade and could continue to slide. This risk is highlighted by the example of the evolution of the Canadian beer market, which is also a duopoly, over the past 15 years. The two majors in the Canadian market accounted for a combined 92% market share in 1995 (i.e. equivalent to Foster’s and Lion’s current joint share of the market) and have lost a combined 10% in market share since then;
- while Foster’s improvement initiatives could result in an increase in margins, the downside risk is significant. As one of two large incumbents, Foster’s will face pressure from competitors and major customers, which could result in lower margins; and
- the improvement initiatives are subject to execution risk and will not be completed for a number of years. There can be no certainty regarding the timing and extent of any consequential earnings growth. Furthermore, these initiatives have been known to the market for some time and any potential upside in Foster’s earnings is likely to have been at least partially reflected in the price at which Foster’s shares traded before the announcement of the initial SABMiller approach on 21 June 2011.

In Grant Samuel’s view, the risks and disadvantages of the standalone alternative outweigh the uncertain prospect of realising some higher value in the future and Foster’s shareholders are likely to be better off if the Proposal proceeds than if Foster’s was to pursue some standalone option.

6.5 Other Advantages and Disadvantages

If the Proposal is not approved and implemented, Foster’s will be required to pay transaction costs including legal and other advisers’ fees as well as printing and mailing costs. Furthermore, in certain circumstances Foster’s will also be liable to pay a \$99 million break fee to SABMiller.

The taxation consequences of the Proposal will vary depending upon, amongst other things, whether shareholders are Australian residents. For some Australian shareholders a taxable capital gain may arise. The taxation implications for non-Australian resident shareholders will depend on their domicile.

Foster’s shareholders should read the more detailed discussion regarding the tax consequences of the Proposal as set out in the Booklet. Shareholders should seek their own taxation advice if in any doubt as to the taxation consequences of the Proposal.

Grant Samuel does not offer taxation advice and nothing in this report should be construed as taxation advice.

6.6 Scheme

The Scheme is an integral component of the Proposal. The Proposal cannot be implemented unless the Scheme proceeds. In Grant Samuel’s opinion, the Proposal is in the best interests of Foster’s shareholders. Accordingly, the Scheme is also in the best interests of Foster’s shareholders.



6.7 Holders of Partly Paid Shares

Foster's has 786,510 partly paid shares on issue. All the partly paid shares are paid up to \$0.0167 per share, but there are a number of different tranches, with different issue prices. The unpaid amount on each partly paid share is equal to the issue price for that share less \$0.0167. Upon payment of the unpaid amount, holders of partly paid shares will participate on the same basis as all other holders of fully paid shares in relation to voting rights, entitlement to dividends and capital returns and all other rights attaching to Foster's shares. Fewer than 1% of the partly paid shares are "in the money" at current Foster's share prices.

The partly paid shares can be converted into fully paid ordinary shares in Foster's by either Foster's or the holders under the following circumstances:

- **at Foster's election:** if the daily VWAP is greater than or equal to the issue price of the partly paid share on the day, and in each of the 40 consecutive business days prior to the day, on which the election is made; and
- **at the partly paid shareholder's call:** at any time.

Pursuant to the Proposal, holders of the partly paid shares will receive:

- \$0.30 per partly paid share pursuant to the Capital Return, applied to reduce the issue price (and therefore the unpaid amount) of each partly paid share. The partly paid shareholders will not receive the Capital Return amount in cash; and
- consideration under the Scheme as set out below:

Foster's – Partly Paid Shares			
Shares	Issue Price Per Partly Paid Share (\$)	Adjusted Unpaid Portion of Issue Price (\$) ⁴⁴	Scheme Consideration Per Partly Paid Share (\$)
300	5.83	5.5133	1.82
4,800	7.38	7.0633	1.58
27,270	7.97	7.6533	1.51
600,000	9.40	9.0833	1.36
62,490	8.30	7.9833	1.47
32,700	7.70	7.3833	1.54
25,290	7.63	7.3133	1.55
31,800	7.33	7.0133	1.59
450	5.00	4.6833	2.00
810	4.42	4.1033	2.15
600	4.32	4.0033	2.17

Source: Foster's

In the event that an ATO ruling is not obtained in relation to the Capital Return (or the ATO ruling is obtained for only part of the Capital Return), the issue price of partly paid shares will not be reduced by \$0.30 per partly paid share. However, partly paid shareholders will still receive the same consideration under the Proposal irrespective of whether or not the ATO ruling is obtained.

From the perspective of the holders of the partly paid shares, the partly paid shares are best thought of as long-dated call options, with holders able to exercise (and receive a fully paid share) by paying the adjusted unpaid portion of the issue price. However, the value of the partly paid shares is less than an ordinary long-dated call option, because Foster's also has the right to require

⁴⁴ Assuming the ATO ruling is granted for the full \$0.30 of the Capital Return.

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holders of partly paid shares to pay up the unpaid amount if the daily VWAP is greater than or equal to the issue price of the partly paid shares for 40 consecutive business days. Effectively, Foster’s has a put option that reduces the value of the call option held by the holders of the partly paid shares.

The valuation of options in the context of change of control transactions is problematic. One approach is to estimate the value based only on the intrinsic value of the option (i.e. the transaction price of the underlying security less the option exercise price). This approach has the effect of attributing no value to “out of the money” options (notwithstanding that such options are valuable). It also ignores the value of the optionality of “in the money” options.

An alternative approach is to value the options using a conventional option valuation approach (such as the binomial valuation model). This approach explicitly captures the value of the optionality.

Selection of the input assumptions for the binomial model is not straightforward, because the model is designed to value options in the context of a volatile security price that will fluctuate over the life of the option, whereas the effect of a change of control proposal is to effectively fix the security price and terminate the life of the option. In this context alternative assumptions can be made regarding the security price to be used as input for the binomial model. While it is arguably methodologically “purer” to adopt the pre-transaction announcement trading price (in this case \$4.53), the consequence is to estimate a pre-transaction value that does not result in holders of options (or in this case partly paid shares) sharing in any takeover premium.

The alternative is to use the transaction value (in this case the Scheme Consideration of \$5.10) as input for the option valuation model. This approach can be criticised because its results in a mismatch of assumptions (with a higher security price and assumptions regarding ongoing security volatility, while the reality is that with the change of control transaction volatility will be extinguished). However, it does mean that holders of the partly paid shares participate in the overall takeover premium and is the most generous of the approaches to estimating value.

The following table sets out estimates of the value of partly paid shares, on the basis of:

- valuation having regard to intrinsic value (assuming a \$0.30 Capital Return per partly paid share is paid in cash);
- valuation using the binomial model and a Foster’s share price of \$4.53 (for a range of volatilities) (assuming a \$0.30 Capital Return is applied to reduce the issue price of each partly paid share); and
- valuation using the binomial model and a Foster’s share price of \$5.10 (for a range of volatilities) (assuming a \$0.30 Capital Return is applied to reduce the issue price of each partly paid share).

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Foster's – Alternative Valuation Approaches for Partly Paid Shares							
Issue Price Per Partly Paid Share (\$)	Intrinsic Value (\$)			Option Value – Binomial Method (\$)			
	Intrinsic Value	Capital Return	Total Value	Security Price of \$4.53		Security Price of \$5.10	
				Volatility 20%	Volatility 25%	Volatility 20%	Volatility 25%
5.83	-	0.30	0.3000	1.43	1.67	1.73	1.99
7.38	-	0.30	0.3000	1.22	1.48	1.48	1.77
7.97	-	0.30	0.3000	1.15	1.42	1.40	1.70
9.40	-	0.30	0.3000	1.03	1.30	1.25	1.55
8.30	-	0.30	0.3000	1.12	1.39	1.37	1.66
7.70	-	0.30	0.3000	1.18	1.44	1.44	1.73
7.63	-	0.30	0.3000	1.19	1.45	1.45	1.74
7.33	-	0.30	0.3000	1.22	1.48	1.49	1.77
5.00	0.1167	0.30	0.4167	1.58	1.81	1.91	2.15
4.42	0.6967	0.30	0.9967	1.71	1.92	2.06	2.29
4.32	0.7967	0.30	1.0967	1.73	1.95	2.09	2.32

None of the estimated values of the partly paid shares using the binomial method set out above reflects the value of the Foster's "put". To this extent they all over-estimate the value of the partly paid shares.

For the purpose of determining the consideration to be paid to holders of partly paid shares, Foster's has adopted a valuation of the partly paid shares based on the assumption that they are best thought of as long-dated call options, using the binomial model and the Scheme Consideration as the security price input to the model (\$5.10). Grant Samuel has reviewed the other inputs for the option valuation model (i.e. assumptions regarding option volatility, duration, dividend yield and the cost of funding) and believes that they are reasonable. In Grant Samuel's view, while this approach is not methodologically "pure" (because it is based on a security price that reflects the transaction but volatility that effectively assumes away the transaction), it has the benefit of ensuring that holders of the partly paid shares also benefit from the takeover premium being delivered to holders of fully paid shares. It is clearly the most generous of the approaches that could be taken to valuing the options and does not incorporate any deduction for the Foster's put.

Accordingly, in Grant Samuel's opinion, the consideration being offered to partly paid shareholders pursuant to the Scheme is fair and reasonable to partly paid shareholders. Partly paid shareholders are participating in the Capital Return on the same basis as fully paid shareholders (albeit the amount is applied to reduce the unpaid portion of the partly paid share rather than paid out as a cash amount).

Overall, in Grant Samuel's view, the Proposal is fair and reasonable to and in the best interests of partly paid shareholders.

6.8 Shareholder Decision

The decision whether to vote for or against the Proposal is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the Proposal, shareholders should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in Foster's. This is an investment decision upon which Grant Samuel does not offer an opinion and

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is independent of a decision on whether to vote for or against the Proposal. Shareholders should consult their own professional adviser in this regard.

6.9 Impact on Creditors

Pursuant to the Proposal, Foster’s will undertake a Capital Return of \$582 million to return cash of \$0.30 per share to shareholders. Existing creditors of Foster’s (and its subsidiaries) will remain creditors of Foster’s, which will be a wholly-owned subsidiary of SABMiller. There will be a reduction in Foster’s shareholders’ funds as a result of the Capital Return.

By definition, any reduction in the equity base of a company disadvantages creditors as it reduces the company’s capacity to meet the claims of creditors. However, in Grant Samuel’s opinion, existing Foster’s creditors will not be materially prejudiced by the Capital Return for the following reasons:

- the quantum of the Capital Return is not materially greater than the quantum of annual dividends historically paid by Foster’s (\$0.2525 per share in the 2011 financial year and \$0.2725 per share in the 2010 financial year);
- the magnitude of the Capital Return of \$582 million is not significant in the context of the total earnings and capital base of Foster’s. It will have no impact on the earnings (before interest and tax) of Foster’s, although it will have a small adverse impact on NPAT and cash flows due to the increase in interest expense:

Impact of Capital Return on Key Financial Parameters (\$ millions)		
	Pre Capital Return	Post Capital Return
<i>Financial Performance for year ended 30 June 2011</i>		
Net sales revenue	2,274.8	2,274.8
EBITDA	869.6	869.6
EBIT	816.7	816.7
<i>Financial Position as at 30 June 2011</i>		
Total assets	2,997.3	2,415.3
Net borrowings	(1,513.5)	(2,095.5)
Net assets	399.6	(182.4)
<i>Liquidity and Gearing Metrics</i>		
Leverage ratio ⁴⁵	1.7	2.4
Gearing (net borrowings/(net assets plus net borrowings))	79.1%	109.5%

Source: Foster’s, Grant Samuel analysis

Whilst the Capital Return appears to result in a net liability position for Foster’s as at 30 June 2011, this ignores Foster’s cash flows since 1 July 2011 and the expected timing of the Capital Return. Foster’s will benefit from operating cash flows between 1 July 2011 and the payment of the capital return in December 2011. Foster’s is a strong generator of free cash flows. It achieved cash conversion of 100.4% of EBITDA in the 2011 financial year. In addition, Foster’s expects to receive tax refunds and interest from the ATO in relation to the Ashwick litigation totalling \$181.7 million post 30 June 2011. On the other hand, Foster’s paid a final dividend totalling \$257.2 million on 3 October 2011;

- Foster’s has total debt facilities of \$1,234.0 million, of which \$1,126.1 million was unutilised as at 30 June 2011. Foster’s had cash balances of approximately \$58.3 million;

⁴⁵ Leverage ratio is net borrowings divided by EBITDA before individually material items and provides a measure of the level of debt supported by earnings.

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- the gearing of Foster's will increase significantly following the Capital Return due to the increase in debt. Based on book values, Foster's gearing as at 30 June 2011 post the Capital Return will be 109.5% compared to Foster's actual gearing as at 30 June 2011 of 79.1% (although this ignores cash flows since 30 June 2011). Based on market values, the increase in gearing is less significant. On the basis of an enterprise value for Foster's consistent with the value implied by Proposal, an increase in gearing would be from 13.2 to 17.3%;
- most amounts due to trade creditors are short term in nature (i.e. repayable within, say, 60 days at any point in time). Trade creditors will therefore have the opportunity to reassess for themselves whether or not they wish to grant continued credit to Foster's;
- Foster's does not have any major capital commitments in the short term, apart from the information technology upgrade programme currently being undertaken; and
- the directors of Foster's have stated the Capital Return, if implemented, will not materially prejudice Foster's ability to pay its creditors.

Grant Samuel makes no warranty, express or implied, as to the potential recoverability of existing or contingent debts owed by Foster's at the date of this report or at any subsequent time. Future creditors must rely on their own investigations of the financial position of Foster's following implementation of the Proposal.

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7 Qualifications, Declarations and Consents

7.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services (in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally), property advisory services, manages specialist funds and provides marketing and distribution services to fund managers. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent advice and expert’s reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 460 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Stephen Cooper BCom (Hons) CA (SA) ACMA and Hannah Crawford BCom LLB CA F Fin. Each has a significant number of years of experience in relevant corporate advisory matters. Bo Briedis BCom CA, Matt Leroux MEng MBA, Marisa Leone BBus ASIA, Shakeel Mohammed MS MBA and Aditya Chibber BCom (Hons) assisted in the preparation of the report. Each of the above persons is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

7.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel’s opinion as to whether the Proposal is in the best interests of shareholders. Grant Samuel expressly disclaims any liability to any Foster’s shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Booklet issued by Foster’s and has not verified or approved any of the contents of the Booklet. Grant Samuel does not accept any responsibility for the contents of the Booklet (except for this report).

Grant Samuel has had no involvement in Foster’s due diligence investigation in relation to the Booklet and does not accept any responsibility for the completeness or reliability of the process which is the responsibility of Foster’s.

7.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Foster’s or SABMiller or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposal.

Grant Samuel advises that in November 2009 it was engaged by Foster’s to conduct preliminary work to allow Grant Samuel to prepare an independent expert’s report for Foster’s should such a report be required. In November 2010, Grant Samuel was engaged by Foster’s to prepare an independent expert’s report in relation to the proposed demerger of its wine business, Treasury Wine Estates.

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Grant Samuel had no part in the formulation of the Proposal. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of \$1,250,000 for the preparation of this report. This fee is not contingent on the outcome of the Proposal. Grant Samuel's out-of-pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.

7.4 Declarations

Foster's has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a court to be primarily caused by any conduct involving recklessness, fraud, negligence or wilful misconduct by Grant Samuel. Foster's has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Any claims by Foster's are limited to an amount equal to the fees paid to Grant Samuel. Where Grant Samuel or its employees and officers are found to have been reckless, fraudulent, negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action.

Advance drafts of this report were provided to Foster's and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

7.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Booklet to be sent to shareholders of Foster's. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

7.6 Other

The accompanying letter dated 26 October 2011 and the Appendices form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED

26 October 2011

Grant Samuel & Associates

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Appendix 1

Broker Consensus Forecasts

Foster’s has not publicly released earnings forecasts for the year ending 30 June 2012 or beyond. Accordingly, the prospective multiples implied by the valuation of Foster’s in the Grant Samuel report are based on median broker forecasts. These forecasts are sufficiently close to Foster’s 2012 Budget and internal projections to be useful for the purpose of multiples analysis (notwithstanding that recent trading conditions remain challenging which could impact the achievement of the 2012 Budget).

Set out below is a summary of forecasts prepared by brokers that follow Foster’s in the Australian stockmarket:

Foster’s – Broker Forecasts for the Year ending 30 June (\$ million)										
Broker	Date	EBITDA ¹			EBIT ²			Operating Profit after Tax ³		
		2012	2013	2014	2012	2013	2014	2012	2013	2014
Broker 1	21 September 2011	896	937	990	851	891	944	494	536	583
Broker 2	21 September 2011	921	982	1,027	868	927	971	498	523	559
Broker 3	21 September 2011	925	985	1,023	869	927	963	516	550	564
Broker 4	21 September 2011	917	950	979	861	890	915	521	547	566
Broker 5	22 September 2011	918	980	1,010	866	926	954	533	592	628
Broker 6	22 September 2011	929	985	1,031	868	922	966	518	538	577
<i>Minimum</i>		896	937	979	851	890	915	494	523	559
<i>Maximum</i>		929	985	1,031	869	927	971	533	592	628
<i>Median</i>		920	981	1,017	867	924	959	517	543	572
<i>Average</i>		918	970	1,010	864	914	952	513	548	579

Source: Brokers’ reports, Grant Samuel analysis

Note: Where forecast separately, associate income is added to EBITDA/EBIT

When reviewing this data the following should be noted:

- the forecasts presented above represent the latest available broker forecasts for Foster’s;
- the brokers presented are those who have published research on Foster’s following the announcement of the SABMiller Proposal on 21 September 2011;
- there are four additional brokers which cover Foster’s. These brokers are restricted (i.e. these brokers only publish factual information, not forecasts);
- the broker forecasts are within a narrow band for 2012, but the range of forecasts widen for 2013 and 2014; and
- as far as is possible to identify from a review of the brokers’ reports, Grant Samuel believes that the earnings forecasts do not incorporate any one-off adjustments or non-recurring items and that the broker forecasts have been prepared on a consistent basis.

¹ EBITDA is earnings before interest, tax, depreciation, amortisation, investment income and material items.

² EBIT is earnings before net interest, tax, investment income and material items.

³ Profit after tax from continuing operations, before material items.



Appendix 2

Market Evidence - Transactions

Set out below is a summary of transactions involving brewing businesses over the last nine years for which there is sufficient information to calculate meaningful valuation parameters:

Recent Transaction Evidence – Brewing Companies							
Date	Target	Transaction	Equity Consideration ¹ (millions)	EBITDA Multiple ² (times)		EBIT Multiple ³ (times)	
				Historical ⁴	Forecast	Historical ⁵	Forecast
Aug 11	Independent Liquor	Acquisition by Asahi	NZ\$1,525	14.2	12.4	18.5	13.6
Aug 11	Schincariol Group	Acquisition by Kirin	BRL4,050	15.8	14.1	nm	21.7
Jan 10	FEMSA Cerveza	Acquisition by Heineken	US\$5,273	11.2	na	17.9	na
Jan 10	San Miguel Corp	Acquisition by Top Frontier	PHP237,136	7.8	na	11.3	na
Apr 09	Lion Nathan	Acquisition by Kirin	A\$6,414	13.9	12.7	16.5	15.0
Mar 09	San Miguel Brewery	Acquisition of 48.304% stake by Kirin	PHP136,244	7.5	na	8.3	na
Jun 08	Anheuser-Busch	Acquisition by InBev	US\$49,915	13.1	12.6	16.7	16.1
Apr 08	Beverage division of Eichhof Holding	Acquisition by Heineken	CHF279	12.0	na	na	na
Nov 07	Koninklijke Grolsch	Acquisition by SABMiller	€817	15.7	14.7	34.6	30.2
Nov 07	J Boag & Son	Acquisition by Lion Nathan	A\$325	18.2	17.4	20.8	19.9
Oct 07	Scottish & Newcastle	Acquisition By Heineken and Carlsberg	£7,607	15.3	12.8	18.4	16.9
Apr 06	Quilmes Industrial (Quinsa) Societe Anonyme	Acquisition of 34.46% stake by AmBev	US\$3,627	10.3	na	13.9	na
Jan 06	Fujian Sedrin Brewery Co	Acquisition by InBev	RMB5,886	13.0	na	na	na
Jul 05	Bavaria	Acquisition by SABMiller	US\$6,166	10.5	na	na	na
Jul 04	Molson	Acquisition by Coors	CS\$6,165	11.4	10.0	13.0	11.1
Mar 04	Ambev	Acquisition by Interbrew	US\$17,073	15.7	11.6	20.4	14.2
Mar 04	Labatt	Transfer from Interbrew to AmBev	US\$5,746	12.9	11.1	18.0	13.2
Feb 04	Carlsberg	Acquisition by Carlsberg of Orkla's 40% stake	DKK37,250	8.6	na	10.9	na
Jan 04	Holsten	Acquisition by Carlsberg	€1,063	9.1	7.7	na	na
Sep 03	Spaten	Acquisition by Interbrew	€533	8.9	na	na	na
May 03	Birra Peroni	Acquisition of 60% interest by SAB Miller	€503	12.6	11.8	20.3	18.3
May 03	BBAG	Acquisition by Heineken	€1,899	10.0	9.2	22.3	20.0
Nov 02	Gilde	Acquisition by Interbrew	€475	8.6	na	na	na
May 02	Miller	Divestment by Phillip Morris to SAB	US\$2,993	8.2	8.0	10.5	9.7
Feb 02	Hartwall	Acquisition by Scottish & Newcastle	€2,126	9.4	na	12.8	na

Source: Grant Samuel analysis⁶

¹ Implied equity value if 100% of the company or business had been acquired.

² Represents gross consideration divided by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items.

³ Represents gross consideration divided by EBIT. EBIT is earnings before net interest, tax, amortisation, investment income and significant and non-recurring items.

⁴ Historical multiples are based on the most recent publicly available full year earnings prior to the transaction announcement date. Forecast multiples are based on company published earnings forecasts or brokers' reports available at transaction announcement date.

⁵ Historical multiples are based on the most recent publicly available full year earnings prior to the transaction announcement date. Forecast multiples are based on company published earnings forecasts or brokers' reports available at transaction announcement date.

⁶ Grant Samuel analysis based on data obtained from IRESS, Capital IQ, Bloomberg, company announcements, transaction documentation and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each transaction depends on analyst coverage, availability and corporate activity.

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A brief summary of each transaction is set out below:

Asahi/Independent Liquor

On 18 August 2011, Asahi Group Holdings, Ltd (“Asahi”) announced that it had entered into an agreement to acquire all outstanding shares of Flavoured Beverages Group Holdings Limited (“Flavoured Beverages”), trading as the Independent Liquor Group (“Independent Liquor”) through Asahi’s existing Australian subsidiary, Asahi Holdings (Australia) Pty Ltd. Asahi’s consideration for the shares purchased was approximately NZD\$1.5 billion before sale purchase adjustments. Prior to the transaction, Independent Liquor was owned Pacific Equity Partners (43.9%), Unitas Capital (43.9%) and the remainder owned by other shareholders. On 30 September 2011, Asahi announced the completion of the share purchase to acquire Independent Liquor. It follows two other major transactions involving Asahi in Australia. Asahi finalised its acquisition of the Schweppes brand in April 2009 and reached an agreement to acquire P&N Beverages Australia Pty Ltd in July 2011.

Kirin/Schincariol Group

On 1 August 2011, Kirin Holdings Company Limited (“Kirin”) signed a share purchase agreement to acquire all outstanding shares of Aleadri-Schinni Participações e Representações S.A (“Aleadri”), which owns a controlling stake in Schincariol Participações e Representações S.A. (“Schincariol”). Schincariol is the controlling shareholder of the Schincariol group companies (“Schincariol Group”). Schincariol Group is the second largest beer producer in Brazil and its beer portfolio includes brands such as Nova Schin, Devassa Bem Loura, Glacial and Baden Baden. Schincariol Group also produces and distributes other beverages including carbonated soft drinks, bottled water, and juices. Kirin’s consideration was approximately BRL 4.0 billion for the 305,400,000 shares purchased. The transaction provides Kirin with a foothold in the fast growing Brazilian alcoholic beverage market. Kirin expects sales in the Schincariol Group to grow at 10% per annum under Kirin’s control, which is reflected in the implied historical EBITDA multiple of 15.8 times and implied forecast EBITDA multiple of 14.1 times.

Heineken/FEMSA Cerveza

On 11 January 2010, Fomento Economico, S.A.B. de C.V. (“FEMSA”) announced that its directors unanimously approved an agreement under which FEMSA would exchange its FEMSA Cerveza business for a 20% economic interest in Heineken N.V. (“Heineken”). Pursuant to the proposed acquisition, Heineken acquired FEMSA’s Mexican beer operations and the remaining 83% of FEMSA’s activities in Brazil. Under the terms of the agreement, FEMSA received 43,018,320 shares in Heineken Holding N.V. and 72,182,201 shares in Heineken. Heineken also assumed US\$2.1 billion debt, including FEMSA Cerveza’s unfunded pension obligations. The total transaction was valued at approximately US\$7.3 billion, based on closing prices for Heineken and Heineken Holding N.V. on 8 January 2010, including the assumed debt. The transaction enabled Heineken to establish itself strongly in the South American market in addition to the right to sell its own brand locally.

Top Frontier Investment Holdings/San Miguel Corporation

On 27 November 2009, Top Frontier Investment Holdings Inc (“Top Frontier”) acquired a 27% interest in San Miguel Corporation (“San Miguel”) from the San Miguel Retirement Fund. The acquisition price was for PHP75 per share. On 6 January 2010, Top Frontier announced its intention to acquire Q-Tech Alliance Holdings, Inc’s (“Q-Tech”) 19% interest in San Miguel. As the acquisition would take Top Frontier’s holding in San Miguel above the 35% threshold, Top Frontier also announced a tender offer for the remaining shares in San Miguel that it did not already own. The tender offer was for PHP75 per San Miguel share.

Lion Nathan Limited/Kirin Holdings Company, Limited

In April 2009, Lion Nathan Limited (“Lion Nathan”) announced that it had agreed terms with Kirin Holdings Company, Limited (“Kirin”) under which Kirin would acquire the 53.87% of Lion Nathan that it did not already own. The consideration under the transaction was A\$11.50 per share plus a special dividend of \$0.50 per share, valuing the equity in Lion Nathan at A\$6.1 billion. Lion Nathan is a leading Australasian beverage company with a primary focus on the production and sale of beer. It also has a complementary spirits, ready to drink spirits and fine wine business. In the year ended 30 September 2008, Lion Nathan’s wine group generated EBIT of A\$16.1 million representing only around 5% of Lion Nathan’s business. The transaction was completed in October 2009.



Kirin/San Miguel Brewery

Kirin announced on 20 February 2009 its intention to acquire up to a 43.25% interest in San Miguel Brewery Inc from San Miguel, for a cash value of PHP8.481 per share. At the time of the transaction, Kirin already held approximately 20.0% interest in San Miguel. In addition, Kirin made an offer to purchase additional shares in San Miguel Brewery Inc, owned by investors other than San Miguel, at the same price offered to San Miguel. In May 2009, Kirin announced the successful acquisition of San Miguel Brewery Inc shares from San Miguel and an additional 779 million shares from San Miguel Brewery Inc shareholders, taking Kirin's shareholding in San Miguel Brewery Inc to 48.304%, and leaving San Miguel with a 51% shareholding. The multiple paid is at the lower end of other comparable transactions as it reflects no competitive bids in the transaction process and a non-controlling interest.

InBev/Anheuser-Busch

In June 2008, InBev announced a proposal to acquire all outstanding shares of Anheuser-Busch Companies ("Anheuser-Busch") for US\$65 per share. This offer was rejected by Anheuser-Busch in late June 2008 and a revised cash offer of US\$70 per share was accepted in July 2008. The merged company was renamed Anheuser-Busch InBev and the transaction created the global leader in the beer industry and one of the world's top five consumer product companies. The merger combined three leading beer brands: Anheuser-Busch's Budweiser with InBev's Stella Artois and Beck's.

Heineken NV/Beverage division of Eichhof Holding AG

In April 2008, Heineken announced its intention to acquire the beverage division of Eichhof Holding AG, which comprises the production and distribution of beers, non-alcoholic beverages and wine. The main brand is Eichhof which is the leading brand in the Lucerne region in Switzerland. The acquisition provided Heineken with a larger presence in the Swiss market.

Heineken NV and Carlsberg A/S/Scottish & Newcastle plc

Heineken and Carlsberg A/S (together the "Consortium") submitted a proposal to acquire Scottish & Newcastle plc ("Scottish & Newcastle") for a cash offer of £7.20 per share in October 2007. Following Scottish & Newcastle's dismissal of the original proposal, the Consortium increased its offer to £7.50 per share in November 2007. The bid was again dismissed and a revised proposal of £7.80 per share was submitted in January 2008, which was then later revised up to £8.00 per share. This was accepted by S&N in February 2008. Under the agreement, Carlsberg acquired Scottish & Newcastle's interest in Baltic Beverages Holding as well as French, Greek, Chinese and Vietnamese operations. Heineken retained the remaining businesses, being the United Kingdom, Ireland, Portuguese, Finnish, Belgian, United States and Indian operations.

SABMiller plc/Koninklijke Grolsch NV

On 19 November 2007, SABMiller plc ("SABMiller") announced a fully financed cash offer to acquire all the outstanding shares in Koninklijke Grolsch NV ("Grolsch") for EUR48.25 per share. Grolsch is a Dutch beer brand with over 400 years of brewing history. In addition to a strong following in its home country of the Netherlands, Grolsch also has a strong following in the United Kingdom, United States, Canada, France, Australia and New Zealand. The Grolsch brand is its main product. In 2004, Grolsch completed the construction of a large brewery with capacity of approximately 3.8 hectolitres. The high EBIT multiple implied by this transaction is a result of the significant depreciation expense relative to earnings.

Lion Nathan Limited/J Boag & Son Pty Limited

Lion Nathan announced it had entered into an agreement to purchase J Boag & Son Pty Limited ("J Boag & Son") for \$325 million from San Miguel Corporation in November 2007. J Boag & Son is a well known Tasmanian brewer which sells 36% of its beer volume in Tasmania with the remainder being sold on the mainland of Australia. The beer portfolio includes Boag's Draught, James Boag's Premium and Premium Light and Boag's St George. The acquisition implied a multiple of 18.2 times historical EBITDA and reflected the willingness of Lion Nathan to pay a high price for a strong portfolio of brands in the growing premium beer category.

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Companhia de Bebidas das Americas/Quilmes Industrial (Quinsa) Societe Anonyme

On 13 April 2006, a significant shareholder of Quilmes Industrial (Quinsa) Societe Anonyme (“Quinsa”), sold their 34.46% interest in Quinsa to Companhia de Bebidas das Americas (“AmBev”) for US\$1.25 billion. As a result of the transaction, AmBev increased its stake in Quinsa to 91.18% (which also represented a 97.16% voting interest). Quinsa is the largest brewer in Argentina, Bolivia, Paraguay and Uruguay and has presence in the Chilean market. Quinsa is also the sole Pepsi bottler in Argentina and Uruguay.

InBev/Fujian Sedrin Brewery Co Ltd

InBev reached an agreement to acquire a 100% interest in Fujian Sedrin Brewery Co Ltd (“Fujian”) in January 2006. Fujian is a Chinese brewing company founded in 1896 and had two breweries at the time of the transaction located in Fujian and Jiangxi province of China. At the time of transaction, Fujian held the largest market share of 45% in the Fujian province for beer sales. An initial equity stake of 39.48% was acquired from Fujian’s state owned shareholders. The balance was acquired by June 2006. The transaction gave InBev an opportunity to expand its existing operations in China.

SABMiller/Bavaria SA

SABMiller announced in July 2005 that, via a wholly owned subsidiary, it would enter into a merger with BEVCO LLC (“BC”) (the holding company of the Santo Domingo Group’s interest in Bavaria SA (“Bavaria”) whereby SABMiller acquire BC’s indirect 71.8% interest in Bavaria. SABMiller issued 225 million new ordinary shares to BC, representing an economic interest of approximately 15.1% in SABMiller. Following completion of the merger, SABMiller acquired all minority outstanding shares in Bavaria for \$19.48 per share and agreed to also acquire outstanding minority interests in Bavaria’s Colombia, Peru and Ecuador subsidiaries. Bavaria is the second largest brewer in South America with leading market positions in Colombia, Peru, Ecuador and Panama. Key beer brands include Aguila, Cristal, Pilsener and Atlas.

Coors/Molson

Molson Inc. and Adolph Coors Company announced on July 22 2004 an intention to combine Molson and Coors. The transaction was structured as a Plan of Arrangement under which each share of Molson held by a Canadian resident was exchanged, at the election of the holder, for exchangeable shares in a Canadian subsidiary of Molson Coors and/or Molson Coors stock. Molson shares held by non-residents of Canada were exchanged for Molson Coors stock.

Under the Plan of Arrangement, each Molson Class B common share was converted into shares which were exchanged for 0.126 voting shares and 0.234 non-voting shares of Molson Coors (or exchangeable shares, as applicable) and each Molson Class A non-voting share was converted into shares which were exchanged for 0.360 non-voting shares of Molson Coors (or exchangeable shares, as applicable). A total of 2,437,513 Class A exchangeable shares and 32,161,792 Class B exchangeable shares of Molson Coors Canada and 64,275 shares of Class A common stock and 12,084,689 shares of Class B common stock of Molson Coors Brewing Company were issued as part of the merger transaction to former Molson shareholders. In addition, Molson shareholders as at close of business on 8 February 2005, were eligible to receive a CDN \$5.44 special dividend as part of the transaction.

Interbrew/Ambev

Interbrew announced on 3 March 2004 its intention to take a controlling stake in AmBev of Brazil in a stock and debt swap deal to create the world’s largest brewer. Interbrew issued 141.7 million new Interbrew shares for 100% of Braco S.A., a Brazilian holding company which had an economic interest of 21.8% (and a 52.8% voting interest) in AmBev.

AmBev then issued 9.5 billion AmBev ordinary shares and 13.8 billion preferred shares to Interbrew and assumed debt of \$1.5 billion in exchange for Interbrew’s wholly owned Canadian subsidiary Labatt. Interbrew then made a follow on offer for the remainder of Inbev that it did not already own (other than those shares owned by Fundacao Antonio e Helena Serener). The net effect of the transaction was that Interbrew acquired 57% of the economic interest and 85% of the total voting interest in AmBev. Following the transaction, Interbrew changed its name to InBev.



Ambev/Labatt

As part of the Interbrew/AmBev merger, Ambev issued 9.5 billion AmBev ordinary shares and 13.8 billion preferred shares to Interbrew and assumed debt of \$1.5 billion in exchange for Interbrew's wholly owned Canadian subsidiary Labatt.

Carlsberg/Orkla

On 19 February 2004, Carlsberg A/S announced that it had signed an agreement to buy Orkla ASA's 40% shareholding in Carlsberg Breweries A/S for a total consideration of approximately DKK14.8 billion. The transaction ended the partnership between Carlsberg and Orkla ASA and installed Carlsberg as the sole shareholder of Carlsberg Breweries. At completion, Carlsberg made a cash payment to Orkla of DKK11.0 billion, together with an additional payment of DKK80 million to cover Orkla's expenses associated with the transaction. In addition, Carlsberg agreed to pay DKK3.8 billion plus accrued interest two years from completion.

Carlsberg/Holsten

On 20 January 2004, Carlsberg announced that it had agreed to acquire the main part of the Holsten's brewing business for an enterprise value of €437 million. The transaction was effected through a bid by Carlsberg for the entire issued share capital of Carlsberg at €38 per share (a total enterprise value of €1,065 million), with agreements to onsell the König and Licher breweries to the Bitburgwer Group and the water business to an undisclosed third party. Carlsberg entered a conditional agreement to acquire 51% of Holsten from the Eisenbeiss family and other parties.

The multiples shown reflect only the brewing assets retained by Carlsberg, for which earnings were separately disclosed.

Interbrew/Spaten

On 18 September 2003, Interbrew announced a strategic partnership with Gabriel Sedlmayr Spaten-Franziskaner Bräu KGaA ("Spaten"), to combine Spaten's beer business with Interbrew. The transaction was executed in three steps. First, Spaten agreed to separate the Spaten-Franziskaner brewing activities into a separate legal entity. Next, these activities, plus Löwenbräu brewing, were transferred to Interbrew Deutschland in exchange for a 13% share in the enlarged equity of Interbrew Deutschland. Finally, Brauerei Beck & Co acquired the Dinkelacker-Schwaben Bräu business.

The transaction valued the combined Spaten and Dinkelacker beer interests at an enterprise value of €477 million (equity value €522 million and €45 million net cash). Based on 2004 performance thresholds for Spaten, an additional future payment of up to €56 million could be triggered, leading to an enterprise value of up to €533 million, assuming the performance targets are fully met.

SAB Miller/Peroni

SABMiller acquired a 60% stake in Birra Peroni for €246 million and entered into put and call arrangements with shareholders who did not sell their stake initially which, when fully exercised, would result in SABMiller increasing its shareholding in Birra Peroni to 97.8%. These call options were executed in 2005 for a consideration of €162.5 million. SABMiller's initial cash investment of €246 million (\$279 million) was based on a total enterprise value of €563 million (\$638 million).

Heineken/BBAG

On 2 May 2003, Heineken announced it had reached agreement with representatives of the shareholders of Getränke-Beteiligungs-AG (GeBAG) to be in a position to acquire a majority stake in BBAG Österreichische Brau-Beteiligungs-Aktiengesellschaft (BBAG), the leading Austrian brewery group.

Heineken agreed to acquire up to 100%, but not less than 75%, of the shares in GeBAG, which itself held 68.7% of BBAG's share capital. GeBAG's shareholders were offered a total consideration of €769 million for 100% of GeBAG.

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Heineken also agreed to launch a public offer for the outstanding shares of BBAG and its sub-holding Brau Union AG (‘BU’) at prices of €124.00 per BBAG share and €127.27 per BU share.

InBev/Gilde

On 15 November 2002, Interbrew announced that the Management Board and Supervisory Board of Brauergilde Hannover AG had agreed to support the offer of Interbrew Deutschland Holding for up to 100% of the issued shares of Brauergilde Hannover AG, which owned 85.4% of Gilde Brauerei AG.

The value of 100% of the shares of Brauergilde Hannover AG was €523 million based on the offer price. Taking into account the value of treasury shares of €32 million, Interbrew agreed to pay the public shareholders a total consideration of €491 million, should all shareholders decide to accept the offer.

Interbrew agreed to then make a mandatory offer for the remaining 15% of the outstanding shares of Gilde Brauerei AG. The total equity value of both transactions was at approximately €575 million. The equivalent enterprise value after adjustments for cash and non-operational real estate investments was €475 million.

SAB/Miller

On 30 May 2002, South African Breweries plc (‘SAB’) announced that it had entered into an agreement with Philip Morris Companies Inc. to acquire 100% of Miller Brewing Company (‘Miller’). In consideration, SAB agreed to issue to Philip Morris 430 million shares. The pre-market speculation implied enterprise value of Miller was US\$5.0 billion, including net debt of US\$2.0 billion.

The shares issued to Philip Morris comprised two classes of equity capital: ordinary shares and unlisted participating shares. The total of these shares was equivalent to an economic interest of 36.02% in the enlarged SABMiller. Philip Morris’ total voting rights were capped at 24.99% of the votes exercisable at a general meeting.

Scottish & Newcastle/Hartwall

On 14 February 2002, Scottish & Newcastle announced that it had reached agreement to acquire Hartwall through a recommended share offer. Hartwall is a Finland based beverage business involved in the production and distribution of beers, ciders, soft drinks, bottled water and other specialty drinks. The agreement valued the Hartwall business at €2.0 billion (£1.2 billion).



Appendix 3

Market Evidence – Comparable Listed Companies

There are no listed brewing companies in Australia with a market capitalisation comparable to Foster's. As a result, Grant Samuel has primarily analysed the share market trading multiples of international brewing companies. The trading multiples for a selection of these companies are summarised below:

Sharemarket Ratings of Selected Listed Brewing Companies							
Company	Market Capitalisation ¹ (millions)	EBITDA Multiple ² (times)			EBIT Multiple ³ (times)		
		Historical	Forecast Yr 1	Forecast Yr 2	Historical	Forecast Yr 1	Forecast Yr 2
<i>Global</i>							
AB InBev	€ 64,225	9.8	8.7	8.1	12.2	10.7	9.9
Heineken	€ 20,555	9.2	8.2	7.8	14.3	11.5	11.0
SABMiller	GBP 36,469	12.3	11.0	9.6	15.6	13.3	12.2
<i>Australia</i>							
Coca-Cola Amatil	A\$ 9,122	10.7	9.8	9.0	12.9	12.2	11.2
Little World Beverages	A\$ 219	14.1	11.8	9.8	16.7	13.8	12.0
<i>Asia & Pacific</i>							
Asahi	JPY 788,245	6.5	6.3	6.1	10.3	10.1	9.7
Sapporo	JPY 113,070	7.5	nc	nc	17.6	nc	nc
Kirin	JPY 960,175	6.9	6.3	6.4	11.4	12.4	11.8
Tsingtao	CNY 44,404	13.5	12.4	10.4	16.9	15.7	12.9
Asia Pacific Breweries	SGD 6,455	12.1	nc	nc	13.7	nc	nc
<i>Americas</i>							
Molson Coors	US\$ 7,797	8.5	8.2	7.8	10.4	10.2	9.7
Grupo Modelo	MXN 253,460	9.8	9.4	8.7	11.6	11.2	10.2
CCU	CLP 1,732,592	9.6	9.2	8.6	12.4	11.2	10.9
Ambev	BRL 162,918	13.8	12.7	11.2	15.9	14.4	12.7
<i>Europe</i>							
Carlsberg	DKK 54,299	6.8	6.8	6.3	9.3	9.6	8.7

Source: Grant Samuel analysis⁴

The multiples are based on sharemarket prices as at 21 October 2011.

The data presented for each company is the most recent historical annual result plus the subsequent two forecast years. The majority of companies selected have 31 December year ends, with the exception of SAB Miller plc ("SABMiller"), which has a 31 March year end, Asia Pacific Breweries Limited ("Asia Pacific Breweries"), which has a 30 September year end and Little World Beverages Limited ("Little World Beverages") which has a 30 June year end.

¹ Market capitalisation based on sharemarket prices as at 21 October 2011.

² Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income and significant and non-recurring items.

³ Represents gross capitalisation divided by EBIT. EBIT is earnings before net interest, tax, investment income and significant and non-recurring items.

⁴ Grant Samuel analysis based on data obtained from IRESS, Bloomberg, Capital IQ, company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

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A brief description of each company is set out below:

Anheuser-Busch InBev N.V.

Anheuser-Busch InBev N.V. (“AB InBev”) is a Belgium-based company and one of the largest global brewing companies. In November 2008, InBev and Anheuser-Busch merged to become AB InBev. The combined business has four of the top selling beers in the world and number one or two positions in 19 key markets. This portfolio includes global brands Budweiser, Stella Artois and Beck’s, smaller multi-country brands such as Labatt, Leffe and Hoegaarden, and regional brands such as Bud Light, Skol, Brahma, Quilmes, Belle-Vue, Michelob, Harbin, Sedrin, Bass, Klinskoye, Sibirskaia Korona, Chernigivske and Jupiler. The company, directly and indirectly, owns approximately 50.0% of Grupo Modelo S.A.B. de C.V. (“Grupo Modelo”), one of Mexico’s largest brewers and owner of the Corona brand. AB InBev also owns 61.8% of Companhia de Bebidas das Americas (“Ambev”), one of the largest brewers in South America.

Heineken N.V.

Heineken N.V. (“Heineken”) is a global brewing company with more than 200 international, regional, local and specialty beers and ciders, including Amstel, Birra Moretti, Cruzcampo, Foster’s, Maes, Murphy’s, Newcastle Brown Ale, Ochota, Primus, Sagres, Star, Strongbow, Tiger and Zywiec. In early 2008, Heineken with Carlsberg acquired Scottish & Southern Newcastle plc for approximately £7.7 billion, with Heineken acquiring the United Kingdom, Ireland, Portuguese, Finish, Belgium, United States and Indian operations. Only 40% of Heineken shares are free float. The remainder is held by Heineken Holding N.V., which owns approximately 50.0% and Fomento Económico Mexicano, S.A.B. de C.V. (“FEMSA”), which owns approximately 10.0%. Heineken Holding N.V. is owned by L’Arche Green N.V., which is controlled by the Heineken family. On 11 January 2010, Heineken announced the acquisition of the beer operations of FEMSA, Mexico’s largest beverage company. In June 2010, Heineken sold its British beverage distributor Waverley TBS to Manfield Partners.

SABMiller plc

SABMiller is one of the world’s largest brewers, with brewing and beverage interests across six continents. Its brands include international beers, such as Pilsner Urquell, Peroni Nastro Azzurro, Miller Genuine Draft and Grolsch along with local brands, such as Aguila, Castle, Miller Lite, Snow and Tyskie. SABMiller is also one of the largest bottlers of Coca-Cola products. SABMiller’s markets range from developed economies such as United States to emerging markets including China and India. In August 2006, SABMiller entered into a joint venture with Coca-Cola Amatil Limited (“Coca-Cola Amatil”) to import, sell and distribute their beer brands into Australia. In November 2010, SABMiller announced its entry into the Argentine market, with the acquisition of Cerveceria Argentina S.A. Isenbeck, the third largest brewer in Argentina, from the Warsteiner Group.

Coca-Cola Amatil Limited

Coca-Cola Amatil Limited (“Coca Cola Amatil”) is an Australian company which manufactures, distributes and markets The Coca-Cola Company’s carbonated soft drinks and other beverages, principally in Australia, New Zealand, Fiji, Indonesia and Papua New Guinea. It is the largest non-alcoholic beverage company in the Pacific Rim. Coca-Cola Amatil has diversified and expanded in the past decade to include water, sports and energy drinks, fruit juices, coffee, ready-to-drink teas and packaged ready-to-eat fruit and vegetable products. In August 2006, Coca-Cola Amatil entered into a joint venture with SABMiller to distribute their beer brands into Australia, and from April 2007, began selling and distributing the products of spirits distributor Maxxium. Coca-Cola Amatil’s “Australian Beverages” segment includes carbonated, non-carbonated and alcoholic beverages and accounted for 63% of trading revenues and approximately 70% of group EBIT for the year ended 31 December 2010.

Little World Beverages Limited

Little World Beverages is an ASX-listed brewing company based in Fremantle, Western Australia. Little World Beverages was listed on the ASX on 10 November 2005 and its major shareholders include Anglo-Gaelic Investments Pty Ltd and Fini Group Pty Ltd which hold approximately 36.26% and 15.94% interest respectively. Little World Beverages’s portfolio consists of two key brands, including White Rabbit and Little Creatures. On 16 November 2010, Little World Beverages announced that it has entered into an agreement to purchase a



properly in Geelong, Victoria, and on 19 August 2011 Little World Beverages resolved to proceed with the development of a brewery at the site purchased, with a total project cost estimated to be \$60 million.

Asahi Group Holdings Limited

Asahi Group Holdings Limited (“Asahi”) is a leading brewery and soft drink company based in Tokyo, Japan. The company has a 40% share of the Japanese beer market. Asahi operates in four business segments. The “Alcohol” segment is involved in the manufacture and sale of beer, as well as the sale of western liquor, wine and distilled spirits. It is also engaged in the manufacture and repair of alcohol storage barrels, the manufacture, sale and maintenance of alcohol sales facilities, as well as the overseas sale of beer. The “Beverage” segment manufactures and sells various drinks, such as coffee, tea, carbonated drinks, health drinks, fruit juice and mineral water. The “Food and Medical Product” segment manufactures and sells pharmaceuticals, quasi-drugs, supplement products, health food and diet food products. The “Others” segment includes the processing of malts, the management of buildings, and a restaurant business. In March 2009, Asahi acquired the Australian beverages unit of Cadbury Schweppes and in August 2010, Asahi acquired P&N Beverages Australia Pty Ltd, one of the largest soft drink companies in Australia. In the year ended 31 December 2010, Alcoholic Beverages accounted for approximately 63% of sales and 89% of operating income. In August 2011, Asahi announced that it has reached an agreement to acquire all the outstanding shares of Flavoured Beverages Group Holdings Limited, which trades as Independent Liquor Group, an alcoholic beverage company focused in Australia and New Zealand. Asahi’s multiples reflect the expectation of slower earnings growth in the 2012 and 2013 financial years.

Sapporo Holdings Limited

Sapporo Holdings Limited (“Sapporo”) is a Japanese-based holding company that is active in four business segments. The “Alcoholic Beverages” segment is engaged in the manufacture and sale of beer, sparkling liquor, domestic wine, brandy, distilled spirit and other alcoholic beverages. The “Soft Drinks” segment manufactures and sells beverages, including the sale of drinking water through vending machines. The “Restaurant” segment is involved in the operation of beer halls and restaurants. The “Real Estate” segment is engaged in the operation and management of Yebisu Garden Palace, a complex facility that consists of offices, housing, restaurants, and commercial and cultural facilities, as well as a commercial and amusement complex facility under the name Sapporo Factory. This segment also operates sports facilities. The company has 33 consolidated subsidiaries and 6 equity-accounted affiliated companies. The relatively high EBIT trading multiples of Sapporo reflects the significant depreciation expense of the “Real Estate” segment. In March 2010, Sapporo completed the acquisition of an equity interest in Vietnamese joint venture company Kronenbourg Vietnam Limited, as a mechanism to enter the beer market in Vietnam. Sapporo’s multiple reflects its diversified industry mix and a market capitalisation that has fallen significantly since the Japanese earthquake and tsunami in March 2011. Sapporo’s sales outside of the Japanese markets represent less than 10% of consolidated sales.

Kirin Holdings Company Limited

Kirin Holdings Company Limited (“Kirin”) is a Japanese-based holding company primarily engaged in the manufacture and sale of alcoholic beverages and soft drinks. Kirin sells two of the most popular beers in Japan, Kirin Lager and Ichiban Shibori. Kirin manages domestic distribution for several foreign brands, including Budweiser and Heineken. The brewery operations of Kirin also extend overseas, through strategic alliances, subsidiaries, and affiliates, to China, Taiwan, Australia, the Philippines, Europe and the United States. Kirin holds a 100% interest in Lion, a subsidiary that is based in Australia and also has operations in China. Kirin has a 100% interest in San Miguel Corporation, the dominant brewer in the Philippines. Although brewing and related businesses represent Kirin’s core activities, the company is also involved in several other sectors: hard liquor, wine, soft drinks, food products and pharmaceuticals. In the year ended 31 December 2010, the “Alcoholic Beverages” segment accounted for approximately 40% of net sales. In August 2011, Kirin announced it had reached an agreement to purchase all the outstanding shares of Aleadri-Schinni Participações e Representações S.A., which owns a controlling stake in Schincariol Participações e Representações S.A., the controlling shareholder of the Schincariol group companies, a large Brazilian beer and soft drinks producer. Kirin’s market capitalisation has fallen significantly since the Japanese earthquake and tsunami in March 2011 and a recent earnings downgrade.

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Tsingtao Brewery Company Limited

Tsingtao Brewery Company Limited (“Tsingtao”) is China’s second largest brewing company, with approximately 14% of market share as at December 2010. Tsingtao owns approximately 50 breweries and a malting plant across a number of provinces, cities and regions all over China. Its primary product, Tsingtao Lager, is distributed to more than 60 countries and regions around the world including Japan, Germany, France, United Kingdom, Italy, Canada, Brazil and Mexico. Tsingtao Lager is the leading branded consumer product exported from China. As at 31 December 2010, Tsingtao also owned a 39% interest in Yantai Beer Tsingtao Asahi Co., Ltd., a joint venture between Asahi, Tsingtao and Yantai Beer Group.

Asia Pacific Breweries Limited

Asia Pacific Breweries is a Singapore-listed brewery company. Asia Pacific Breweries was founded as Malayan Breweries Limited in 1931, as a joint venture between Heineken, and Fraser and Neave, and given its present name in 1990. It currently operates 30 breweries in 14 countries in the Asia Pacific region, selling over 120 brands of beer and beer variants. Heineken is the majority shareholder with approximately 42% stake. Its main brands are Tiger Beer, Heineken, Anchor, Baron’s, Strong Brew and ABC Extra Stout.

Molson Coors Brewing Company

Molson Coors Brewing Company (“Molson Coors”) is a company that was created by the merger of two of North America’s largest breweries: Molson of Canada, and Coor of the United States, on 9 February 2005. Effective 1 January 2008, Molson Coors and Grupo Modelo established a 50:50 joint venture, Modelo Molson Imports, L.P., to import, distribute, and market the Grupo Modelo beer brand portfolio across all Canadian provinces and territories. Effective from 1 July 2008, Molson Coors and SABMiller combined the United States and Puerto Rico operations of their respective subsidiaries, in the MillerCoors joint venture, that markets all of their combined products in those territories. Molson Coors’ key brands are Coors, Molson and Carling. In May 2010, Molson Coors signed an agreement to buy a 51% controlling interest in a new joint venture with the Hebei Si’hai Beer Company of China (“Si’hai”), resulting in the joint venture having direct control over the Si’hai brewing operations, including its contract brewing business, and providing opportunities to expand the sales and distribution of a portfolio of emerging brands led by Coors Light and regional Si’hai beers.

Grupo Modelo SA de CV

Grupo Modelo is a Mexico-based company primarily engaged in the production, distribution and sale of 12 brands of beer: Corona Extra, Modelo Especial, Corona Light, Negra Modelo, Pacifico, Modelo Light, Victoria, Leon, Montejo, Estrella, Barrilito and Tropical Light. It also has a license to import such international trademark beers as Budweiser, Bud Light, O’Doul’s, Tsingtao and Carlsberg. Additionally, it is involved in the production and sale of bottled water under the Santa Maria and Nestle Pureza Vital brands, as well as in the distribution of the San Pellegrino, Perrier and Aqua Panna brands. Grupo Modelo’s products are exported to North and Latin America, Europe, Africa, the Middle East, Asia and Oceania. Grupo Modelo’s facilities include seven breweries located in Sonora, Coahuila, Sinaloa, Zacatecas, Guadalajara, Mexico DF and Oaxaca. AB InBev has a 50% non-controlling stake in Grupo Modelo.

Compañía Cervecerías Unidas S.A.

Compañía Cervecerías Unidas S.A. (“CCU”) is a diversified beverage company operating principally in Chile and Argentina. CCU’s beer and soft drink products include a range of licensed and imported brands. CCU operates in five segments: production and sale of beer in Chile, production and sale of beer in Argentina, soft drinks and mineral water, wine and spirits. It is also involved in the production and sale of chocolates and sweets, and the sale of plastic cases and containers to unaffiliated companies. CCU’s line of beers in Chile includes a range of super-premium, premium and medium-priced, which are primarily marketed under seven different brands and four brand extensions. CCU is a producer and distributor of Heineken and the distributor of imported Corona, Negra Modelo, Paulaner and Guinness beer brands in Argentina. A subsidiary of Heineken, Inversopmes y Rentas SA (“IRSA”), owns approximately 66% of CCU. Heineken owns 50% of IRSA, which results in Heineken having an interest of approximately 33% in CCU.

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Ambev

Ambev is a Brazil-based company, producing, selling and distributing beer, carbonated soft drinks and other non-alcoholic and non-carbonated products in 14 countries across the Americas. AmBev is one of PepsiCo International, Inc.'s largest bottlers outside the United States. AmBev conducts its operations through three business units: Latin America North, Latin America South and Canada. AmBev is listed on the Sao Paulo Stock Exchange and New York Stock Exchange with a combined free float of 28.5%. AB InBev owns 61.9% and the Fundação Antonio e Helena Zerrenner (a Brazilian charitable foundation providing health benefits to AmBev employees) owns 9.6% of Ambev.

Carlsberg A/S

Carlsberg A/S ("Carlsberg") is a Denmark-based brewing company. Carlsberg's operations comprise breweries, which have a primary focus on the production, retail and marketing of beer, with secondary activities in soft drink and water production. Carlsberg is operational worldwide, with activities mainly in Northern, Western and Eastern Europe, as well as in Asia. In countries where Carlsberg has no breweries, it sells its products through exports and licensing agreements. It offers approximately 500 brands, with a core international brand, Carlsberg Pilsner, supported by such international and regional brands as Tuborg, Baltika, 1664, Holsten, Kronenbourg, Falcon, Pripps, Karhu, Okocim, Feldschloesschen, Ringnes, Wusu and others. In early 2008, Carlsberg and Heineken acquired Scottish & Newcastle, with Carlsberg acquiring Scottish & Newcastle's share of Baltic Beverages Holding (taking Carlsberg's share to 100%) as well as acquiring the French, Greek, Chinese and Vietnamese operations. Carlsberg's low trading multiples reflect an expectation of a decline in volume growth in key markets, in particular, Russia.

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Appendix 4

Selection of Discount Rates

1 Overview

Grant Samuel has selected discount rates of 8.0-9.0% to apply to the forecast nominal ungeared after tax cash flows for Foster’s.

Selection of the appropriate discount rate to apply to the forecast cash flows of any business enterprise is fundamentally a matter of judgement. The valuation of an asset or business involves judgements about the discount rates that may be utilised by potential acquirers of that asset. There is a body of theory which can be used to support that judgement. However, a mechanistic application of formulae derived from that theory can obscure the reality that there is no “correct” discount rate. Despite the growing acceptance and application of various theoretical models, it is Grant Samuel’s experience that many companies rely on less sophisticated approaches. Many businesses use relatively arbitrary “hurdle rates” which do not vary significantly from investment to investment or change significantly over time despite interest rate movements. Valuation is an estimate of what real world buyers and sellers of assets would pay and must therefore reflect criteria that will be applied in practice even if they are not theoretically correct. Grant Samuel considers the rates adopted to be reasonable discount rates that acquirers would use irrespective of the outcome or shortcomings of applying any particular theoretical model.

The discount rates that Grant Samuel has adopted are reasonable relative to the rates derived from theoretical models. The discount rate represents an estimate of the weighted average cost of capital (“WACC”) appropriate for these assets. Grant Samuel has calculated a WACC based on a weighted average of the cost of equity and the cost of debt. This is the relevant rate to apply to ungeared cash flows. There are three main elements to the determination of an appropriate WACC. These are:

- cost of equity;
- cost of debt; and
- debt/equity mix.

WACC is a commonly used basis but it should be recognised that it has shortcomings in that it:

- represents a simplification of what are usually much more complex financial structures; and
- assumes a constant degree of leverage which is seldom correct.

The cost of equity has been derived from application of the Capital Asset Pricing Model (“CAPM”) methodology. The CAPM is probably the most widely accepted and used methodology for determining the cost of equity capital. There are more sophisticated multivariate models which utilise additional risk factors but these models have not achieved any significant degree of usage or acceptance in practice. However, while the theory underlying the CAPM is rigorous the practical application is subject to shortcomings and limitations and the results of applying the CAPM model should only be regarded as providing a general guide. There is a tendency to regard the rates calculated using CAPM as inviolate. To do so is to misunderstand the limitations of the model. For example:

- the CAPM theory is based on expectations but uses historical data as a proxy. The future is not necessarily the same as the past;
- the measurement of historical data such as risk premia and beta factors is subject to very high levels of statistical error. Measurements vary widely depending on factors such as source, time period and sampling frequency;
- the measurement of beta is often based on comparisons with other companies. None of these companies is likely to be directly comparable to the entity for which the discount rate is being calculated and may operate in widely varying markets;



- parameters such as the debt/equity ratio and risk premium are based on subjective judgements; and
- there is not unanimous agreement as to how the model should adjust for factors such as taxation. The CAPM was developed in the context of a “classical” tax system. Australia’s system of dividend imputation has a significant impact on the measurement of net returns to investors.

The cost of debt has been determined by reference to the pricing implied by the global debt markets. The cost of debt represents an estimate of the expected future returns required by debt providers. In determining the appropriate cost of debt over this forecast period, regard was had to debt ratings of comparable companies.

Selection of an appropriate debt/equity mix is a matter of judgement. The debt/equity mix represents an appropriate level of gearing, stated in market value terms, for the business over the forecast period. The relevant proportions of debt and equity have been determined having regard to the financial gearing of the industry in general and comparable companies, and judgements as to the appropriate level of gearing considering the nature and quality of the cash flow stream.

The following sections set out the basis for Grant Samuel’s determination of the discount rates for Foster’s and the factors which limit the accuracy and reliability of the estimates.

2 Definition and Limitations of the CAPM and WACC

The CAPM provides a theoretical basis for determining a discount rate that reflects the returns required by diversified investors in equities. The rate of return required by equity investors represents the cost of equity of a company and is therefore the relevant measure for estimating a company’s weighted average cost of capital. CAPM is based on the assumption that investors require a premium for investing in equities rather than in risk free investments (such as government bonds). The premium is commonly known as the market risk premium and notionally represents the premium required to compensate for investment in the equity market in general.

The risks relating to a company or business may be divided into specific risks and systematic risks. Specific risks are risks that are specific to a particular company or business and are unrelated to movements in equity markets generally. While specific risks will result in actual returns varying from expected returns, it is assumed that diversified investors require no additional returns to compensate for specific risk, because the net effect of specific risks across a diversified portfolio will, on average, be zero. Portfolio investors can diversify away all specific risk.

However, investors cannot diversify away the systematic risk of a particular investment or business operation. Systematic risk is the risk that the return from an investment or business operation will vary with the market return in general. If the return on an investment was expected to be completely correlated with the return from the market in general, then the return required on the investment would be equal to the return required from the market in general (i.e. the risk free rate plus the market risk premium).

Systematic risk is affected by the following factors:

- financial leverage: additional debt will increase the impact of changes in returns on underlying assets and therefore increase systematic risk;
- cyclicity of revenue: projects and companies with cyclical revenues will generally be subject to greater systematic risk than those with non-cyclical revenues; and
- operating leverage: projects and companies with greater proportions of fixed costs in their cost structure will generally be subject to more systematic risk than those with lesser proportions of fixed costs.

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CAPM postulates that the return required on an investment or asset can be estimated by applying to the market risk premium a measure of systematic risk described as the beta factor. The beta for an investment reflects the covariance of the return from that investment with the return from the market as a whole. Covariance is a measure of relative volatility and correlation. The beta of an investment represents its systematic risk only. It is not a measure of the total risk of a particular investment. An investment with a beta of more than one is riskier than the market and an investment with a beta of less than one is less risky. The discount rate appropriate for an investment which involves zero systematic risk would be equal to the risk free rate.

The formula for deriving the cost of equity using CAPM is as follows:

$$Re = Rf + Beta (Rm - Rf)$$

Where:

<i>Re</i>	=	the cost of equity capital;
<i>Rf</i>	=	the risk free rate;
<i>Beta</i>	=	the beta factor;
<i>Rm</i>	=	the expected market return; and
<i>Rm - Rf</i>	=	the market risk premium.

The beta for a company or business operation is normally estimated by observing the historical relationship between returns from the company or comparable companies and returns from the market in general. The market risk premium is estimated by reference to the actual long run premium earned on equity investments by comparison with the return on risk free investments.

The formula conventionally used to calculate a WACC under a classical tax system is as follows:

$$WACC = (Re \times E/V) + (Rd \times (1-t) \times D/V)$$

Where:

<i>E/V</i>	=	the proportion of equity to total value (where $V = D + E$);
<i>D/V</i>	=	the proportion of debt to total value;
<i>Re</i>	=	the cost of equity capital;
<i>Rd</i>	=	the cost of debt capital; and
<i>t</i>	=	the corporate tax rate

The models, while simple, are based on a sophisticated and rigorous theoretical analysis. Nevertheless, application of the theory is not straightforward and the discount rate calculated should be treated as no more than a general guide. The reliability of any estimate derived from the model is limited. Some of the issues are discussed below:

■ Risk Free Rate

Theoretically, the risk free rate used should be an estimate of the risk free rate in each future period (i.e. the one year spot rate in that year if annual cash flows are used). There is no official “risk free” rate but rates on government securities are typically used as an acceptable substitute. More importantly, forecast rates for each future period are not readily available. In practice, the long term Commonwealth Government Bond rate is used as a substitute in Australia and medium to long term Treasury Bond rates are used in the United States. It should be recognised that the yield to maturity of a long term bond is only an average rate and where the yield curve is strongly positive (i.e. longer term rates are significantly above short term rates) the adoption of a single long term bond rate has the effect of reducing the net present value where the major positive cash flows are in the initial years. The long term bond rate is therefore only an approximation.



The ten year bond rate is a widely used and accepted benchmark for the risk free rate. Where the forecast period exceeds ten years, an issue arises as to the appropriate bond to use. While longer term bond rates are available, the ten year bond market is the deepest long term bond market in Australia and is a widely used and recognised benchmark. There is a very limited market for bonds of more than ten years. In the United States, there are deeper markets for longer term bonds. The 30 year bond rate is a widely used benchmark. However, long term rates accentuate the distortions of the yield curve on cash flows in early years. In any event, a single long term bond rate matching the term of the cash flows is no more theoretically correct than using a ten year rate. More importantly, the ten year rate is the standard benchmark used in practice.

Where cash flows are less than ten years in duration the opposite issue arises. An argument could be made that shorter term, and therefore lower, bond rates should be used in determining the discount rate for these assets. While Grant Samuel believes this is a legitimate argument, an adjustment may give a misleading impression of precision for the whole methodology. In any event, the impact on valuation would usually be trivial.

In practice, Grant Samuel believes acquirers would use a common rate. The ten year bond rate can be regarded as an acceptable standard risk free rate for medium to long term cash flows, particularly given its wide use.

■ **Market Risk Premium**

The market risk premium ($R_m - R_f$) represents the “extra” return that investors require to invest in equity securities as a whole over risk free investments. This is an “ex-ante” concept. It is the expected premium and as such it is not an observable phenomenon. The historical premium is therefore used as a proxy measure. The premium earned historically by equity investments is calculated over a time period of many years, typically at least 30 years. This long time frame is used on the basis that short term numbers are highly volatile and that a long term average return would be a fair indication of what most investors would expect to earn in the future from an investment in equities with a 5-10 year time frame.

In the United States it is generally believed that the premium is in the range of 5-6% but there are widely varying assessments (from 3% to 9%). Australian studies have been more limited but indicate that the long run average premium has been in the order of 6% using a geometric average (and is in the order of 8% using an arithmetic average) measured over more than 100 years of data¹. Even an estimate based over a very long period such as 100 years is subject to significant statistical error. Given the volatility of equity market returns it is only possible to state that the “true” figure lies within a range of approximately 2-10% at a 95% confidence level (using the geometric average).

In addition, the market risk premium is not constant and changes over time. At various stages of the market cycle investors perceive that equities are more risky than at other times and will increase or decrease their expected premium. Indeed, there are arguments being put forward at the present time that the risk premium is now lower than it has been historically. This view is reflected in the update of the Officer Study² which indicates that (based on the addition of 17 years of data to 2004) the long term arithmetic average has declined to 7.17% from 7.94%. However, volatility in equities markets since mid 2007 may impact the observed trend.

In the absence of controls over capital flows, differences in taxation and other regulatory and institutional differences, it is reasonable to assume that the market risk premium should be approximately equal across markets which exhibit similar risk characteristics. Accordingly, it is reasonable to assume approximately equal market risk premiums for first world countries enjoying

¹ See, for example, R.R. Officer in Ball, R., Brown, P., Finn, F. J. & Officer, R. R., “Share Market and Portfolio Theory: Readings and Australian Evidence” (second edition), University of Queensland Press, 1989 (“Officer Study”) which was based on data for the period 1883 to 1987 and therefore was undertaken prior to the introduction of dividend imputation in Australia.

² Gray, S. and Officer, R.R., “A Review of the Market Risk Premium and Commentary on Two Recent Papers: A Report prepared for the Energy Networks Association”, August 2005.

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political economic stability, such as Australia, the United States, Japan, the United Kingdom and various western European countries.

In practice, market risk premiums of 5-7% are typically adopted in Australia.

■ **Beta Factor**

The beta factor is a measure of the expected covariance (i.e. volatility and correlation of returns) between the return on an investment and the return from the market as a whole. The expected beta factor cannot be observed. The conventional practice is to calculate an historical beta from past share price data and use it as a proxy for the future but it must be recognised that the expected beta is not necessarily the same as the historical beta. A company’s relative risk does change over time.

The appropriate beta is the beta of the company being acquired rather than the beta of the acquirer (which may be in a different business with different risks). Betas for the particular subject company may be utilised. However, it is also appropriate (and may be necessary if the investment is not listed) to utilise betas for comparable companies and sector averages (particularly as those may be more reliable).

However, there are very significant measurement issues with betas which mean that only limited reliance can be placed on such statistics. There is no “correct” beta. For example:

- over the last three years Foster’s beta as measured by the Australian Graduate School of Management (“AGSM”) has varied between 0.26 and 0.69 and was measured at 0.26 in June 2011;
- the standard error of the AGSM’s estimate of Foster’s beta has generally been in the order of 0.17 meaning that for a beta of, say, 0.48 even at a 68% confidence level, the range is 0.31 to 0.65; and
- Foster’s business has changed fundamentally following the demerger of the wine business in May 2011. Over the three years prior to the demerger, the wine business had contributed to approximately 45% of Foster’s operating revenues.

■ **Debt/Equity Mix**

The tax deductibility of the cost of debt means that the higher the proportion of debt the lower the WACC, although this would be offset, at least in part, by an increase in the beta factor as leverage increases.

The debt/equity mix assumed in calculating the discount rate should be consistent with the level implicit in the measurement of the beta factor. Typically, the debt/equity mix changes over time and there is significant diversity in the levels of leverage across companies in a sector. There is a tendency to calculate leverage at a point in time whereas the leverage should represent the average over the period the beta was measured. This can be difficult to assess with a meaningful degree of accuracy.

The measured beta factors for listed companies are “equity” betas and reflect the financial leverage of the individual companies. It is possible to unleverage beta factors to derive asset betas and releverage betas to reflect a more appropriate or comparable financial structure. In Grant Samuel’s view this technique is subject to considerable estimation error. Deleveraging and releveraging betas exacerbates the estimation errors in the original beta calculation and gives a misleading impression as to the precision of the methodology. Deleveraging and releveraging is also incorrectly calculated based on debt levels at a single point in time.

In addition, the actual debt and equity structures of most companies are typically relatively complex. It is necessary to simplify this for practical purposes in this kind of analysis.

Finally, it should be noted that, for this purpose, the relevant measure of the debt/equity mix is based on market values not book values.



- **Specific Risk**

The WACC is designed to be applied to “expected cash flows” which are effectively a weighted average of the likely scenarios. To the extent that a business is perceived as being particularly risky, this specific risk should be dealt with by adjusting the cash flow scenarios. This avoids the need to make arbitrary adjustments to the discount rate which can dramatically affect estimated values, particularly when the cash flows are of extended duration or much of the business value reflects future growth in cash flows. In addition, risk adjusting the cash flows requires a more disciplined analysis of the risks that the valuer is trying to reflect in the valuation.

However, it is also common in practice to allow for certain classes of specific risk (particularly sovereign and other country specific risks) in a different way by adjusting the discount rate applied to forecast cash flows.

3 Calculation of WACC

3.1 Cost of Equity Capital

The cost of equity capital has been estimated by reference to the CAPM. Grant Samuel has adopted a cost of equity capital of 8.7-9.9%.

The assumptions, judgements and estimates upon which the costs of equity were based are as follows:

- **Risk-Free Rate**

Grant Samuel has adopted a risk free rate of 4.5%. The risk free rate approximates the current yield to maturity on ten year Australian Government bonds.

- **Market Risk Premium**

Grant Samuel has consistently adopted a market risk premium of 6% and believes that, particularly in view of the general uncertainty, this continues to be a reasonable estimate. It is:

- not statistically significantly different to the premium suggested by the historical data;
- similar to that used by a wide variety of analysts and practitioners; and
- the same as that adopted by most regulatory authorities in Australia.

- **Beta Factor**

Grant Samuel has adopted a beta factor in the range of 0.7-0.9 for the purposes of valuing Foster’s.

Grant Samuel has considered the beta factors for a wide range of alcoholic beverage companies in determining an appropriate beta for Foster’s. The betas have been calculated on two bases relative to each company’s home exchange index and relative to the Morgan Stanley Capital International Developed World Index (“MSCI”), an international equities market index that is widely used as a proxy for the global stockmarket as a whole. Where a company is extensively traded by global investors it can be argued that the regression against the MSCI is more relevant but:

- this depends on who the “price setting” investors are; and
- it raises a related issue as to whether a global risk premium is also appropriate and, if so, what that global premium is.

Put alternatively, there is no simple, universal answer.

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A summary of betas for selected comparable listed companies is set out in the table below:

Equity Beta Factors for Selected Listed Brewing Companies						
Company	Market Capitalisation ³ (millions)	Monthly Observations over 4 years			Weekly Observations over 2 years	
		AGSM/ Barra ⁴	Bloomberg ⁵		Bloomberg	
			Local Index	MSCI ⁶	Local Index	MSCI
Foster’s	A\$ 8,796	0.26	0.23	0.10	0.37	0.26
Global						
AB InBev	€ 64,225	0.83	1.01	0.82	0.66	0.59
Heineken	€ 20,555	0.84	0.72	0.81	0.55	0.55
SABMiller	GBP 36,469	0.85	1.10	0.99	1.04	1.06
Australia						
Coca-Cola Amatil	A\$ 9,122	0.32	0.34	0.21	0.34	0.24
Little World Beverages	A\$ 219	0.66	0.68	0.60	0.59	0.66
Asia & Pacific						
Asahi	JPY 788,245	0.27	0.45	0.47	0.59	0.40
Sapporo	JPY 113,070	0.51	1.14	1.06	1.15	0.66
Kirin	JPY 960,175	0.38	0.71	0.73	0.89	0.60
Tsingtao	CNY 44,404	0.32	0.54	0.71	0.46	0.34
Asia Pacific Breweries	SGD 6,455	0.50	0.41	0.47	0.20	0.05
Americas						
Molson Coors	US\$ 7,797	0.78	0.68	0.76	0.68	0.75
Grupo Modelo	MXN 253,460	0.86	0.71	0.59	0.40	0.34
CCU	CLP 1,732,592	0.66	0.58	0.30	0.86	0.56
Ambev	BRL 162,918	0.85	0.33	0.03	0.32	0.25
Europe						
Carlsberg	DKK 54,299	1.22	1.12	1.40	0.85	0.95
Statistics						
<i>Minimum</i>			<i>0.33</i>	<i>0.03</i>	<i>0.20</i>	<i>0.05</i>
<i>Maximum</i>			<i>1.14</i>	<i>1.40</i>	<i>1.15</i>	<i>1.06</i>
<i>Median</i>			<i>0.68</i>	<i>0.71</i>	<i>0.59</i>	<i>0.56</i>

Source: AGSM, Ibbotson, Barra, Bloomberg

The betas for the global brewing companies fall within a wide range, although generally the betas are less than 1.0, indicating less systematic riskiness than the overall market.

³ Based on share prices as at 21 October 2011, except Foster’s which is based on its share price as at 20 June 2011 (being the day prior to the initial SABMiller proposal to Foster’s on 21 June 2011).

⁴ The Australian beta factors calculated by the Australian Graduate School of Management (“AGSM”) as at 30 June 2011 over a period of 48 months using ordinary least squares regression or the Scholes-Williams technique where the stock is thinly traded. Other beta factors are calculated by MSCI Barra, Inc. (“Barra”) as at 31 August over a period of 60 months using ordinary least squares regression or the Scholes-Williams technique (including lag) where the stock is thinly traded.

⁵ Bloomberg betas have been calculated up to 21 October 2011. Grant Samuel understands that betas estimated by Bloomberg are not calculated strictly in conformity with accepted theoretical approaches to the estimation of betas (i.e. they are based on regressing total returns rather than the excess return over the risk free rate). However, in Grant Samuel’s view the Bloomberg beta estimates can still provide a useful insight into the systematic risks associated with companies and industries.

⁶ MSCI is calculated using local currency so that there is no impact of currency changes in the performance of the index.

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However, considerable caution is warranted in selecting betas for Foster's:

- Foster's beta varies significantly depending on the measurement source (AGSM, Bloomberg etc.) and the time period;
- some individual company betas vary significantly depending on which market index is utilised (local or MSCI);
- some individual company betas vary significantly depending on the time period and the sampling frequency chosen. For example, Asia Pacific Breweries Ltd has a beta of 0.05 based on 2 years of weekly data against the MSCI, and 0.47 using 4 years of monthly data against the MSCI;
- all of the data is subject to significant statistical error;
- the historical beta of each comparable company is inextricably linked to the gearing level of that company. The companies with higher betas in the data set also tend to have gearing levels towards the high end of the peer group (refer below for data on gearing levels):
 - Sapporo Holdings Ltd ("Sapporo") has a beta of around 1.1 (this may also reflect Sapporo's significant real estate business which accounts for approximately 43% of operating income); and
 - Carlsberg has a beta of 0.95-1.40 based on 2 years and 4 years respectively of data against the MSCI.

However, this is not always the case. SABMiller has a relatively high beta of 0.99-1.06 based on 4 years and 2 years respectively of data against the MSCI but its average gearing over the last four years was around 19%; and

- a company's beta will also be affected by the volume of trading of that company's securities. The beta of companies with low liquidity may be misstated. The betas calculated using the Scholes and Williams methodology adjusts for such thin trading and should be considered for such companies (but is not also available). Only 40% of Heineken's shares are free float and Inversopmes y Rentas SA owns circa 66% of Compañía Cervecerías Unidas S.A. Further, Heineken has a 42.5% stake in Asia Pacific Breweries and AB InBev has a 50% non-controlling interest in Grupo Modelo.

Whilst the historical market evidence suggests a beta for Foster's in the range of 0.3-0.7, such a range results in the calculation of WACC that Grant Samuel believes to be unreasonably low. For the purpose of valuing Foster's, Grant Samuel has selected a beta range of 0.7-0.9. Whilst this range is higher than the historical beta evidence for Foster's, in Grant Samuel's opinion, potential acquirers are unlikely to assume significantly lower betas in current market conditions and there is evidence to suggest that a higher beta may be more appropriate. The selected range of betas is:

- considerably higher than the historical beta for Foster's based on share market data;
- considerably higher than the historical beta for Australia's other leading beverage company, Coca-Cola Amatil Ltd; but
- is generally consistent with average beta estimates of comparable international listed brewing companies.

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■ Cost of Equity Capital

Using the estimates set out above, the cost of equity capital for Foster’s business can be calculated as follows:

Cost of Equity Capital			
Low		High	
<i>Re</i>	$= Rf + \text{Beta}(Rm - Rf)$	<i>Re</i>	$= Rf + \text{Beta}(Rm - Rf)$
	$= 4.5\% + (0.7 \times 6\%)$		$= 4.5\% + (0.9 \times 6\%)$
	$= 8.7\%$		$= 9.9\%$

3.2 Cost of Debt

A cost of debt of 7.0% has been adopted (a margin of 2.5%). These figures represent the expected future cost of borrowing over the duration of the cash flow models. Grant Samuel believes that this would be a reasonable estimate of an average interest rate, including a margin that would match the duration of the cash flows assuming that the operations were funded with a mixture of short term and long term debt. The costs of debt represent a margin of 2.5% over the risk free rate which allows for the margin over bank rates that owners of brewing companies would expect to pay together with an allowance for the difference between bank rates and government bonds.

3.3 Debt/Equity Mix

The selection of the appropriate debt/equity ratio involves perhaps the most subjectivity of discount rate selection analysis. In determining an appropriate debt/equity mix, regard was had to gearing levels of Foster’s and the peer group companies used in the beta analysis.

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Gearing levels for these companies for the past four years are set out below:

Gearing Levels for Selected Listed Brewing Companies						
	Net Debt/(Net Debt + Market Capitalisation)				Current⁷	Average⁸
	Financial Year Ended					
	2007	2008	2009	2010		
Foster's	20.2%	21.6%	17.6%	13.9%	13.6%	18.3%
Global						
AB InBev	12.7%	59.5%	34.6%	29.9%	30.6%	34.2%
Heineken	7.4%	45.9%	33.0%	28.3%	28.5%	28.7%
SABMiller	21.0%	27.5%	14.9%	11.0%	11.2%	18.6%
Australia						
Coca-Cola Amatil	17.2%	23.8%	15.6%	16.2%	15.0%	18.2%
Little World Beverages	9.3%	15.0%	9.8%	6.3%	6.6%	10.1%
Asia & Pacific						
Asahi	28.3%	31.0%	34.6%	32.6%	26.8%	31.6%
Sapporo	36.4%	43.2%	48.9%	58.0%	61.3%	46.6%
Kirin	27.7%	32.6%	33.8%	38.5%	36.6%	33.2%
Tsingtao	-1.8%	0.2%	-2.5%	-8.0%	-14.0%	-3.0%
Asia Pacific Breweries	1.3%	2.2%	-2.2%	4.2%	2.5%	1.4%
Americas						
Molson Coors	16.8%	17.0%	11.7%	8.1%	9.4%	13.4%
Grupo Modelo	-12.5%	-8.9%	-9.1%	-9.7%	-9.4%	-10.1%
CCU	7.0%	14.5%	6.2%	3.9%	4.7%	7.9%
Ambev	8.7%	11.5%	3.1%	-0.1%	-0.4%	5.8%
Europe						
Carlsberg	30.2%	59.3%	36.7%	27.2%	36.6%	38.4%
<i>Minimum</i>	<i>-12.5%</i>	<i>-8.9%</i>	<i>-9.1%</i>	<i>-9.7%</i>	<i>-14.0%</i>	<i>-10.1%</i>
<i>Maximum</i>	<i>36.4%</i>	<i>59.5%</i>	<i>48.9%</i>	<i>58.0%</i>	<i>61.3%</i>	<i>46.6%</i>
<i>Median</i>	<i>12.7%</i>	<i>23.8%</i>	<i>14.9%</i>	<i>11.0%</i>	<i>11.2%</i>	<i>18.2%</i>

Source: Bloomberg, Grant Samuel analysis

The selection of gearing levels is highly judgemental. The table shows a very wide range of gearing levels. The debt levels should actually be the weighted average measured over the same period as the beta factor rather than just at the current point in time. Moreover, these do not always bear any relationship to the betas of the individual companies. In some cases lowly geared companies still have equity betas towards the higher end of the range (e.g. SABMiller Plc).

Grant Samuel has adopted debt/value ratio in the range 20-25% which is broadly comparable to the gearing levels of comparable listed brewing companies.

⁷ Current gearing levels are based on the most recent balance sheet information and on sharemarket prices as at 21 October 2011, except Foster's which is based on its share price as at 20 June 2011 (being the day prior to the initial SABMiller proposal to Foster's on 21 June 2011).

⁸ Average gearing levels is the average of the gearing levels for the last four financial years.

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3.4 WACC

On the basis of the parameters outlined and assuming a corporate tax rate of 30% in Australia, the nominal WACC for Foster’s are calculated as follows:

Calculation of WACCs		
Business	Low	High
<i>Formula</i>	$= Ke(E/V) + Kd(1-t)(D/V)$	$= Ke(E/V) + Kd(1-t)(D/V)$
	$= (8.7\% \times 75\%) + (7.0\% \times 0.70 \times 25\%)$	$= (9.9\% \times 80\%) + (7.0\% \times 0.70 \times 20\%)$
	$= 7.72\%$	$= 8.87\%$

These are after tax discount rates to be applied to nominal ungeared after tax cash flows. However, it must be recognised that this is a very crude calculation based on statistics of limited reliability and involving a multitude of assumptions.

For the purposes of valuation of Foster’s, Grant Samuel has adopted discount rates of 8.0-9.0%. Whilst this range is slightly higher than the range implied by the theoretical model, Grant Samuel considers that the discount rates adopted are likely to be more consistent with those that acquirers of Foster’s may utilise.

4 Dividend Imputation

The conventional WACC formula set out above was formulated under a “classical” tax system. The CAPM model is constructed to derive returns to investors after corporate taxes but before personal taxes. Under a classical tax system, interest expense is deductible to a company but dividends are not. Investors are also taxed on dividends received. Accordingly, there is a benefit to equity investors from increased gearing.

Under Australia’s dividend imputation system, domestic equity investors now receive a taxation credit (franking credit) for any tax paid by a company. The franking credit attaches to any dividends paid out by a company and the franking credit offsets personal tax. To the extent the investor can utilise the franking credit to offset personal tax, then the corporate tax is not a real impost. It is best considered as a withholding tax for personal taxes. It can therefore be argued that the benefit of dividend imputation should be added into any analysis of value.

There is no generally accepted method of allowing for dividend imputation. In fact, there is considerable debate within the academic community as to the appropriate adjustment or even whether any adjustment is required at all. Some suggest that it is now appropriate to discount pre tax cash flows, with an increase in the discount rate to “gross up” the market risk premium for the benefit of franking credits that are on average received by shareholders. On this basis, the discount rate might increase by approximately 2% but it would be applied to pre tax cash flows. However, not all of the necessary conditions for this approach exist in practice:

- not all shareholders can use franking credits. In particular, foreign investors gain no benefit from franking credits. If foreign investors are the marginal price setters in the Australian market there should be no adjustment for dividend imputation;
- not all franking credits are distributed to shareholders; and
- capital gains tax operates on a different basis to income tax. Investors with high marginal personal tax rates will prefer cash to be retained and returns to be generated by way of a capital gain.

Others have proposed a different approach involving an adjustment to the tax rate in the discount rate by a factor reflecting the effective use or value of franking credits. If the credits can be used, the tax rate is reduced towards zero. The proponents of this approach have in the past suggested a factor of up to 50%

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as representing the appropriate adjustment (γ). Alternatively, the tax charge in the forecast cash flows can be decreased to incorporate the expected value of franking credits distributed.

There is undoubtedly merit in the proposition that dividend imputation affects value. Over time dividend imputation will become factored into the determination of discount rates by corporations and investors. In Grant Samuel's view, however, the evidence gathered to date as to the value the market attributes to franking credits is insufficient to rely on for valuation purposes. More importantly, Grant Samuel does not believe that such adjustments are widely used by acquirers of assets at present. While acquirers are undoubtedly attracted by franking credits there is no clear evidence that they will actually pay extra for them or build it into values based on long term cash flows. The studies that measure the value attributed to franking credits are based on the immediate value of franking credits distributed and do not address the risk and other issues associated with the ability to utilise them over the longer term.

Moreover, the natural acquirers of Foster's are expected to be international brewing companies. Shareholders in such companies derive no substantial benefit from Australian franking credits and there is no obvious basis for adjusting values to reflect any franking credits that might be generated. In addition, Foster's currently has no imputation credits due to the availability of significant tax losses. Accordingly, it is Grant Samuel's opinion that it is not appropriate to make any such adjustments in the valuation methodology. This is a conservative approach.

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Appendix 5
Discounted Cash Flow Model Assumptions

Foster’s – DCF Model Assumptions						
	Year ending 30 June					
	2012	2013	2014	2015	2016	2017-2021¹
Scenario A						
Beer volume growth (%)	(1.5)%	0.6%	0.5%	0.5%	0.5%	Declining from 0.4% in 2017 to 0.25% in 2021
Cider volume growth (%)	15.0%	15.0%	15.0%	13.0%	12.5%	Declining from 10.5% in 2017 to 2.5% in 2021
Net sales revenue per case growth (%)	2.4%	2.8%	3.1%	3.3%	3.3%	Declining from 3.1% in 2017 to 2.5% in 2021
EBITDA margin (%) – pre synergies	38.6%	38.7%	39.4%	39.9%	40.4%	Increasing from 40.7% in 2017 to 41.1% in 2021
EBITDA margin (%) – post synergies	37.0%	40.9%	41.5%	42.0%	42.4%	Increasing from 42.7% in 2017 to 43.0% in 2021
Capital expenditure (\$ million)	122	181	154	143	69	Declining from \$83m in 2017 to \$70m in 2021
Synergies (\$ million)	(38)	51	53	54	55	2.5% growth pa from 2017
Scenario B						
Beer volume growth (%)	(1.0)%	1.6%	1.6%	1.3%	1.0%	Declining from 0.8% in 2017 to 0.25% in 2021
Cider volume growth (%)	17.5%	17.5%	17.5%	15.0%	12.9%	Declining from 10.8% in 2017 to 2.5% in 2021
Net sales revenue per case growth (%)	2.4%	2.8%	3.1%	3.3%	3.3%	Declining from 3.3% in 2017 to 2.5% in 2021
EBITDA margin (%) – pre synergies	38.7%	38.9%	39.7%	40.4%	40.9%	Increasing from 41.3% in 2017 to 41.9% in 2021
EBITDA margin (%) – post synergies	36.4%	41.9%	42.6%	43.2%	43.7%	Increasing from 43.9% in 2017 to 44.4% in 2021
Capital expenditure (\$ million)	122	181	154	143	69	Declining from \$83m in 2017 to \$70m in 2021
Synergies (\$ million)	(53)	72	74	75	77	2.5% growth pa from 2017
Scenario C						
Beer volume growth (%)	(2.0)%	0.0%	0.0%	0.0%	0.0%	0.0%
Cider volume growth (%)	12.0%	12.0%	12.0%	10.0%	8.0%	Declining from 7.0% in 2017 to 2.5% in 2021
Net sales revenue per case growth (%)	2.2%	2.6%	2.9%	3.1%	3.1%	Declining from 2.9% in 2017 to 2.5% in 2021
EBITDA margin (%) – pre synergies	38.5%	38.9%	39.4%	39.9%	40.3%	Increasing from 40.4% in 2017 to 40.6% in 2021
EBITDA margin (%) – post synergies	37.5%	40.2%	40.8%	41.2%	41.5%	Increasing from 41.7% in 2017 to 41.9% in 2021
Capital expenditure (\$ million)	122	181	154	143	69	Declining from \$83m in 2017 to \$70m in 2021
Synergies (\$ million)	(23)	31	32	32	33	2.5% growth pa from 2017
Scenario D						
Beer volume growth (%)	(1.5)%	0.6%	0.5%	0.5%	0.5%	Declining from 0.4% in 2017 to 0.25% in 2021
Cider volume growth (%)	15.0%	15.0%	15.0%	13.0%	12.5%	Declining from 10.5% in 2017 to 2.5% in 2021
Net sales revenue per case growth (%)	2.4%	2.8%	3.1%	3.3%	3.3%	Declining from 3.1% in 2017 to 2.5% in 2021
EBITDA margin (%) – pre synergies	38.6%	38.7%	39.4%	42.0%	42.5%	Increasing from 42.8% in 2017 to 43.2% in 2021
EBITDA margin (%) – post synergies	37.0%	40.9%	41.5%	44.1%	44.5%	Increasing from 44.8% in 2017 to 45.1% in 2021
Capital expenditure (\$ million) ²						Declining from \$90m in 2017 to \$50m in 2021
Synergies (\$ million)	(38)	51	53	54	55	2.5% growth pa from 2017

¹ The figures in the 2017 to 2021 column apply for each of the years ending 30 June 2017 to 2021, unless otherwise stated.

² Due to the uncertainty around the potential results of the supply review, Grant Samuel has not disclosed year on year assumptions for capital expenditure in Scenario D. Net capital expenditure is assumed to be approximately \$180 million higher in aggregate for the 2012 to 2016 financial years in Scenario D compared with Scenario A.

Appendix 2

Scheme of Arrangement



Appendix 2 – Scheme of Arrangement

Scheme of Arrangement under Part 5.1 of the Corporations Act.

Between

1. **Foster's Group Limited** (ABN 49 007 620 886) registered in South Australia of 77-87 Southbank Boulevard, Southbank Victoria 3006 (**Target**); and
2. The holders of Shares as at the Record Date (other than Excluded Shareholders).

1. Definitions and interpretation

1.1 Definitions

The meanings of the terms used in this scheme of arrangement are set out below.

Acquirer means SABMiller plc (Company No. 03528416).

Acquirer Group means Acquirer and its Related Bodies Corporate (excluding, at any time, Target and its Subsidiaries to the extent that Target and its Subsidiaries are subsidiaries of Acquirer at that time).

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

BidCo means SABMiller Beverage Investments Pty Limited (ACN 150 900 093).

Board means the board of directors of Target.

Business Day means a business day as defined in the Listing Rules.

CHES means the clearing house electronic sub-register system of share transfers operated by ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532).

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of Victoria or such other court of competent jurisdiction under the Corporations Act agreed to in writing between BidCo and Target.

Deed Poll means the deed poll dated 25 October 2011 executed by BidCo and Acquirer in favour of the Scheme Shareholders.

Effective means the coming into effect under section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this scheme.

Effective Date means the date on which this scheme becomes Effective.

End Date means 29 February 2012.

Excluded Shareholder means any Shareholder which is an entity within the Acquirer Group.

Fully Paid Scheme Share means a Fully Paid Share held by a Scheme Shareholder at the Record Date.

Fully Paid Share means a fully paid ordinary share in the capital of Target.

Implementation Date means the fifth Business Day after the Record Date or such other date agreed to in writing between BidCo and Target.

Listing Rules means the official listing rules of ASX.

Partly Paid Scheme Share means a Partly Paid Share held by a Scheme Shareholder at the Record Date.

Partly Paid Share means a partly paid ordinary share in the capital of the Target.

Record Date means 7pm on the fifth Business Day after the Effective Date or such other date agreed to in writing between Acquirer and Target.

Registered Address means, in relation to a Shareholder, the address shown in the Share Register.

Related Body Corporate has the meaning given in the Corporations Act.

Scheme Consideration means, for each Scheme Share, the amount determined in accordance with clause 5.1.

Scheme Implementation Deed means the Scheme Implementation Deed dated 21 September 2011 between Acquirer and Target.

Scheme Meeting means the meeting of Shareholders (other than Excluded Shareholders) ordered by the Court to be convened under section 411(1) of the Corporations Act.

Scheme Shares means the Fully Paid Scheme Shares and the Partly Paid Scheme Shares, and each of them is a **Scheme Share**.

Scheme Shareholders means Shareholders (other than Excluded Shareholders) at the Record Date.

Shares means the Fully Paid Shares and the Partly Paid Shares, and each of them is a **Share**.

Shareholders means each person who is registered as the holder of any Shares from time to time.

Share Register means the register of members of Target maintained in accordance with the Corporations Act.

Share Registry means Computershare Investor Services Pty Ltd or any replacement provider of share registry services to Target.

Subsidiary has the meaning given in the Corporations Act.

Trustee means Target as trustee for the Scheme Shareholders.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural, and the converse also applies.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (e) A reference to a clause or schedule is a reference to a clause of or schedule to this scheme of arrangement.
- (f) A reference to an **agreement** or **document** (including a reference to this scheme) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this scheme of arrangement or that other agreement or document, and includes the recitals, schedules and annexures to that agreement or document.
- (g) A reference to a party to this scheme of arrangement or another agreement or document includes the party's successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).
- (h) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (i) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.
- (j) A reference to an **agreement** includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a **document** includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.

- (k) A reference to **dollars** and **\$** is to Australian currency.
- (l) All references to time are to Melbourne, Australia time.
- (m) Mentioning anything after **includes, including, for example** or similar expressions, does not limit what else might be included.
- (n) A term or expression which is defined in the Corporations Act but is not defined in this scheme, has the meaning given in the Corporations Act.

1.3 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.4 Listing requirements included as law

A listing rule or business rule of a financial market will be regarded as a *law*, and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

2. Preliminary

2.1 Target

- (a) Target is a public company limited by shares, registered in South Australia and admitted to the official list of ASX.
- (b) The Fully Paid Shares are officially quoted on the ASX.
- (c) As at 26 October 2011, Target had the following securities on issue:
 - (i) 1,941,514,539 Fully Paid Shares;
 - (ii) 786,510 Partly Paid Shares; and
 - (iii) 2,695,887 performance rights outstanding pursuant to the Foster's Group Limited Long Term Incentive Plan conferring rights to be transferred, issued or allocated 2,695,887 Fully Paid Shares.

2.2 BidCo

BidCo is a company registered in Victoria, Australia and is a wholly-owned Subsidiary of Acquirer.

Appendix 2 – Scheme of Arrangement

2.3 Consequence of this scheme becoming Effective

- (a) If this scheme becomes Effective:
- (i) BidCo will provide the Scheme Consideration to Scheme Shareholders in accordance with this scheme; and
 - (ii) all the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to BidCo, and Target will enter BidCo in the Share Register as the holder of the Scheme Shares with the result that Target will become a wholly-owned subsidiary of BidCo.
- (b) Acquirer and Target entered into the Scheme Implementation Deed to facilitate the proposal of this scheme by Target and its implementation.

3. Conditions

- (a) This scheme is conditional on all the conditions precedent in clause 3.1 of the Scheme Implementation Deed (other than the condition in clause 3.1(i)) having been satisfied or waived in accordance with the terms of the Scheme Implementation Deed by 8am on the Second Court Date.
- (b) The satisfaction of clause 3(a) is a condition precedent to the operation of clauses 4.2 and 5.
- (c) This scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date or any later date agreed in writing between BidCo and Target.

4. Implementation

4.1 Lodgement of Court orders

Target must lodge with ASIC office copies of any Court orders under section 411 of the Corporations Act approving this scheme by 5pm on the Business Day the Court approves this scheme or by 5pm on the Business Day on which the Court orders are entered, whichever is the later.

4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the payment of the Scheme Consideration in the manner contemplated by clause 5.4(a), the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to BidCo, without the need for any further act by any Scheme Shareholder by:

- (i) Target delivering to BidCo a duly completed and executed share transfer form (which may be a master share transfer form) to transfer all the Scheme Shares to BidCo; and
 - (ii) BidCo duly executing such share transfer form (which may be a master share transfer form) and delivering it to Target for registration; and
- (b) immediately after receipt of such share transfer form (which may be a master share transfer form) in accordance with clause 4.2(a)(ii), Target must enter the name of BidCo in the Share Register in respect of the Scheme Shares.

5. Scheme Consideration

5.1 Calculation of Scheme Consideration

- (a) The Scheme Consideration for each Scheme Share that is:
- (i) a Fully Paid Scheme Share – subject to clause 5.1(b), is \$5.10 cash; and
 - (ii) a Partly Paid Scheme Share – is the consideration (being a cash amount) specified in respect of that Partly Paid Share in the schedule.
- (b) If the condition precedent in clause 3.1(d) of the Scheme Implementation Deed is not satisfied because the Commissioner for Taxation refuses to grant, or has not granted by 8am on the Second Court Date (as that term is defined in the Scheme Implementation Deed), the ruling referred to in that clause in form and substance reasonably satisfactory to Target and Acquirer for:
- (i) any of the \$0.30 per Share – the Scheme Consideration for each Fully Paid Scheme Share will be \$5.40 cash; or
 - (ii) some, but not all, of the \$0.30 per Share – the Scheme Consideration for each Fully Paid Scheme Share will be \$5.10 cash plus that part of the \$0.30 per Share in respect of which the ruling is not obtained (in cash).

5.2 Amount of Scheme Consideration

Each Scheme Shareholder is entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Shareholder.

5.3 Joint holders

In the case of Scheme Shares held in joint names, the Scheme Consideration is payable to and must be forwarded to the holder whose name appears first in the Share Register at the Record Date.

5.4 Payment of Scheme Consideration

- (a) On implementation of this scheme on the Implementation Date, Target must procure BidCo to deposit an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders in cleared funds in an Australian dollar denominated trust account operated by the Trustee, to be held on trust for the Scheme Shareholders, except that any interest on the amount deposited (less bank fees and other charges) will be to BidCo's account.
- (b) Subject to Target having complied with clause 5.4(a), as soon as practicable following implementation of this scheme on the Implementation Date (and in any event within 10 Business Days after the Implementation Date) the Trustee must pay from the account referred to in clause 5.4(a) to each Scheme Shareholder such amount of cash as is due to that Scheme Shareholder under clause 5.2 as Scheme Consideration in respect of all that Scheme Shareholder's Scheme Shares.
- (c) The amount referred to in clause 5.4(b) must be paid by the Trustee doing any of the following at its election:
 - (i) sending (or procuring Target Registrar to send) it to the Scheme Shareholder's Registered Address by cheque in Australian currency drawn out of the trust account established in accordance with clause 5.4(a); or
 - (ii) if the Scheme Shareholder has a payment direction (that is currently used for the payment of dividends) for a bank account with any Australian ADI (as defined in the Corporations Act) recorded in the Share Register as at the Record Date, depositing (or procuring the Share Registry to deposit) it into that account,provided that if a Scheme Shareholder owes to Target any monies pursuant to the terms of any loan advanced by Target to that Scheme Shareholder in connection with the acquisition by that Scheme Shareholder of any of its Scheme Shares (a **Loan**), the Trustee must withhold from the amount referred to in clause 5.4(b) that is payable to that Scheme Shareholder, and pay to Target, the amount of all monies owing by that Scheme Shareholder to Target under the Loan.
- (d) If:
 - (i) a Scheme Shareholder does not have a Registered Address; or
 - (ii) the Trustee believes that a Scheme Shareholder is not known at the Scheme Shareholder's Registered Address,

and no account has been notified in accordance with clause 5.4(c)(ii) or a deposit into such an account is rejected or refunded, the Trustee may credit the amount payable to the relevant Scheme Shareholder to a separate bank account of Target to be held until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with unclaimed money legislation. Target must hold the amount on trust, but any benefit accruing from the amount will be to the benefit of Target. An amount credited to the account is to be treated as having been paid to the Scheme Shareholder when credited to the account. Target must maintain records (for the minimum period required by applicable law) of the amounts paid, the people who are entitled to the amounts and any transfers of the amounts.

- (e) To the extent there is any surplus in the amount held by the Trustee in the trust account, that surplus must be paid by the Trustee to BidCo following the satisfaction of the Trustee's obligations under this clause 5.4.

6. Dealings in Shares

- (a) To establish the identity of the Scheme Shareholders, dealings in Shares will only be recognised if:
 - (i) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant Shares on or before the Record Date; and
 - (ii) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before the Record Date at the place where the Share Register is kept.
- (b) Target must register registrable transmission applications or transfers of the kind referred to in clause 6(a)(ii) on the Record Date.
- (c) If the scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Record Date and any such disposal will be void and of no legal effect whatsoever.
- (d) Target will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Shares received after the Record Date.
- (e) For the purpose of determining entitlements to the Scheme Consideration, Target must maintain the Share Register in accordance with the provisions of this clause 6 until the Scheme Consideration

Appendix 2 – Scheme of Arrangement

has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.

- (f) All statements of holding for Shares will cease to have effect from the Record Date as documents of title in respect of those shares (other than statements of holding in favour of BidCo, the Excluded Shareholders and their successors in title). As from the Record Date, each entry current at that date on the Share Register (other than entities in respect of BidCo Group, any Excluded Shareholder and their successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Shares relating to that entry.
- (g) As soon as possible after the Record Date and in any event at least three Business Days before the Implementation Date, Target will ensure that details of the names, Registered Addresses and holdings of Shares for each Scheme Shareholder are available to BidCo in the form BidCo reasonably requires.
- (h) If this scheme becomes Effective, until such time as BidCo is recorded in the Share Register as the holder of the Partly Paid Scheme Shares (as a result of the transfer of the Partly Paid Scheme Shares to BidCo under this scheme):
 - (i) a holder of Partly Paid Scheme Shares (and any person claiming through that holder) must not pay any amount of the issue price of the relevant Partly Paid Scheme Share which remains unpaid at the Record Date, and any such payment will not be accepted by Target and will be void and of no legal effect whatsoever; and
 - (ii) Target will not require a holder of Partly Paid Scheme Shares (and any person claiming through that holder) to pay any amount of the issue price of the relevant Partly Paid Scheme Share which remains unpaid at the Record Date, and any such demand by Target will be void and of no legal effect whatsoever.

7. Quotation

- (a) It is expected that suspension of trading on ASX in Fully Paid Shares will occur from the close of trading on the day Target notifies ASX that the Court has approved this scheme under section 411(4)(b) of the Corporations Act.
- (b) On a date after the Implementation Date to be determined by BidCo, Target will apply:
 - (i) for termination of the official quotation of Fully Paid Shares on ASX; and

- (ii) to have itself removed from the official list of ASX.

8. General Scheme Provisions

8.1 Consent

If the Court proposes to approve this scheme subject to any alterations or conditions, Target may, by its counsel, consent on behalf of all persons concerned to those alterations or conditions to which BidCo has consented in writing.

8.2 Agreement of Scheme Shareholders

- (a) Scheme Shareholders agree to the transfer of their Shares in accordance with this scheme and agree to the variation, cancellation or modification of the rights attached to their Shares constituted by or resulting from this scheme.
- (b) Each of the Scheme Shareholders acknowledges that this scheme binds Target and all Scheme Shareholders (including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against this scheme at that Scheme Meeting).

8.3 Warranties by Scheme Shareholders

Each Scheme Shareholder is deemed to have warranted to Target and appointed and authorised Target as its attorney and agent to warrant to BidCo that:

- (a) all of its Shares which are transferred to BidCo under this scheme will (except as otherwise set out in this scheme), on the date on which they are transferred to BidCo, be:
 - (i) fully paid (other than any Partly Paid Shares); and
 - (ii) free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind including any security interest within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth); and
- (b) it has full power and capacity to sell and to transfer its Shares to BidCo.

Target undertakes to each Scheme Shareholder that it will provide such warranty to BidCo on behalf of the Scheme Shareholder.

8.4 Beneficial entitlement to Shares

From the Implementation Date, BidCo will be beneficially entitled to the Shares transferred to it under this scheme pending registration by Target of BidCo in the Share Register as the holder of the Shares.

8.5 Authority given to Target

- (a) Each Scheme Shareholder, without the need for any further act, irrevocably appoints Target and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of doing and executing all acts, matters, things and documents on the part of each Scheme Shareholder necessary to implement the scheme, including executing, as agent and attorney of each Scheme Shareholder, a share transfer or transfers in relation to Scheme Shares as contemplated by clause 8.5(b), and Target accepts such appointment.
- (b) Each Scheme Shareholder, without the need for any further act, irrevocably appoints Target and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of:
 - (i) enforcing the Deed Poll against BidCo and Acquirer; and
 - (ii) executing any document necessary or desirable to give effect to this scheme including, a proper instrument of transfer of its Scheme Shares for the purposes of section 1071B of the Corporations Act which may be a master transfer of all the Scheme Shares,and Target accepts such appointment.

8.6 Appointment of sole proxy

Upon this scheme becoming Effective and until Target registers BidCo as the holder of all Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed Target as attorney and agent (and directed Target in such capacity) to appoint an officer or agent nominated by BidCo as its sole proxy and, where applicable, corporate representatives to attend Shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in its name and sign any shareholders resolutions, whether in person, by proxy or by corporate representative;
- (b) undertakes not to exercise the votes attaching to the Scheme Shares registered in its name or sign any Shareholders' resolutions of Target as holder of the Scheme Shares, whether in person, by proxy or corporate representative (other than pursuant to this clause 8.6);
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as BidCo reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.6(a), BidCo and any

director, officer, secretary or agent nominated by BidCo under clause 8.6(a) may act in the best interests of BidCo (as applicable) as the intended registered holder of the Scheme Shares.

Target undertakes in favour of each Scheme Shareholder that it will appoint the officer or agent nominated by BidCo as that Scheme Shareholder's proxy or, where applicable, corporate representative in accordance with clause 8.6(a).

9. General

9.1 Stamp duty

BidCo will pay all stamp duty payable in connection with the transfer of the Scheme Shares to BidCo.

9.2 Definition of 'sending'

For the purposes of clause 9.3 the expressions 'sending' means, in relation to each Scheme Shareholder:

- (a) sending by ordinary pre-paid post or courier to the Registered Address of that Scheme Shareholder as at the Record Date; or
- (b) delivery to the Registered Address of that Scheme Shareholder as at the Record Date by any other means at no cost to the recipient.

9.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this document is sent by post to Target, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at the place where Target's Share Registry is kept.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Shareholder shall not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.4 Governing law and jurisdiction

This scheme is governed by the laws of Victoria, Australia. In relation to it and related non contractual matters each party irrevocably submits to the non-exclusive jurisdiction of courts with jurisdiction there.

9.5 Further assurances

Target must do anything necessary (including executing agreements and documents) to give full effect to this scheme and the transactions contemplated by it.

Appendix 2 – Scheme of Arrangement

Schedule

Scheme Consideration for Partly Paid Scheme Shares

Partly Paid Share Tranche No:	No of Partly Paid Shares	Issue price per Partly Paid Share (\$)	Paid up value per Partly Paid Share (\$)	Unpaid portion of issue price per Partly Paid Share (\$)	Scheme Consideration per Partly Paid Scheme Share (\$)
50	300	5.8300	0.0167	5.8133	1.82
51	4,800	7.3800	0.0167	7.3633	1.58
53	27,270	7.9700	0.0167	7.9533	1.51
55	600,000	9.4000	0.0167	9.3833	1.36
56	62,490	8.3000	0.0167	8.2833	1.47
57	32,700	7.7000	0.0167	7.6833	1.54
58	25,290	7.6300	0.0167	7.6133	1.55
59	31,800	7.3300	0.0167	7.3133	1.59
61	450	5.0000	0.0167	4.9833	2.00
64	810	4.4200	0.0167	4.4033	2.15
65	600	4.3200	0.0167	4.3033	2.17

Appendix 3

Deed Poll



Appendix 3 – Deed Poll

Date 25 October 2011

Deed Poll by

1. **SABMiller Beverage Investments Pty Limited** (ACN 150 900 093) registered in Victoria of 'Gold Fields House' Level 7, 1 Alfred Street Sydney New South Wales 2000 (**BidCo**); and
 2. **SABMiller plc** (Company No. 03528416) registered in England of SABMiller House, Church Street West, Woking, Surrey, GU21 6HS, UK (**Acquirer**)
- in favour of the **Scheme Shareholders**.

Recitals

- A On 21 September 2011, Acquirer and Target entered into the Scheme Implementation Deed to provide for the implementation of the Scheme.
- B The effect of the Scheme will be to transfer all Scheme Shares to BidCo in return for the Scheme Consideration.
- C BidCo and Acquirer enter this deed poll to covenant in favour of Scheme Shareholders to pay or procure payment of the Scheme Consideration in accordance with the Scheme.

It is declared as follows.

1. Definitions and interpretation

1.1 Definitions

The following definitions apply unless the context requires otherwise.

Scheme Implementation Deed means the scheme implementation deed dated 21 September 2011 between Acquirer and Target (as amended from time to time).

Trustee means Target as trustee for the Scheme Shareholders.

1.2 Terms defined in Scheme Implementation Deed

Capitalised terms not otherwise defined in this deed poll have the same meaning in this Deed Poll as in the Scheme Implementation Deed, unless the context requires otherwise.

1.3 Incorporation by reference

The provisions of clauses 1.2, 1.3 and 1.4 of the Scheme Implementation Deed form part of this deed poll as if set out at length in this deed poll but with 'deed poll' substituted for 'Deed' and with any reference to 'party' being taken to include the Scheme Shareholders.

1.4 Nature of this deed poll

Each of BidCo and Acquirer acknowledges that this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not a party to it.

2. Conditions

2.1 Conditions

BidCo's obligations and Acquirer's obligations under clause 3 are subject to all Conditions Precedent being satisfied or waived in accordance with the terms of the Scheme Implementation Deed and the Scheme becoming Effective.

2.2 Termination

BidCo's obligations and Acquirer's obligations under this deed poll will automatically terminate and this deed poll will be of no further force or effect if:

- (a) the Scheme Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme is not Effective by the End Date.

2.3 Consequences of termination

If this deed poll terminates under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to them:

- (a) each of BidCo and Acquirer is released from its obligations to further perform this deed poll; and
- (b) Scheme Shareholders retain the rights they have against BidCo or Acquirer in respect of any breach of this deed poll which occurred before it terminated.

3. Payment of the Scheme Consideration

- (a) Subject to clause 2:
 - (i) BidCo undertakes in favour of each Scheme Shareholder to pay or procure the payment to each Scheme Shareholder of the Scheme Consideration for each Scheme Share held by the Scheme Shareholder in accordance with the terms of the Scheme; and
 - (ii) Acquirer undertakes in favour of each Scheme Shareholder to procure that BidCo complies with its obligations under clause 3(a)(i) in accordance with that clause.
- (b) The obligations of BidCo and Acquirer under clause 3(a) will be satisfied if, on or before implementation of the Scheme, BidCo or Acquirer pays or procures payment of an amount at least equal to the

aggregate amount of the Scheme Consideration payable to all Scheme Shareholders to be deposited in cleared funds in an Australian dollar denominated trust account operated by the Trustee, on trust for the Scheme Shareholders, except that any interest on the amount deposited (less bank fees and other charges) will be to BidCo's account.

4. Warranties

4.1 BidCo

Each of BidCo and Acquirer represents and warrants to each Scheme Shareholder that:

- (a) **(status)** BidCo is a corporation duly incorporated and validly existing under the laws of the place of its incorporation;
- (b) **(power)** BidCo has the power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) **(corporate authorisations)** BidCo has taken all necessary corporate action to authorise the entry into and performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) **(documents binding)** this deed poll is BidCo's valid and binding obligation enforceable in accordance with its terms;
- (e) **(transactions permitted)** the execution and performance by BidCo of this deed poll and each transaction contemplated under this deed poll did not and will not violate in any respect a provision of:
 - (i) a law or treaty or a judgment, ruling, order or decree of a Public Authority binding on BidCo;
 - (ii) BidCo's constitution or other constituent documents; or
 - (iii) any other document which is binding on BidCo or its assets.

4.2 Acquirer

Acquirer represents and warrants to each Scheme Shareholder that:

- (a) **(status)** Acquirer is a corporation duly incorporated and validly existing under the laws of the place of its incorporation;
- (b) **(power)** Acquirer has the power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) **(corporate authorisations)** Acquirer has taken all necessary corporate action to authorise the entry into and performance of this deed poll and to carry out the transactions contemplated by this deed poll;

- (d) **(documents binding)** this deed poll is Acquirer's valid and binding obligation enforceable in accordance with its terms;
- (e) **(transactions permitted)** the execution and performance by Acquirer of this deed poll and each transaction contemplated under this deed poll did not and will not violate in any respect a provision of:
 - (i) a law or treaty or a judgment, ruling, order or decree of a Public Authority binding on Acquirer;
 - (ii) Acquirer's constitution or other constituent documents; or
 - (iii) any other document which is binding on Acquirer or its assets.

5. Continuing Obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until BidCo and Acquirer have fully performed their obligations under it.

6. Notices

Any notice, demand or other communication (a **Notice**) to BidCo or Acquirer in respect of this deed poll:

- (a) must be in writing and signed by the sender or a person duly authorised by it;
- (b) must be delivered to the intended recipient by prepaid post (if posted to an address in another country, by registered airmail) or by hand or fax to the address or fax number below:

Address: **SABMiller plc**
SABMiller House, Church Street West
Woking, Surrey, GU21 6HS, UK

Attention: General Counsel

Fax No: +44 1483 264 103;
- (c) will be conclusively taken to be duly given or made:
 - (i) in the case of delivery in person, when delivered;
 - (ii) in the case of delivery by post, two Business Days after the date of posting (if posted to an address in the same country) or seven Business Days after the date of posting (if posted to an address in another country); and
 - (iii) in the case of fax, on receipt by the sender of a transmission control report from the despatching machine showing the relevant number of pages and the correct destination fax number or name of recipient and indicating that the transmission has been made without error, but if the result is that a Notice would be taken to be given or made on a day that is not a business day in

Appendix 3 – Deed Poll

the place to which the Notice is sent or is later than 5pm (local time) it will be taken to have been duly given or made at the start of business on the next business day in that place.

7. General Provisions

7.1 Amendment

This deed poll may be amended only by another deed poll entered into by BidCo and Acquirer and then only if the amendment is agreed to by Target in writing and the Court indicates that the amendment would not itself preclude approval of the Scheme.

7.2 Assignment

The rights of each Scheme Shareholder under this deed poll are personal and cannot be assigned, charged, encumbered or otherwise dealt with at law or in equity without the prior written consent of BidCo and Acquirer.

7.3 Counterparts

This deed poll may be executed in any number of counterparts. All counterparts together will be taken to constitute one instrument.

7.4 Cumulative rights

The rights, powers and remedies of BidCo, Acquirer and each Scheme Shareholder under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

7.5 Governing law and jurisdiction

This deed poll is governed by the laws of Victoria, Australia. In relation to it and related non-contractual matters BidCo irrevocably submits to the non-exclusive jurisdiction of courts with jurisdiction there.

7.6 Further assurances

BidCo and Acquirer must do anything necessary (including executing agreements and documents) to give full effect to this deed poll and the transactions contemplated by it.

7.7 No waiver

If a Scheme Shareholder does not exercise a right arising from a breach of this deed poll at a given time, it may, unless it has waived that right in writing, exercise the right at a later point in time.

7.8 Stamp duty

BidCo must (and Acquirer must procure that BidCo does):

- (a) pay or procure the payment of all stamp duty (including fines, penalties and interest) in respect of the Scheme and this deed poll, the Scheme Implementation Deed, the performance of this deed poll, the Scheme Implementation Deed and each transaction effected by or made under the Scheme, this deed poll and the Scheme Implementation Deed; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 7.8(a).

Appendix 4

Scheme

Implementation

Deed



Appendix 4 – Scheme Implementation Deed

Date 21 September 2011

Parties

1. **SABMiller plc** (Company No. 03528416) registered in England of SABMiller House, Church Street West, Woking, Surrey, GU21 6HS, UK (**Acquirer**); and
2. **Foster's Group Limited** (ABN 49 007 620 886) registered in South Australia of 77-87 Southbank Boulevard, Southbank Victoria 3006 (**Target**).

Recitals

- A Acquirer, through BidCo, proposes to acquire all of the Scheme Shares pursuant to the Scheme.
- B Target has announced an intention to return capital to shareholders and Acquirer has agreed to consent to that return of capital being made. Target and Acquirer have agreed that Target will seek shareholder approval to implement the Capital Return contemporaneously with the Scheme.
- C Target has agreed to propose and implement, and Acquirer has agreed to assist Target to propose and implement, the Scheme and the Capital Return on the terms of this Deed.

It is agreed as follows.

1. Definitions and interpretation

1.1 Definitions

The following definitions apply unless the context requires otherwise.

ACCC means the Australian Competition and Consumer Commission.

Acquirer Group means Acquirer and its Related Bodies Corporate (excluding, at any time, Target and its Subsidiaries to the extent that Target and its Subsidiaries are subsidiaries of Acquirer at that time).

Acquirer Indemnified Parties means the entities within the Acquirer Group and their respective Officers and Advisers.

Acquirer Information means information about the Acquirer Group provided by Acquirer to Target in writing for inclusion in the Scheme Booklet.

Acquirer Representations and Warranties means the representations and warranties of Acquirer set out in schedule 1.

Adviser means, in relation to an entity, a person who in the ordinary course of its business provides services as a financier, financial adviser, corporate adviser, legal adviser, or technical or other expert adviser or consultant

and who has been engaged in that capacity in connection with the Transaction, or any response to it, by the entity but does not include the Independent Expert.

ASIC means the Australian Securities and Investments Commission.

ASIC Regulatory Guides means the regulatory guides published by ASIC from time to time.

ASIC Review Draft means the draft of the Scheme Booklet which is provided to ASIC:

- (a) for approval pursuant to section 411(2) of the Corporations Act; and
- (b) for ASIC review pursuant to ASIC Regulatory Guide 60.

ASIC Review Period means the period during which ASIC reviews the ASIC Review Draft as required by section 411(2) of the Corporations Act.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

ASX Listing Rules means the official listing rules of ASX.

BidCo means SABMiller Beverage Investments Pty Limited (ACN 150 900 093).

Board means the board of directors of Target.

Break Fee means \$99,000,000.

Business Day means a day on which the banks are open for business in Melbourne, Australia and London, England, excluding a Saturday, Sunday or public holiday.

Capital Return means the equal reduction of the share capital of Target pursuant to Division 1 of Part 2J.1 of the Corporations Act by an amount of \$0.30 per Share (as adjusted in accordance with clauses 3.5(a) and 3.5(b)) and:

- (a) the payment in cash of that amount, on the Implementation Date, to holders of Fully Paid Shares in respect of each Fully Paid Share of which they are the registered holder at the Record Date; and
- (b) the reduction of the issue price of each Partly Paid Share by that amount on the Implementation Date,

conditional on the Scheme becoming Effective.

Capital Return Resolution means the resolution to be put to Shareholders at the Special General Meeting to approve the Capital Return.

Claim means, in relation to a person, a demand, claim, action or proceeding made or brought by or against the person, however arising and whether present, unascertained, immediate, future or contingent.

Competing Proposal means any proposed transaction or arrangement, which, if completed, would mean a Third Party would:

- (a) directly or indirectly, acquire or have a right to acquire an interest, a relevant interest in or become the holder of:
 - (i) more than 20% of the Shares or more than 20% of the shares in any of Target's material Subsidiaries; or
 - (ii) the whole or a material part of the business or property of Target or any of its Subsidiaries;
- (b) acquire Control of Target;
- (c) otherwise acquire, merge or amalgamate with Target whether by way of takeover bid, a reverse takeover bid, scheme of arrangement, capital reduction, sale of assets, sale of securities, strategic alliance, dual listed companies structure, other economic or synthetic merger or combination, joint venture, partnership or any other transaction or arrangement; or
- (d) enter into any agreement or understanding requiring Target to abandon, or otherwise fail to proceed with, the Transaction.

For the purposes of:

- (A) paragraph (a)(i) above, a Subsidiary of Target will be a material subsidiary if:
 - (1) the business or property of the subsidiary contributes 20% or more of the consolidated net profit after tax of Target; or
 - (2) the business or property of the Subsidiary represents 20% or more of the total consolidated assets of Target; and
- (B) paragraph (a)(ii) above, the acquisition of an interest in the business or property of Target or any of its Subsidiaries will be material if:
 - (1) the relevant business or property contributes 20% or more of the consolidated net profit after tax of Target; or
 - (2) the business or property represents 20% or more of the total consolidated assets of Target.

Conditions Precedent has the meaning given in clause 3.1.

Confidentiality Deed means the confidentiality agreement dated 15 September 2011 between Acquirer and Target.

Control has the meaning given in section 50AA of the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of Victoria, or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Acquirer and Target.

Deed Poll means a deed poll to be executed by Acquirer and BidCo in favour of Scheme Shareholders in substantially the form of annexure 2 (or such other form as may be agreed between Target and Acquirer).

Demerger Documents means:

- (a) the Variation and Restatement Deed, dated 28 April 2011, between Target, Treasury Wine Estates Limited, Foster's Australia Limited and Foster's Wine Estates Limited;
- (b) the IT Transition Services Agreement, dated 3 May 2011, between Target and Treasury Wine Estates Vitners Limited;
- (c) the Transition Services Agreement, dated 3 May 2011, between Target and Treasury Wine Estates Limited; and
- (d) the Logistics Services Agreement, dated 3 May 2011, between Target, Foster's Australia Limited and Treasury Wine Estates Australia Limited.

Effective means the coming into effect under section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) (and, if applicable section 411(6)) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date means 29 February 2012, or such later date as may be agreed by Acquirer and Target.

Excluded Shareholder means any Shareholder which is an entity within the Acquirer Group.

Exclusivity Period means the period commencing from the date of this Deed to the earlier of:

- (a) the termination of this Deed; and
- (b) the End Date.

FATA means the Foreign Acquisitions and Takeovers Act 1975 (Cth).

First Court Date means the first day on which an application made to the Court for an order under section 411(1) of the Corporations Act convening the Scheme Meeting is heard or, if the application is adjourned for any reason, the first day on which the adjourned application is heard.

Fully Paid Scheme Share means a Fully Paid Share held by a Scheme Shareholder at the Record Date.

Fully Paid Share means a fully paid ordinary share in the capital of Target.

Implementation Date means the fifth Business Day after the Record Date or such other date agreed to in writing between Acquirer and Target.

Appendix 4 – Scheme Implementation Deed

Independent Expert means Grant Samuel & Associates Pty Ltd (ABN 28 050 036 372), the independent expert in respect of the Scheme appointed by Target to prepare the Independent Expert's Report.

Independent Expert's Report means the report from the Independent Expert for inclusion in the Scheme Booklet, including any update to such a report or any supplementary or replacement report, stating an opinion whether or not the Transaction is in the best interests of Shareholders, and setting out its reasons for that opinion.

Insolvency Event means, in the case of any entity:

- (a) it ceases, suspends, or threatens to cease or suspend the conduct of all or a substantial part of its business or disposes of or threatens to dispose of all or a substantial part of its assets;
- (b) it stops or suspends or threatens to stop or suspend payment of all or a class of its debts;
- (c) it is, or under legislation is presumed or taken to be, insolvent (other than as the result of a failure to pay a debt or Claim the subject of a good faith dispute);
- (d) it has an administrator, controller or similar officer appointed, or any step preliminary to the appointment of such an officer is taken;
- (e) an application or an order is made, proceedings are commenced, a resolution is passed or proposed in a notice of meeting, an application to a court or other steps are taken for:
 - (i) its winding up, dissolution or administration; or
 - (ii) it entering into an arrangement, compromise or composition with or assignment for the benefit of its creditors or a class of them,(Other than frivolous or vexatious applications, orders, proceedings, notices or steps);
- (f) (i) a receiver, receiver and manager, administrative receiver or similar officer is appointed to;
 - (ii) a security interest becomes enforceable or is enforced over; or
 - (iii) a distress, attachment or other execution is levied or enforced or applied for over,all or a substantial part of its assets; or
- (g) anything analogous to anything referred to in the above paragraphs, or which has substantially similar effect, occurs with respect to it, including under any foreign law.

Liabilities means Claims, losses, liabilities, costs or expenses of any kind and however arising, including penalties, fines and interest and including those which are prospective or contingent and those the amount of which for the time being is not ascertained or ascertainable.

Material Warranty Contract means any agreement, contract or other arrangement or instrument to which any entity within the Target Group is a party or by or to which any entity within the Target Group or any of its respective assets may be bound or subject to, and which:

- (a) is a Demerger Document; or
- (b) delivers a contribution to consolidated net profit after tax of the Target Group, taken as a whole, of at least \$75 million in any financial year of Target.

Material Undertaking Contract means any agreement, contract or other arrangement or instrument to which any entity within the Target Group is a party or by or to which any entity within the Target Group or any of its respective assets may be bound or subject to, and which:

- (a) is a Demerger Document;
- (b) imposes obligations or liabilities on any party of at least \$40 million per annum or \$120 million over the life of the agreement, contract, instrument or other arrangement; or
- (c) restricts the ability of any entity within the Target Group or any person who controls the Target from engaging in or competing with any business in any place.

Merged Entity means the Acquirer Group after implementation of the Scheme.

Merger Implementation Committee has the meaning given in clause 14.3(a).

Offer means the announcement by Acquirer to ASX on 17 August 2011 that it intends through BidCo to make a conditional off-market takeover offer for all the issued shares in Target.

Officer means, in relation to an entity, its directors, officers and employees.

Pacific Beverages means Pacific Beverages Pty Ltd (ACN 121 046 348).

Partly Paid Scheme Share means a Partly Paid Share held by a Scheme Shareholder at the Record Date.

Partly Paid Share means a partly paid ordinary share in the capital of the Target.

Performance Rights means the 2,695,887 performance rights on issue as at the date of this Deed, or to be issued after the date of this Deed, pursuant to the Foster's Group Limited Long Term Incentive Plan (which amount will be reduced to the extent that the issue of 960,088 Performance Rights to John Pollaers is not approved at Target's Annual General Meeting in October 2011).

Performance Rights Scheme has the meaning given in clause 7.4(b)(i).

Prescribed Occurrence has the meaning set out in schedule 4.

Public Authority means any government or any governmental, semi-governmental, statutory or judicial entity or authority, or any minister, department, office or delegate of any government, whether in Australia or elsewhere. It also includes any self-regulatory organisation established under statute and any stock exchange.

Record Date means 7pm on the fifth Business Day after the Effective Date or such other date agreed to in writing between Acquirer and Target.

Related Body Corporate has the meaning given in the Corporations Act.

Relevant Date means, in relation to a Condition Precedent, the date or time specified in this Deed for its fulfilment (or where no such date or time is specified, the Business Day before the End Date), subject to extension under clause 3.4.

Representative means, in relation to a person:

- (a) a Subsidiary of the person;
- (b) an Officer of the person or any of the person's Subsidiaries; or
- (c) an Adviser to the person or any of the person's Subsidiaries.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Shareholders in substantially the form of annexure 1 (or such other form as may be agreed between Target and Acquirer).

Scheme Booklet means the information described in clause 6.1(b) to be approved by the Court and despatched to Shareholders and which must include:

- (a) the Scheme;
- (b) explanatory statements under sections 256C(4) and 412(1) of the Corporations Act;
- (c) the Independent Expert's Report;
- (d) the Deed Poll;
- (e) the notice of the Scheme Meeting and proxy form for the Scheme Meeting; and
- (f) the notice of the Special General Meeting and proxy form for the Special General Meeting.

Scheme Consideration means for each Scheme Share that is:

- (a) a Fully Paid Scheme Share – \$5.10 cash (as adjusted in accordance with clauses 3.5(a) and 3.5(b)); and
- (b) a Partly Paid Scheme Share – the consideration (being a cash amount) specified in respect of that Partly Paid Share in schedule 5.

Scheme Meeting means the meeting of Shareholders (other than Excluded Shareholders) ordered by the Court to be convened under section 411(1) of the Corporations Act in relation to the Scheme, and includes any adjournment of that meeting.

Scheme Shares means the Fully Paid Scheme Shares and the Partly Paid Scheme Shares, and each of them is a **Scheme Share**.

Scheme Shareholders means the Shareholders (other than Excluded Shareholders) at the Record Date.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard.

Shares means the Fully Paid Shares and the Partly Paid Shares, and each of them is a Share.

Shareholder means a registered holder of one or more Shares.

Share Register means the register of members of Target maintained in accordance with the Corporations Act.

Share Registry means Computershare Investor Services Pty Ltd or any replacement provider of share registry services to Target.

Special General Meeting means a general meeting of Shareholders to be convened by the Company and held immediately prior to or immediately after the Scheme Meeting for the purposes of considering the Capital Return Resolution.

Subsidiary has the meaning given in the Corporations Act.

Superior Proposal means a written bona fide Competing Proposal (not resulting from a breach by Target of any of its obligations under clause 11 and it being understood that any actions by Related Bodies Corporate of Target in breach of clause 11 shall be deemed to be a breach by Target for the purposes hereof) received after the date of this Deed, that the Board determines, acting in good faith and in order to satisfy what the Board considers to be its fiduciary or statutory duties (and after having taken advice from its external financial and legal advisers):

- (a) is reasonably capable of being valued and implemented, taking into account all aspects of the Competing Proposal, including its conditions precedent; and
- (b) would, if completed substantially in accordance with its terms, be more favourable to Shareholders than the Transaction, taking into account all the terms and conditions of the Competing Proposal.

Appendix 4 – Scheme Implementation Deed

Target Director means a director of Target from time to time.

Target Group means Target and its Related Bodies Corporate.

Target Indemnified Parties means the entities within Target Group and their respective Officers and Advisers.

Target Information means all information included in the Scheme Booklet other than the Acquirer Information and the Independent Expert's Report.

Target Representations and Warranties mean the representations and warranties of Target set out in schedule 2.

Tax means a tax, levy, charge, impost, fee, deduction, withholding or duty of any nature, including stamp and transaction duty or any goods and services tax, value added tax or consumption tax, which is imposed or collected by a Public Authority and includes any interest, fine, penalty, charge, fee or other amount imposed in addition to those amounts.

Third Party means a person other than an entity within the Acquirer Group.

Timetable means the indicative timetable for the implementation of the Transaction set out in annexure 3.

Transaction means the combination of:

- (a) the acquisition of 100% of the Shares by Acquirer through the implementation of the Scheme; and
- (b) the implementation of the Capital Return,

in each case in accordance with the terms of this Deed.

1.2 Interpretation

In this Deed, headings are for convenience only and do not affect interpretation. The following rules apply in this Deed unless the context requires otherwise.

- (a) The singular includes the plural, and the converse also applies.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a **person** includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.
- (e) A reference to a clause, schedule or annexure is a reference to a clause of, or schedule or annexure to, this Deed.
- (f) A reference to writing includes any method of representing or reproducing words, figures, drawings or symbols in a visible and tangible form but excludes a communication by electronic mail.

(g) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.

(h) A reference to a party to this Deed or another agreement or document includes the party's successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).

(i) A reference to legislation or to a provision of legislation includes:

- (i) a modification of it (including, in respect of the Corporations Act or a provision of that Act, a modification made by ASIC);
- (ii) a re enactment of it;
- (iii) a legislative provision substituted for it; and
- (iv) a regulation or statutory instrument issued under it.

(j) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.

(k) A reference to an **agreement** includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a **document** includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.

(l) A reference to an agreement or document (including a reference to this Deed) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this Deed or that other agreement or document.

(m) A reference to **Australian dollars, dollars** and **\$** is to Australian currency.

(n) Mentioning anything after **includes, including, for example** or similar expressions, does not limit what else might be included.

(o) Nothing in this Deed is to be interpreted against a party solely on the ground that the party put forward this Deed or a relevant part of it.

(p) A reference to any time is a reference to that time in Melbourne, Australia.

1.3 Consents and approvals

If the doing of any act, matter or thing under this Deed is dependent on the consent or approval of a party or is within the discretion of a party, such consent or approval may be given or such discretion may be exercised conditionally or unconditionally or withheld by the party in its absolute discretion (unless this Deed specifies otherwise).

1.4 Business Day

Except where otherwise expressly provided, where under this Deed the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing must be done on the next Business Day.

1.5 Knowledge, belief or awareness as to Vendor's Warranties

(a) Certain Target Representations and Warranties are given and made by Target 'to Target's knowledge'. For the purposes of this Deed, **to Target's knowledge** means, and is limited to, the actual knowledge of:

- (i) John Pollaers;
- (ii) Stephen Matthews; and
- (iii) Dan Last.

The knowledge of any person other than the persons identified above will not be imputed to Target.

(b) Without limiting clause 17.1, none of the persons named in clause 1.5(a) will bear any personal liability in respect of the Target Representations and Warranties or otherwise under this Deed.

2. Agreement to Propose Transaction

2.1 Target to propose

Target agrees to propose and implement the Scheme and the Capital Return on and subject to the terms and conditions of this Deed.

2.2 Acquirer to assist

Acquirer agrees to assist Target to propose and implement the Scheme and the Capital Return on and subject to the terms and conditions of this Deed.

3. Conditions Precedent

3.1 The Conditions Precedent

Subject to this clause 3, the Scheme will not become Effective and the Capital Return will not be implemented, and the obligations of Acquirer under clause 4.2 are not binding, unless each of the following conditions precedent (the **Conditions Precedent**) is satisfied or waived in accordance with clauses 3.2 and 3.3:

Conditions precedent for the benefit of all parties

- (a) (**FIRB approval**) before 8am on the Second Court Date, the Treasurer of the Commonwealth of Australia (the **Treasurer**):
- (i) ceases to be empowered to make an order

under the FATA in relation to the proposed acquisition by BidCo of all of the Shares and the proposed acquisition by an entity within the Acquirer Group of all of the shares in Pacific Beverages that it does not already own; or

- (ii) gives written advice of a decision by or on behalf of the Treasurer stating unconditionally or subject to conditions satisfactory to Acquirer that there is no objection to the proposed acquisition by BidCo of all of the Shares and the proposed acquisition by an entity within the Acquirer Group of all of the shares in Pacific Beverages that it does not already own;
- (b) (**no objection from ACCC**) before 8am on the Second Court Date, BidCo receives unconditional written notification (or written notification subject to conditions satisfactory to Acquirer) from the ACCC to the effect that it does not propose to oppose or otherwise intervene in or seek to prevent BidCo's acquisition of the Shares or the acquisition by an entity within the Acquirer Group of all of the shares in Pacific Beverages that it does not already own;
- (c) (**Independent Expert's Report**) the Independent Expert provides the Independent Expert's Report to Target, stating that in its opinion the Transaction is in the best interests of Shareholders, and the Independent Expert does not change its conclusion or withdraw the Independent Expert's Report by notice in writing to Target prior to 8am on the Second Court Date;
- (d) (**Tax Ruling**) before 8am on the Second Court Date Target receives from the Commissioner of Taxation a class ruling given under Division 358 of Schedule 1 of the *Taxation Administration Act 1953* (Cth) in form and substance satisfactory to Target confirming, in relation to holders of Fully Paid Shares, that for the purposes of the *Income Tax Assessment Act 1936* (Cth) (the **1936 Act**) or *Income Tax Assessment Act 1997* (Cth) (the **1997 Act**):
 - (i) no part of the Capital Return will be a dividend, or deemed dividend;
 - (ii) the Commissioner will not make a determination under section 45A or section 45B of the 1936 Act that section 45C applies to any part of the Capital Return;
 - (iii) CGT event G1 will not happen on receipt of the Capital Return by any holder of Fully Paid Shares who has not disposed of their shares before they receive the Capital Return, acknowledging that such confirmation may take the form of the inclusion of a statement in the class ruling that

Appendix 4 – Scheme Implementation Deed

- CGT event G1 will not happen or the omission from the class ruling of a statement that CGT event G1 will happen in respect of the Capital Return;
- (iv) CGT event C2 will happen on receipt of the Capital Return by any holder of Fully Paid Shares who has disposed of their shares before they receive the Capital Return;
- (v) any holder of Fully Paid Shares who holds their shares as pre-CGT assets will disregard any capital gain in respect of the Capital Return as a result of CGT events G1 or C2 happening in respect of the shares; and
- (vi) any holder of Fully Paid Shares who is a foreign resident and does not have a permanent establishment in Australia will disregard any capital gain in respect of the Capital Return due to the operation of section 855-10 of the 1997 Act;
- (e) **(Shareholder approval of Scheme)** Shareholders (other than Excluded Shareholders) approve the Scheme by the requisite majorities under section 411(4)(a)(ii) of the Corporations Act at the Scheme Meeting;
- (f) **(Shareholder approval of Capital Return)** Shareholders approve the Capital Return Resolution by the requisite majority under section 256C(1) of the Corporations Act at the Special General Meeting;
- (g) **(all other regulatory approvals)** before 8am on the Second Court Date all applicable regulatory waiting periods (including any extensions) have expired or otherwise been terminated in respect of the Transaction and BidCo (or another entity within the Acquirer Group) has obtained unconditionally or subject to conditions satisfactory to Acquirer all material approvals, licences, authorisations, authorities, consents, permissions, clearances, grants, confirmations, orders, exemptions, waivers or rulings required by law or by any Public Authority (together **Approvals**), excluding such Approvals as are specifically covered by the Conditions Precedent in clauses 3.1(a) and 3.1(b), as are necessary:
- (i) to permit completion of the Transaction;
- (ii) as a result of the Transaction for the continued operation of the Target Group and the Acquirer Group substantially on the same material terms as the relevant business was conducted at the date of entry into this Deed; or
- (iii) to ensure that there is no right or power to require the divestiture of:
- (A) any Shares by any entity within the Acquirer Group; or
- (B) any material assets owned (as at the date of this Deed) by:
- (1) any entity within the Acquirer Group (excluding, for the avoidance of doubt, any shares in Pacific Beverages); or
- (2) any entity within the Target Group,
- and all such Approvals remain in full force and effect as at 8am on the Second Court Date;
- (h) **(no restraints)** no judgment, order, decree, statute, law, ordinance, rule or regulation or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition entered, enacted, promulgated, enforced or issued by any court or any Public Authority of competent jurisdiction is in effect at 8am on the Second Court Date that prohibits, materially restricts, makes illegal, materially adversely impacts upon or restrains the completion of the Transaction, or requires the divestiture of:
- (i) any Shares by any entity within the Acquirer Group; or
- (ii) any material assets owned (as at the date of this Deed) by:
- (A) any entity within the Acquirer Group (excluding, for the avoidance of doubt, any shares in Pacific Beverages); or
- (B) any entity within the Target Group;
- (i) **(Court approval)** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- Conditions precedent for the benefit of Acquirer only**
- (j) **(no Prescribed Occurrence)** no Prescribed Occurrence occurs between the date of this Deed and 8am on the Second Court Date;
- (k) **(Target Representations and Warranties)** each Target Representation and Warranty is materially true and correct at 8am on the Second Court Date (or if only given on an earlier date, at that date);
- (l) **(no material adverse change)** between the date of this Deed and 8am on the Second Court Date, no matter, event, change, condition, circumstance, information or thing (**Change**) occurs, is announced or becomes known to BidCo (in any such case, individually or when aggregated with all such Changes and whether or not becoming public) that diminishes or is reasonably likely to diminish:
- (i) the consolidated net assets of the Target Group, taken as a whole, by at least \$375 million; or

- (ii) the consolidated net profit after tax of the Target Group, taken as a whole, by at least \$75 million in any financial year of Target,

excluding any Change:

- (iii) that results from or relates to changes in or arising from:
 - (A) any changes (on or after the date of this Deed) in:
 - (1) Australian or international economic conditions, credit markets or capital markets;
 - (2) the industry in which Target operates; or
 - (3) laws (including any statute, ordinance, rule, regulation, the common law and equitable principles) or the interpretation, application or non-application of any laws by any Public Authority (including any changes in applicable accounting standards);
 - (B) any war, act of terrorism, civil unrest or similar event occurring on or after the date of this Deed; or
 - (C) any act of God, lightning, storm, flood, fire, earthquake or explosion, cyclone, tidal wave, landslide, adverse weather conditions occurring on or after the date of this Deed,

provided that such Change does not affect Target in a manner that is materially disproportionate to the effect on other companies of a similar size operating in the same industry as Target (in which case, for the avoidance of doubt, the financial impact of such Change will only be excluded to the extent of the excess of disproportionate impact on Target over what would be the proportionate impact);

- (iv) that arises from:
 - (A) facts and circumstances that Target has disclosed in an announcement made to ASX prior to entry into this Deed; or
 - (B) any action taken, or any failure to take action with the approval or consent of, or at the request of, Acquirer; or
- (v) that results from facts, circumstances or other information disclosed by Target to Acquirer or its Representatives prior to execution of this Deed; and

Conditions precedent for the benefit of Target only

- (m) (**Acquirer Representations and Warranties**) each Acquirer Representation and Warranty is materially true and correct at 8am on the Second Court Date (or if only given on an earlier date, at that date).

3.2 Satisfaction of Conditions Precedent

- (a) To the extent it is within their power to do so, Acquirer and Target must each use their respective best endeavours, and will ensure that each of their respective Related Bodies Corporate uses their respective best endeavours, to procure that:
 - (i) the Conditions Precedent in clauses 3.1(a), 3.1(b), 3.1(e), 3.1(f), 3.1(g), 3.1(h) and 3.1(i) are satisfied; and
 - (ii) there is no occurrence that is within the control of an entity within the Acquirer Group or the Target Group (as the context requires) that would prevent any Condition Precedent in clause 3.1 being satisfied, except to the extent such action is required by law.
- (b) Target must use best endeavours to procure that the Conditions Precedent in clauses 3.1(c), 3.1(d), 3.1(j), 3.1(k) and 3.1(l) are satisfied.
- (c) Acquirer must use best endeavours to procure that the Condition Precedent in clause 3.1(m) is satisfied.
- (d) For the purposes of clauses 3.2(a), 3.2(b) and 3.2(c), the **best endeavours** of a party will require that party to (among other things) co-operate with the other party or a Public Authority or Independent Expert in good faith with a view to satisfying the Conditions Precedent, including providing all information reasonably required by the Public Authority or Independent Expert in relation to the Target Group or the Acquirer Group (as applicable) in order to satisfy the Conditions Precedent.
- (e) Acquirer and Target must each:
 - (i) promptly notify the other if it becomes aware that any Condition Precedent has been satisfied;
 - (ii) promptly notify the other of any failure to satisfy a Condition Precedent or of any fact or circumstance which becomes known to that party that will result in a Condition Precedent becoming incapable of being satisfied or that may result in a Condition Precedent not being satisfied in accordance with its terms (having regard to the obligations of the parties under this clause); and
 - (iii) keep the other party promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions Precedent.

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- (f) Acquirer and Target must each:
- (i) give the Court on the Second Court Date a certificate confirming (in respect of matters within its knowledge) whether or not the Conditions Precedent (other than the Condition Precedent in clause 3.1(i)) have been satisfied or waived; and
 - (ii) give the other a draft of its certificate by 5pm on the Business Day prior to the Second Court Date.

3.3 Waiver of Conditions Precedent

- (a) The Conditions Precedent in clauses 3.1(a) to 3.1(i) (inclusive) are for benefit of both Acquirer and Target and (except in the cases of the Conditions Precedent in clauses 3.1(a), 3.1(e) and 3.1(i) which cannot be waived) any breach or non-fulfilment of any of those Conditions Precedent may not be waived by a party except with the written consent of the other party (provided and to the extent that such waiver is permitted by law).
- (b) The Conditions Precedent in clauses 3.1(j) to 3.1(l) (inclusive) are for the sole benefit of Acquirer, and any breach or non-fulfilment of any of those Conditions Precedent may only be waived by Acquirer giving its written consent.
- (c) The Condition Precedent in clause 3.1(m) is for the sole benefit of Target, and any breach or non-fulfilment of that Condition Precedent may only be waived by Target giving its written consent.
- (d) A party entitled to waive the breach or non-fulfilment of a Condition Precedent pursuant to this clause 3.3 may do so conditionally or unconditionally in its absolute discretion.
- (e) If a party waives the breach or non-fulfilment of a Condition Precedent, that waiver will not preclude it from suing the other party for any breach of this Deed that resulted from the breach or non-fulfilment of the Condition Precedent that was waived or arising from the same event which gave rise to the breach or non-fulfilment of the Condition Precedent.
- (f) Waiver of a breach or non-fulfilment in respect of a Condition Precedent does not constitute:
 - (i) a waiver of breach or non-fulfilment of any other Condition Precedent resulting from the same event; or
 - (ii) a waiver of breach or non-fulfilment of that Condition Precedent resulting from any other event.

3.4 If a Condition Precedent is not fulfilled or waived

- (a) If a Condition Precedent cannot be fulfilled (or has not been fulfilled or waived) by the Relevant Date, or the Scheme has not become Effective by the End Date, Acquirer and Target must consult in good faith to determine whether:
 - (i) the Scheme may proceed by way of alternative means or methods and, if so, agree on the terms of such alternative means or methods;
 - (ii) to extend the Relevant Date;
 - (iii) to adjourn or change the date of the Scheme Meeting; and/or
 - (iv) to extend the End Date.
- (b) Without limiting clause 3.4(a), if a Condition Precedent is not satisfied by the date contemplated in the Timetable as the Second Court Date, Acquirer and Target agree (unless there is no reasonable prospect that the Condition Precedent will be satisfied) that the Second Court Date be deferred until such date (not later than the Business Day before the End Date) as reasonably required to enable more time to satisfy the Condition Precedent.

3.5 ATO Ruling

If the Condition Precedent in clause 3.1(d) is not satisfied because the Commissioner for Taxation refuses to grant, or has not granted by 8am on the Second Court Date, the ruling referred to in that clause in form and substance reasonably satisfactory to Target and Acquirer for:

- (a) the entire \$0.30 per Fully Paid Share, the parties agree that from the earlier of the time that refusal is provided and 8am on the Second Court Date if the grant has not been provided at such time:
 - (i) the Capital Return will no longer be proposed by Target to the Shareholders (and the parties obligations in respect of the Capital Return will immediately terminate and clauses 3.1(d) and 3.1(f) will automatically be, and will be deemed to have been, waived by the parties); and
 - (ii) the Scheme Consideration for each Fully Paid Scheme Share will be \$5.40 cash; or
- (b) some but not all the \$0.30 per Fully Paid Share, the parties agree that from the earlier of the time that refusal is provided and 8am on the Second Court Date if the grant has not been provided at such time:
 - (i) the Capital Return will no longer be proposed by Target to the Shareholders for the part of the \$0.30 per Share equal to the part of the return of capital of \$0.30 per Fully Paid Share for

which the ruling is not obtained (and the parties obligations in respect of the Capital Return and clauses 3.1(d) and 3.1(f) will only apply in respect of the part for which the ruling is obtained); and

- (ii) the Scheme Consideration for each Fully Paid Scheme Share will be \$5.10 cash plus that part of the \$0.30 per Share equal to the part of the return of capital of \$0.30 per Fully Paid Share for which the ruling is not obtained (in cash).

3.6 Termination on failure of Condition Precedent

(a) If:

- (i) the Scheme has not become Effective by the End Date; or
- (ii) any event occurs which would, or in fact does, prevent a Condition Precedent (other than the Condition Precedent in clause 3.1(d), in respect of which the consequences of non-satisfaction are covered by clause 3.5) being satisfied and that Condition Precedent is not waived by Target or Acquirer or both (as applicable) in accordance with clause 3.3,

then:

- (iii) except in respect of the Conditions Precedent in clauses 3.1(e) and 3.1(f), the parties will consult in good faith with a view to determining whether:
 - (A) the Scheme or a transaction that results in the Acquirer Group having beneficial ownership of all the Shares may proceed by way of alternative means or methods;
 - (B) to extend the relevant time or date for satisfaction of the Condition Precedent or the End Date; or
 - (C) to change the date of the application to be made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme or adjourning that application (as applicable) to another date agreed by the parties and, if required, approved by the Court; and
- (iv) subject to clause 9, in respect of the Conditions Precedent in clauses 3.1(e) and 3.1(f), either party may terminate this Deed by notice in writing to the other without any liability to the other as a result of such termination in which case clause 19.2 will have effect, provided that the party giving notice has otherwise fully complied with its obligations under clauses 3, 6, 10, 11 and 12.

- (b) If Acquirer and Target are unable to reach agreement under clauses 3.6(a)(iii)(A), 3.6(a)(iii)(B) or 3.6(a)(iii)(C) within the Required Consultation Period (as defined below), either party may, provided that Condition Precedent is for the benefit of that party and that party has otherwise fully complied with its obligations under clauses 3, 6, 10, 11 and 12, terminate this Deed by notice in writing to the other without any liability to the other in which case clause 19.2 will have effect.
- (c) For the purposes of clause 3.6(b), the **Required Consultation Period** is the shorter of:
 - (i) five Business Days after both parties become aware that clause 3.6(a)(i) or 3.6(a)(ii) (as the case may be) is triggered; and
 - (ii) the period commencing at the time both parties become aware that clause 3.6(a)(i) or 3.6(a)(ii) (as the case may be) is triggered and ending at 8am on the Second Court Date.

4. Scheme and Scheme Consideration

4.1 Outline of Scheme

Subject to the terms and conditions of the Deed, Target must propose a scheme of arrangement under which:

- (a) all of the Shares will be transferred to BidCo; and
- (b) the Scheme Shareholders will be entitled to receive the Scheme Consideration.

4.2 Scheme Consideration

Acquirer undertakes and warrants to Target (in its own right and as trustee on behalf of the Scheme Shareholders) that, in consideration of the transfer to BidCo of each Scheme Share held by a Scheme Shareholder under the terms of the Scheme, BidCo will, on the Implementation Date:

- (a) accept that transfer; and
- (b) before 12noon, pay or procure the payment of the Scheme Consideration for each Scheme Share to Target as trustee for the Scheme Shareholders for payment to Scheme Shareholders in accordance with the Scheme and the Deed Poll.

4.3 Outline of Capital Return

Subject to the terms and conditions of this Deed (including clause 3.5), Target must propose the Capital Return.

4.4 No amendment to Scheme or Capital Return without consent

Target must not consent to any modification or amendment to, or the making or imposition by the Court or any Public Authority of any condition in respect

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of the Scheme or Capital Return, without the prior written consent of Acquirer, such consent not to be unreasonably withheld.

5. Timetable

- (a) Subject to clause 5(b), the parties must use their best endeavors to:
- (i) comply with their respective obligations under clause 6; and
 - (ii) take all other necessary steps and exercise all rights necessary to implement and give effect to the Transaction,
- in accordance with the Timetable.
- (b) Failure by a party to meet any timeframe or deadline set out in the Timetable will not constitute a breach of clause 5(a) to the extent that such failure is due to circumstances and matters outside of the party's control, including any action or omission by a Public Authority.
- (c) Target must keep Acquirer informed of its progress against the Timetable and consult with Acquirer on a regular basis about its progress and each party must notify the other immediately if it believes or it becomes apparent to it that any of the dates in the Timetable are not achievable.
- (d) To the extent that any of the dates or timeframes set out in the Timetable become not achievable due to matters outside of a party's control, the parties will consult in good faith to agree any necessary extension to the Timetable to ensure that such matters are completed within the shortest possible timeframe.

6. Implementation of Transaction

6.1 Target's obligations

Subject to the terms of this Deed, Target must do all things as may be reasonably necessary or expedient on its part for the implementation and performance of the Transaction, in each case, so far as reasonably practicable, in accordance with the Timetable, including the following matters.

- (a) **(Independent Expert)** Promptly appoint the Independent Expert and provide all assistance and information reasonably requested by the Independent Expert to enable it to prepare its Independent Expert's Report for the Scheme Booklet as soon as practicable.
- (b) **(Preparation of Scheme Booklet)** Prepare the Scheme Booklet so that it:
- (i) contains all information necessary to ensure that the Scheme Booklet complies with all applicable

laws and in particular with the Corporations Act, ASIC Regulatory Guide 60 (and all other ASIC Regulatory Guides) and the ASX Listing Rules;

- (ii) not be misleading or deceptive in any material respect (whether by omission or otherwise); and
 - (iii) includes a statement that, other than the Acquirer Information and the Independent Expert's Report, the Scheme Booklet has been prepared by Target and is the responsibility of Target, and that no Acquirer Indemnified Party assumes any responsibility for the accuracy or completeness of the Scheme Booklet (other than, in the case of Acquirer, for the Acquirer Information).
- (c) **(Consultation with Acquirer)** Consult with Acquirer as to the content and presentation of the Scheme Booklet, such consultation to include allowing Acquirer a reasonable opportunity to review and make comments on successive drafts of the Scheme Booklet prior to lodgement with ASIC, and obtaining Acquirer's consent to the inclusion of the Acquirer Information.
- (d) **(Approval of ASIC Review Draft)** As soon as practicable after preparation of the ASIC Review Draft, procure that a meeting of the Board is convened to approve the ASIC Review Draft as being in a form appropriate for provision to ASIC for review.
- (e) **(Lodgement of ASIC Review Draft)** As soon as practicable after the meeting of the Board referred to in clause 6.1(d):
- (i) provide a copy of the ASIC Review Draft to ASIC, as required by section 411(2) of the Corporations Act; and
 - (ii) apply to ASIC for production of an indication of intent letter stating that it does not intend to appear at the Court hearing on the First Court Date.
- (f) **(ASIC Review Period)** During the ASIC Review Period, keep Acquirer informed of any matters raised by ASIC or ASX in relation to the Scheme Booklet, the Scheme, the Capital Return or the Transaction generally, and use best endeavours to take into consideration in resolving such matters any issues raised or comments made by Acquirer (which will include allowing Acquirer and/or its Representatives to participate in any Target meetings or discussions with ASIC or ASX).

- (g) **(Approval of Scheme Booklet)** As soon as practicable after the end of the ASIC Review Period, procure that a meeting of the Board is convened to approve the Scheme Booklet for despatch to Shareholders.
- (h) **(Section 411(17)(b) statement)** Apply to ASIC for the production of a statement under section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme.
- (i) **(Court direction)** Apply to the Court for orders under section 411(1) of the Corporations Act directing Target to convene the Scheme Meeting, and obtain the prior consent of Acquirer as to the content of all relevant originating processes, affidavits, submissions and draft minutes of Court orders.
- (j) **(ASIC registration and lodgement)**
- (i) Request ASIC to register the Scheme Booklet (in the form to be sent to Shareholders and approved by the Court) in accordance with section 412(6) of the Corporations Act.
 - (ii) Lodge a copy of the Scheme Booklet (in the form to be sent to Shareholders and approved by the Court) in accordance with the requirements of section 256C(5) of the Corporations Act.
- (k) **(Scheme Meeting and Special General Meeting)** Convene the Scheme Meeting and Special General Meeting and send the Scheme Booklet to Shareholders (in relation to the Scheme Meeting, in accordance with the Court order), put the Scheme to a vote of Shareholders at the Scheme Meeting and put the Capital Return Resolution to a vote of Shareholders at the Special General Meeting.
- (l) **(Update Scheme Booklet)** If at any time between the end of the ASIC Review Period and the Second Court Date Target becomes aware:
- (i) of new information which, were it known at the time the Scheme Booklet was prepared should have been included in the Scheme Booklet; or
 - (ii) that any part of the Scheme Booklet (other than the Acquirer Information) is misleading or deceptive in a material respect (whether by omission or otherwise),
- then, in either case, if considered by Target that supplementary disclosure is required, provide supplementary disclosure to Shareholders in an appropriate and timely manner in accordance with applicable law and after consulting with Acquirer as to the content and presentation of that supplementary disclosure.
- (m) **(Proxies)** Cause the Share Registry to report to Target and Acquirer on the status of proxy forms received by the Share Registry for the Scheme Meeting and the Special General Meeting:
- (i) on the day that is 15 Business Days before the Scheme Meeting and the Special General Meeting;
 - (ii) on each Business Day following the day that is 15 Business Days before the Scheme Meeting and the Special General Meeting, up to the deadline for receipt of proxy forms; and
 - (iii) immediately following such deadline,
- and provide such other information as it may receive concerning the voting intentions of Shareholders to Acquirer.
- (n) **(Court approval)** Subject to all Conditions Precedent in clause 3.1 (other than that in clause 3.1(i)) being satisfied or waived in accordance with this Deed, as soon as practicable after such time apply to the Court for orders approving the Scheme in accordance with sections 411(4)(b) and 411(6) of the Corporations Act, and obtain the prior consent of Acquirer as to the content of all relevant affidavits, submissions and draft minutes of Court orders.
- (o) **(Certificate)** At the hearing on the Second Court Date provide to the Court a certificate confirming (in respect of matters within its knowledge) whether or not the Conditions Precedent (other than the Condition Precedent in clause 3.1(i)) have been satisfied or waived in accordance with this Deed. A draft of such certificate shall be provided by Target to Acquirer by 12noon on the Business Day prior to the Second Court Date.
- (p) **(Completion steps)**
- (i) If the Court approves the Scheme in accordance with sections 411(4)(b) and 411(6) of the Corporations Act, as soon as practicable after such time lodge with ASIC an office copy of the Court order approving the Scheme in accordance with section 411(10) of the Corporations Act.
 - (ii) Use its best endeavours to procure ASX to suspend trading in Fully Paid Shares from the close of trading on the Effective Date.
 - (iii) Close the Share Register as at the Record Date to determine the identity of the Scheme Shareholders and their entitlements to the Scheme Consideration.
 - (iv) Subject to Acquirer satisfying its obligations under clause 4.2, on the Implementation Date:

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- (A) effect the Capital Return;
 - (B) execute proper instruments of transfer of and effect transfer of the Scheme Shares to BidCo in accordance with the Scheme; and
 - (C) register all transfers of Shares held by Scheme Shareholders to BidCo.
- (v) Do all other things contemplated by or necessary to give effect to the Capital Return, the Scheme and the orders of the Court.
- (q) **(ASX listing)** Use best endeavours to maintain Target's admission to the official list of ASX and the quotation of Fully Paid Shares on ASX up to and including the Implementation Date.
- (r) **(Tracing notices)** Issue such disclosure notices under section 672A of the Corporations Act as Acquirer may reasonably request and provide Acquirer with copies of all responses it receives to such notices.
- (s) **(Public Authority)** Keep Acquirer fully informed of any matters raised by any Public Authority with Target in relation to the Scheme (including matters raised by ASIC or ASX in relation to the Scheme Booklet) and use all reasonable endeavours to co-operate with Acquirer to resolve any such matters, and generally must use its reasonable endeavours to obtain any regulatory approvals (including ASIC or ASX relief or waivers), and keep Acquirer informed of progress in obtaining any such regulatory approvals and must consult with Acquirer in relation to the foregoing.

6.2 Acquirer's obligations

Acquirer must do all things as may be reasonably necessary or expedient on its part for the implementation and performance of the Scheme, in accordance with the Timetable, including the following matters.

- (a) **(Acquirer Information)** Prepare and provide to Target the Acquirer Information for inclusion in the Scheme Booklet. The Acquirer Information must:
- (i) contain all information about the Acquirer Group necessary to ensure that the Scheme Booklet complies with all applicable laws and in particular with the Corporations Act, ASIC Regulatory Guide 60 (and all other ASIC Regulatory Guides) and the ASX Listing Rules; and
 - (ii) not be misleading or deceptive in any material respect (whether by omission or otherwise).
- (b) **(Assistance to Independent Expert)** Provide all assistance and information reasonably required

by the Independent Expert in connection with the preparation of the Independent Expert's Report.

- (c) **(Deed Poll)** Prior to the First Court Date, execute (and procure that BidCo executes) the Deed Poll.
- (d) **(Update the Acquirer Information)** If at any time after the despatch of the Scheme Booklet, Acquirer becomes aware:
- (i) of new information which, were it known at the time of despatch, should have been included in any of the Acquirer Information provided previously to Target; or
 - (ii) that any part of the Acquirer Information provided previously to Target is misleading or deceptive in any material respect (whether by omission or otherwise),

it must advise Target so that Target can determine whether supplementary disclosure to Shareholders is required.

- (e) **(Scheme Consideration)** If the Scheme becomes Effective, procure that BidCo provides, or procures the provision of, the Scheme Consideration in accordance with the Scheme and the Deed Poll.

6.3 Shares subject to employee or director share, option or incentive plans

Before 8am on the Second Court Date, Target must waive or otherwise remove (on terms satisfactory to Acquirer, acting reasonably) all restrictions on transfer or vesting of any Shares issued or held under any employee or director share, option or incentive plan (provided that any restrictions relating to repayment of loans, and any loans made by any entities within the Target Group, shall not be waived or forgiven).

7. Other Scheme implementation matters

7.1 Register details

- (a) Target must give all necessary directions to the Share Registry to ensure that any information Acquirer reasonably requests in relation to the Share Register and the Scheme Shareholders, including any CHES sub-register and any issuer-sponsored subregister, is as soon as reasonably practicable provided to Acquirer and, where requested by Acquirer, Target must procure that such information is made available to Acquirer in such electronic form as is reasonably requested by Acquirer.
- (b) Target must upon request by Acquirer as soon as reasonably practicable provide to Acquirer:
- (i) a copy of the register maintained by Target in accordance with section 672DA of the

Corporations Act and any information which it has and which is required to be included in that register but which has not been included at the date the request is made; and

- (ii) any further information or reports Target possesses in relation to the underlying beneficial ownership of the Shares.

7.2 Assistance of Representatives

Each party must procure that its Representatives work in good faith and in a timely and co-operative manner with the other party and its Representatives to implement the Transaction in accordance with this Deed.

7.3 Scheme Booklet preparation and responsibility statements

- (a) If, after a reasonable period of consultation and compliance by Target with its obligations under clause 6.1, the parties, acting reasonably and in good faith, are unable to agree on the form or content of the Scheme Booklet, then:
 - (i) if the disagreement relates to the form or content of the Acquirer Information (or any information solely derived from, or prepared solely in reliance on, the Acquirer Information), Target will, acting in good faith, make such amendments to that information in the Scheme Booklet as Acquirer may reasonably require; and
 - (ii) if the disagreement relates to the form or content of the Target Information, Target will, acting in good faith, decide the final form of that information in the Scheme Booklet.
- (b) The Scheme Booklet will contain a responsibility statement, in a form to be agreed by the parties, to the effect that:
 - (i) Target has provided, and is responsible for, the Target Information and that Acquirer and its Representatives do not assume any responsibility for the accuracy or completeness of that Target Information;
 - (ii) provided Acquirer is satisfied with the content of the Acquirer Information after the process referred to in clause 7.3(a)(i), Acquirer has provided, and is responsible for, the Acquirer Information, and that Target and its directors and officers do not assume any responsibility for the accuracy or completeness of that Acquirer Information except to the extent that Target has provided Acquirer with information for the purpose of Acquirer preparing information on the Merged Entity; and
 - (iii) the Independent Expert has provided and is responsible for the Independent Expert's Report, and that:

- (A) Acquirer and its Representatives do not assume any responsibility for the accuracy or completeness of the Independent Expert's Report; and

- (B) Target and Representatives do not assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

7.4 Cancellation or vesting of Performance Rights

- (a) At Acquirer's election, to be notified to Target promptly after execution of this Deed, Target must either:
 - (i) take such steps as are necessary to cause the Performance Rights to be cancelled (upon the Scheme becoming Effective) as Acquirer reasonably requires, including:
 - (A) the entry into cancellation deeds on terms acceptable to Acquirer (acting reasonably);
 - (B) applying to ASX for waiver from ASX Listing Rule 6.23 to allow the Performance Rights to be cancelled for consideration;
 - (C) obtaining Acquirer's prior consent on the form of such waiver application; and
 - (D) consulting with Acquirer on all matters relating to such waiver application,provided that any consideration to be paid by Target on cancellation is funded by or on behalf of Acquirer as Acquirer determines and is no higher than the net benefit to the Target Officer had those Performance Rights become vested and been exercised and the Transaction implemented (and if a waiver from compliance with ASX Listing Rule 6.23 is not obtained, take all steps necessary to allow Acquirer to directly agree with holders of Performance Rights to acquire or cancel their Performance Rights); or
 - (ii) cause all of the Performance Rights to become vested and be exercised in a manner that ensures the Shares issued thereunder will be Scheme Shares,in each case as soon as reasonably practicable after the date of this Deed.
- (b) If within 15 Business Days after the date of this Deed, the parties have not reached agreement on the steps to be taken to either cause the Performance Rights to be cancelled in accordance with clause 7.4(a)(i) or to become vested in accordance with clause 7.4(a)(ii), then if Acquirer so requires the parties agree as follows:

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- (i) a separate scheme of arrangement will be proposed between Target and the holders of the Performance Rights (**Performance Rights Scheme**);
- (ii) the consideration payable under the Performance Rights Scheme will be no less and no more favourable to the holders of Performance Rights than the consideration that would otherwise be paid to them had those Performance Rights become vested and been exercised and the Transaction implemented;
- (iii) the Performance Rights Scheme will be conditional on the Scheme becoming Effective and approval of the Capital Return;
- (iv) the Scheme would not be conditional on the Performance Rights Scheme becoming Effective; and
- (v) they will negotiate amendments to this Deed to reflect such structural changes as are necessary to facilitate the promotion of the Performance Rights Scheme.

7.5 Re-constitution of Board

Target must ensure that, subject to the Scheme Consideration having been paid in full to Target in accordance with clause 4.2(b), on the Implementation Date it:

- (a) causes the appointment of nominees of Acquirer to the Board;
- (b) ensures that all directors on the Board (other than any nominees of Acquirer) resign and each such resigning director provides a written acknowledgment and confirmation for the benefit of the Target Group that that director has no claim against any entity within the Target Group for salary, fees, compensation for loss of office or loans which that director has made to any entity within the Target Group in respect of that director holding office as or ceasing to be a Target Director;
- (c) causes the appointment of nominees of Acquirer to the boards of each other entity within the Target Group; and
- (d) takes all actions to ensure that all directors on the boards of each Target Group entity (other than any nominees of Acquirer) resign and each such resigning director provides a written acknowledgment and confirmation for the benefit of the Target Group that that director has no claim against any entity within the Target Group for salary, fees, compensation for loss of office or loans which that director has made to any member of the Target Group in respect of that director holding office as or ceasing to be a director of the relevant Target Group entity.

8. Conduct at Court Proceedings

- (a) Target and Acquirer are entitled to separate representation at all Court proceedings relating to the Scheme.
- (b) Nothing in this Deed shall be taken to give a party any right or power to give undertakings to the Court for or on behalf of the other party without that party's consent.
- (c) Each party must give all reasonable undertakings to the Court in all Court proceedings which are reasonably required to obtain Court approval and confirmation of the Scheme.

9. Court approval

9.1 Court refuses to make orders

- (a) If the Court refuses to make an order under sub-section 411(1) of the Corporations Act to convene the Scheme Meeting or to make an order to approve the Scheme under sub-section 411(4)(b) of the Corporations Act, Target must appeal the Court's decision to the fullest extent possible except where:
 - (i) the parties agree otherwise; or
 - (ii) each of Target and Acquirer is advised by their respective external legal counsel that an appeal would have either no reasonable prospect or a low probability of success; or
 - (iii) the Target Directors have withdrawn their recommendation in relation to the Scheme pursuant to clause 10.
- (b) The costs of any appeal shall be borne equally by the parties unless:
 - (i) the Board in good faith determines that, in its view, it is not in Target's best interests to bring the appeal having regard to (without limitation) the costs and prospects of success, in which case, if Acquirer still requires that an appeal should be brought, then Acquirer must bear all of the costs thereof; or
 - (ii) Acquirer in good faith determines that, in its view, it is not in Acquirer's best interests to bring the appeal having regard to (without limitation) the costs and prospects of success, in which case, if Target still requires that an appeal should be brought, then Target must bear all of the costs thereof.

9.2 Scheme voted down

- (a) If the Condition Precedent in clause 3.1(e) is not satisfied, then either party may, by written notice within 3 Business Days after the date of conclusion of the Scheme Meeting, require the approval of the Court to be sought, pursuant to

the Court's discretion in section 411(4)(a)(ii)(A) of the Corporations Act, provided that that party has in good faith formed the view that the prospect of the Court exercising its discretion in that way is reasonable.

- (b) The costs of any application to the Court for approval sought pursuant to clause 9.2(a) shall be borne equally by the parties unless:
 - (i) the Board in good faith determines that, in its view, it is not in Target's best interests to apply for approval having regard to (without limitation) the costs and prospects of success, in which case, if Acquirer still requires that an application for approval should be brought, then Acquirer must bear all of the costs thereof; or
 - (ii) Acquirer in good faith determines that, in its view, it is not in Acquirer's best interests to apply for approval having regard to (without limitation) the costs and prospects of success, in which case, if Target still requires that an application for approval should be brought, then Target must bear all of the costs thereof.

10. Recommendation of Scheme

10.1 Board Recommendation

- (a) Subject to clauses 10.1(b) and 10.2, Target undertakes that:
 - (i) each Target Director will recommend (including in the Scheme Booklet) that, in the absence of a Superior Proposal, Shareholders vote in favour of:
 - (A) the Scheme at the Scheme Meeting; and
 - (B) the Capital Return Resolution at the Special General Meeting,and provide reasons for that recommendation in the Scheme Booklet; and
- (ii) the Scheme Booklet will include a statement by each Target Director to that effect and to the effect that each Target Director who holds Shares, or who has control over voting rights attaching to Shares, will, in the absence of a Superior Proposal, vote (or procure the voting of) all Shares held or controlled by him or her in favour of:
 - (A) the Scheme at the Scheme Meeting (and if there is a Performance Rights Scheme as contemplated by clause 7.4(b), all Performance Rights held by them in favour of the Performance Rights Scheme); and
 - (B) the Capital Return Resolution at the Special General Meeting.

- (b) The recommendation made under clause 10.1(a)(i) can be expressed to be subject to the Independent Expert concluding that the Transaction is in the best interests of Shareholders. The obligation to make the statement in the Scheme Booklet under clause 10.1(a)(ii) is subject to the Independent Expert concluding that the Transaction is in the best interests of Shareholders.

10.2 Change in Target Director Recommendation

The Board will use its best endeavours to procure that no Target Director changes, withdraws or modifies or makes any statement inconsistent with his or her recommendation under clause 10.1(a)(i) or statement under clause 10.1(a)(ii) (disregarding the operation of clause 10.1(b) for this purpose), unless:

- (a) the Board, acting in good faith, determines by majority vote (after having obtained advice from Target's external legal and financial advisers), that a Competing Proposal constitutes a Superior Proposal;
- (b) that Target Director, acting in good faith, determines (after taking written advice from Target's or his or her own external financial and legal advisers) that he or she, is by virtue of his or her fiduciary or statutory duties, required to change, withdraw or modify such recommendation or statement or make a recommendation or statement that is inconsistent with it; or
- (c) the Independent Expert concludes in the Independent Expert's Report (either initially or in any updated report) that the Transaction is not in the best interests of Shareholders.

11. Exclusivity

11.1 No shop restriction

Subject to clause 11.8, during the Exclusivity Period, Target must not, and must ensure that neither it nor any of its Representatives or other person on its or their behalf, directly or indirectly solicits, invites, encourages or initiates any Competing Proposal or any enquiries, expressions of interest, proposals, negotiations or discussions with any Third Party in relation to, or that may reasonably be expected to encourage or lead to, a Competing Proposal, or communicate any intention to do any of those things.

11.2 No talk restriction

Subject to clauses 11.5 and 11.8, during the Exclusivity Period Target must not, and must ensure that none of its Representatives and other person authorised by Target to act on its behalf do not, enter into, permit, continue or participate in, negotiations or discussions with any Third Party regarding a Competing Proposal, or if to do

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so may be reasonably be likely to encourage or lead to a Competing Proposal, even if:

- (a) the Competing Proposal was not directly or indirectly solicited, invited, initiated, or encouraged by Target or any of its Representatives; or
- (b) the Competing Proposal has been publicly announced.

11.3 No due diligence

Subject to clause 11.8 and without limiting the general nature of clause 11.2, during the Exclusivity Period, Target must not, and must ensure that its Representatives and other persons authorised by Target to act on its behalf do not directly or indirectly, make available to any Third Party, or permit any Third Party to receive, any non public information relating to any entity within the Target Group in connection with or which may reasonably be likely to lead to such Third Party formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal, unless in respect of an actual Competing Proposal that has not been directly or indirectly solicited, invited, encouraged, permitted, continued or participated in, in breach of clauses 11.1 or 11.2, all of the following requirements are satisfied:

- (a) the Board has determined, in good faith, after having obtained written advice from its external legal, and, if appropriate, its financial advisers, that:
 - (i) the Competing Proposal is reasonably likely to constitute a Superior Proposal, or would be reasonably likely to constitute a Superior Proposal if it were to be proposed; and
 - (ii) failing to respond to such Competing Proposal would be likely to constitute a breach of the fiduciary or statutory obligations of the Target Directors;
- (b) the Third Party has first entered into a written agreement in favour of Target regarding the use and disclosure of the confidential information; and
- (c) to the extent that such information has not previously been provided to Acquirer, Target provides that information to Acquirer at the same time as it is provided to the Third Party.

11.4 Notification and matching right

- (a) During the Exclusivity Period, Target must immediately notify Acquirer if:
 - (i) it or any of its Representatives are contacted in relation to, or receive any Competing Proposal (or an approach, expression of interest or offer which falls short of being, but could become, a Competing Proposal); or
 - (ii) it or any of its Representatives, is approached (directly or indirectly) by any Third Party in

connection with, to engage in or which may reasonably be expected to lead to any activity or action referred to in clauses 11.1, 11.2 or 11.3; or

- (iii) it proposes to take any action of a kind referred to in clause 11.3.
- (b) If any event referred to in clause 11.4(a)(i) or 11.4(a)(ii) occurs, then Target must provide to Acquirer a notice specifying all material terms of any such Competing Proposal, approach or communication, including details of the proposed price or implied value (including the form of consideration), conditions, status of funding, timing and break fee (if any). Target must ask the person who has made the Competing Proposal (the **Competing Party**) for their consent to their name and other identifying details which may identify the Competing Party (**Identifying Details**) being provided by Target to Acquirer on a confidential basis. If consent is refused, Target may only withhold the Identifying Details from Acquirer to the extent necessary to satisfy what the Target Directors reasonably consider on the basis of written advice from their external legal advisers to be their fiduciary or statutory obligations.
- (c) At any time from when any event referred to in clauses 11.4(a)(i) or 11.4(a)(ii) occurs until the day that is 3 Business Days after Target gives notice to Acquirer under clause 11.4(b) (**Matching Period**):
 - (i) Target must not enter into, or agree to enter into, any binding documentation to effect or implement the Competing Proposal;
 - (ii) no Target Director must make any public statement recommending the Competing Proposal to Shareholders; and
 - (iii) Acquirer will have the right (but not the obligation) to make a revised offer to Target or Shareholders (an **Acquirer Counter Proposal**) that Acquirer reasonably considers would provide an equivalent or a superior outcome for Shareholders when compared to the Competing Proposal.
- (d) Target must use its best endeavours to procure that the Target Directors consider any such Acquirer Counter Proposal during the Matching Period in good faith, and, if the Target Directors acting in good faith determine that the terms and conditions of the Acquirer Counter Proposal taken as a whole are no less favourable than those in the applicable Competing Proposal, then Target and Acquirer must use their reasonable endeavours to agree and enter into such documentation as is necessary to give effect to and implement the Acquirer Counter Proposal as soon as reasonably practicable, and Target must use its best endeavours to procure that

each Target Director makes a public statement to Shareholders recommending the Acquirer Counter Proposal to Shareholders.

- (e) Any material modification to, or development of, any Competing Proposal (which will include any modification relating to the price or value of any Competing Proposal or any incomplete or non-binding proposal or expression of interest becoming complete, capable of acceptance (whether or not subject to conditions) or binding) will be taken to constitute a new Competing Proposal in respect of which Target must comply with its obligations under this clause 11.

11.5 Fiduciary Exceptions

The restriction in clause 11.2 does not apply to the extent that it restricts Target or the Board from taking or refusing to take any action with respect to a bona fide Competing Proposal (which was not encouraged, solicited, invited, facilitated or initiated in contravention of clause 11.1), provided that the Board has determined, in good faith, after having obtained written advice from its external legal and, if appropriate, its financial advisers, that:

- (a) the Competing Proposal is a Superior Proposal, or would be a Superior Proposal if it were to be proposed; and
- (b) failing to respond to such bona fide Competing Proposal would be likely to constitute a breach of the fiduciary or statutory obligations of the Target Directors.

11.6 Standstill arrangements with other parties

During the Exclusivity Period, except with the prior written consent of Acquirer, Target must not amend or waive the terms of any standstill agreement or arrangement between Target and any person other than an entity within the Target Group.

11.7 Return of confidential information

If Target has, in the last 12 months before the date of this Deed, provided any confidential information to a person (other than an entity within the Acquirer Group) in relation to a possible Competing Proposal, Target must (if it has not already done so) promptly request in writing the immediate return or destruction by that person of such confidential information, and must promptly exercise its legal rights to ensure compliance with such a request.

11.8 Normal provision of information

Nothing in this clause 11 prevents a party from:

- (a) providing information required to be provided by law, including to satisfy its obligations of disclosure under the ASX Listing Rules or the listing rules of

any other stock exchange or to any Public Authority; or

- (b) making presentations to, and responding to bona fide enquiries from, stockbrokers, portfolio investors and equity market analysts:
 - (i) in relation to the Transaction; or
 - (ii) in accordance with its usual practices.

12. Break Fee

12.1 Background

This clause 12 has been agreed to in circumstances where:

- (a) Acquirer and Target believe the implementation of the Transaction will provide significant benefits to their respective shareholders, and Acquirer and Target acknowledge that, if they enter into this Deed and the Transaction is subsequently not implemented, Acquirer will have incurred significant costs, including significant opportunity costs;
- (b) Acquirer requested provision be made for the payments outlined in this clause 12, without which Acquirer would not have entered into this Deed;
- (c) both the Board and the board of Acquirer believe that it is appropriate for both parties to agree to the payment referred to in this clause 12 to secure Acquirer's entry into this Deed; and
- (d) both parties have received legal advice in relation to this Deed and the operation of this clause 12.

The parties acknowledge and agree that the costs actually incurred by Acquirer and referred to in clause 12.1(a) will be of such nature that they cannot be accurately ascertained, but that the Break Fee is a genuine and reasonable pre-estimate of the cost and loss that would actually be suffered by Acquirer.

12.2 Payment of Break Fee by Target

Subject to clauses 12.3 and 12.6, Target must pay Acquirer the Break Fee if:

- (a) at any time prior to the End Date a Competing Proposal of any kind is announced by Target or a Third Party, and within twelve months after the date of that announcement, the Third Party or an associate of the Third Party completes in all material respects a transaction of the kind referred to in paragraph (a), (b) or (c) of the definition of Competing Proposal;
- (b) at any time before the earlier of the Implementation Date and the End Date, this Deed is terminated or the Scheme is not implemented as a result of the non satisfaction of the Conditions Precedent in clause 3.1(j) or clause 3.1(k);

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(c) at any time before the Scheme Meeting, any Target Director:

- (i) fails to make any recommendation or statement required by clauses 10.1(a)(i) or 10.1(a)(ii) (in each case disregarding the operation of clause 10.1(b) and 10.2 for this purpose); or
- (ii) makes a public statement inconsistent with, withdrawing or adversely changing or modifying his or her recommendation under clause 10.1(a)(i) or statement under clause 10.1(a)(ii) or making a recommendation or statement that is inconsistent with such recommendation or statement (in each case disregarding the operation of clause 10.1(b) and 10.2 for this purpose),

and the Condition Precedent in clause 3.1(e), 3.1(f) or 3.1(i) is not satisfied;

(d) Acquirer terminates this Deed under:

- (i) clause 19.1(a); or
- (ii) clause 19.1(c); or

(e) Target wishes to exercise its right to terminate this Deed pursuant to clause 19.1(c) or 19.1(d).

12.3 Payment conditions

- (a) Notwithstanding the occurrence of any event under clause 12.2, the Break Fee is not payable under clause 12.2 if the Scheme becomes Effective.
- (b) Target can only ever be liable to pay the Break Fee once.
- (c) For the avoidance of doubt, but without limiting clause 12.2, the Break Fee will not be payable merely because the Scheme or the Capital Return is not approved by the Shareholders at the Scheme Meeting or Special General Meeting (respectively).

12.4 Timing of payment

If the Break Fee is payable under this Deed, Target must pay the Break Fee without set-off or withholding within five Business Days of receipt of a demand for payment from Acquirer.

12.5 Nature of payment

The amount payable by Target to Acquirer under clause 12.2 is an amount to compensate Acquirer for:

- (a) advisory costs (including costs of Advisers other than success fees);
- (b) costs of management and directors' time;
- (c) out-of-pocket expenses;
- (d) opportunity costs incurred in pursuing the Transaction or in not pursuing other alternative acquisitions or strategic initiatives which could have

been developed to further business and objectives; and

- (e) funding costs, incurred by Acquirer.

12.6 Compliance with law

This clause 12 does not impose obligations on Target to the extent (and only to the extent) that the performance of all or part of those obligations:

- (a) constitutes unacceptable circumstances as declared by the Australian Takeovers Panel (after the later of the expiry of the period to request a review or the review panel making its decision); or
- (b) are held to be unenforceable by a court after all rights of appeal have been exhausted.

If and to the extent any of the above apply, Acquirer must reimburse all or part of the Break Fee (as the case may be) within five Business Days of receipt of a demand for reimbursement from Target.

13. Promotion of Transaction

During the Exclusivity Period, Target will provide all reasonable cooperation to Acquirer in promoting the merits of the Transaction to Shareholders, including procuring that senior executives of the Target Group, as may be reasonably available:

- (a) meet with key Shareholders if reasonably requested to do so by Acquirer; and
- (b) communicate with the employees, customers and suppliers of the Target Group,

unless and until a Competing Proposal is made and the Board, acting in good faith, determines by majority vote (after obtaining advice from its external financial and legal advisers) that the Competing Proposal could reasonably be considered to constitute a Superior Proposal.

14. Conduct of business and requests for access

14.1 Conduct of business

(a) Subject to clause 14.4, from the date of this Deed until and including the Implementation Date, Target must ensure that it and the other entities within the Target Group:

- (i) conduct its or their businesses in the ordinary and proper course and does not make any significant changes to the nature or scale of any activity comprised in the business of Target subject to matters which have been disclosed to ASX or to Acquirer prior to the date of this Deed;

- (ii) make all reasonable efforts to:
 - (A) keep available the services of their officers and employees; and
 - (B) preserve their relationships with Public Authorities, customers, suppliers, trade unions and others with whom they have business dealings, in a manner that is consistent with their ordinary conduct of business;
 - (iii) do not enter any lines of business or other material activities in which the Target Group is not engaged at the date of this Deed;
 - (iv) procure that no Prescribed Occurrence (other than item 13 of Schedule 4) occurs between the date of execution of this Deed and the End Date;
 - (v) procure that none of the Target Representations and Warranties are breached between the date of execution of this Deed and the End Date;
 - (vi) ensure that Acquirer is kept up-to-date on, and reasonably consider Acquirer's views in relation to, any significant discussions and correspondence with Shareholders; and
 - (vii) ensure that Acquirer is kept up-to-date on, and reasonably consider Acquirer's views in relation to, any significant discussions, correspondence and negotiations between any entity within the Target Group and any Public Authority.
- (b) From the date of the execution of this Deed, Target will not, and will procure that each entity within the Target Group does not, do any of the following without the prior consent of Acquirer (such consent not to be unreasonably withheld):
- (i) increase the remuneration of, pay any bonus or termination or retention payments (other than in accordance with existing contractual entitlements as at, or any determination of the Board made on or before, the date of this Deed) to, or otherwise enter into new or vary the employment arrangements with any Target Director or any of the employees of any entity within the Target Group whose total annual employment cost exceeds \$250,000;
 - (ii) issue, grant or amend the terms of any securities, options or rights to, or accelerate the rights of, any of the employees of the Target Group to compensation or benefits of any kind (including under an employee or director share, option or incentive plan and including by vesting any outstanding performance rights), other than any shares or performance rights issued or granted in circumstances falling within paragraphs (a) to (e) of item 4 in schedule 4;
 - (iii) acquire (including by making takeover offers under Chapter 6 of the Corporations Act), or dispose of, one or more companies, trusts, businesses, assets, securities or shares (or any interest or economic interest in one or more companies, trusts, businesses, assets, securities or shares) for an amount in aggregate greater than \$100 million (other than capital expenditure incurred in the ordinary course of business);
 - (iv) enter into any agreement, joint venture, asset or profit share, partnership or commitment which would require expenditure, or the foregoing of revenue, by the Target Group of an amount which is, in aggregate, more than \$100 million;
 - (v) borrow an amount or amounts or incur financial indebtedness in aggregate more than \$100 million, other than amounts borrowed:
 - (A) in the ordinary course of business to fund movements in working capital;
 - (B) to fund cash outflows for the remaining costs associated with Target's Cost Reduction Program and Demerger Transaction Costs (as disclosed on Slide 20 of Target's FY11 Full Year Financial Results Presentation released to ASX on 23 August 2011);
 - (C) to fund payments of taxes and excises; or
 - (D) to fund payment of the dividend referred to in clause 15(a);
 - (vi) enter into, amend or terminate, or waive or otherwise forgo in any material respect any material rights under, any Material Undertaking Contract (provided that nothing in this clause 14.1(b)(vi) restricts any incurring of financial indebtedness that would not be prohibited by clause 14.1(b)(v));
 - (vii) make any changes to its constitution or pass any resolution of shareholders other than any resolution required under this Deed;
 - (viii) waive or compromise in any material respect any material claim or right otherwise than in the ordinary course of business; or
 - (ix) agree, offer, commit or announce an irrevocable intention to do any of the things referred to in clauses 14.1(b)(i) to 14.1(b)(viii), except to the extent that:
 - (x) Target has publicly announced; or
 - (xi) Target has notified Acquirer in writing, prior to the execution of this Deed that it will, or that it intends to, do any of the things referred to in clauses 14.1(b)(i) to 14.1(b)(ix).

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14.2 Bidder Access

From the date of despatch of the Scheme Booklet to Shareholders up until and including the Implementation Date, and subject always to clause 14.4 and to the confidentiality undertakings in clause 20, Target must ensure that it and the other entities within the Target Group:

- (a) provide Acquirer and its Representatives with reasonable access (upon reasonable notice) to the Target Group's:
 - (i) senior management;
 - (ii) offices and other facilities; and
 - (iii) books and records; and
- (b) otherwise provide reasonable co-operation to Acquirer and its Representatives, for the purpose of Acquirer and its Representatives:
 - (i) understanding the business and operation of the Target Group;
 - (ii) doing all things necessary under this Deed or in connection with the Transaction; or
 - (iii) planning for the integration of the Target Group into the Acquirer Group following the Implementation Date.

14.3 Co-operation and Integration

From the date of despatch of the Scheme Booklet to Shareholders up until and including the Implementation Date, and subject always to clause 14.4 and to the confidentiality undertakings in clause 20:

- (a) the Parties will conduct regular meetings between nominated senior executives (**Merger Implementation Committee**) to facilitate the access referred to in clause 14.2 ; and
- (b) Acquirer and Target must seek to identify any change of control or similar provisions in any material leases, material licenses, and other material contracts to which a member of the Target Group is a party and any permits and authorisations issued to a member of the Target Group which may be triggered by the Transaction and, only if requested in writing by Acquirer, Target must, in respect of each such material lease, licence and contract:
 - (i) initiate contact with the relevant counterparties or Public Authority;
 - (ii) procure that any notifications required to be given to such counterparties or Public Authority in relation to the Transaction (**Notifications**) are given;
 - (iii) request that such counterparties or Public Authority provide any consents required in relation to the Transaction (**Consents**);

- (iv) promptly provide to the relevant counterparties or Public Authority all additional information reasonably required by them for the purposes of considering whether or not to give any Consent;
- (v) make representatives available to meet with the relevant counterparties or Public Authority to address issues arising in relation to the Transaction or the Consents;
- (vi) use reasonable endeavours to comply with any reasonable requirements of the relevant counterparties or Public Authority as a condition of giving any Consent; and
- (vii) consult with Acquirer in good faith in relation to the matters referred to in paragraphs (i) to (vi) (including the form and content of any Notifications and Consents) and, to the extent practicable, invite Representatives of Acquirer to be involved in material discussions in respect of any material Notifications or Consents.

14.4 Qualifications

Nothing in this clause 14:

- (a) restricts the ability of Target to take any action which:
 - (i) is required by this Deed or the Scheme or in connection with the Capital Return;
 - (ii) Target has fully and fairly disclosed in an announcement made to ASX prior to the date of this Deed; or
 - (iii) has been agreed to in writing by Acquirer, such agreement not to be unreasonably withheld or delayed; or
- (b) requires any entity within the Target Group to take or refrain from taking any action that would cause unreasonable disruption to the business or operations of the Target Group (including any disruption to relationships between any entity within the Target Group and their customers, suppliers, employees or other contractual counterparties).

15. Dividend and Capital Return

- (a) Target's final dividend for the 2011 financial year will be \$0.1325 per Share as announced to ASX on 23 August 2011.
- (b) Target's Dividend Reinvestment Plan shall remain suspended until the Implementation Date.
- (c) The parties acknowledge and agree that neither the:
 - (i) declaration and payment of the dividend referred to in clause 15(a); nor
 - (ii) implementation of the Capital Return,will:

- (A) constitute a Prescribed Occurrence or otherwise breach the provisions of this Deed; or
- (B) reduce the Scheme Consideration.

16. Representations and warranties

16.1 Acquirer representations and warranties

- (a) Acquirer represents and warrants to Target (in its own right and separately as trustee or nominee for each of the other Target Indemnified Parties) that, except as expressly consented to by Target in writing, each Acquirer Representation and Warranty is true and correct.
- (b) Unless expressed to be given at a particular time (in which case it is given at that time), each Acquirer Representation and Warranty is given:
 - (i) as at the date of this Deed; and
 - (ii) as at 8am on the Second Court Date.

16.2 Indemnity by Acquirer

Acquirer agrees with Target (in its own right and separately as trustee or nominee for each of the other Target Indemnified Parties) to indemnify the Target Indemnified Parties against any Liability that any of them suffers or incurs or is liable for arising out of or in connection with any breach of the Acquirer Representations and Warranties, provided however that Acquirer shall not be liable for any indirect loss, economic loss or loss of profit whatsoever and however arising, including:

- (a) consequential loss or damage; or
- (b) loss of use, production, revenue, income, profits, business and savings or business interruption (whether or not the indirect loss or damage was foreseeable).

16.3 Target Representations and Warranties

- (a) Target represents and warrants to Acquirer (in its own right and separately as trustee or nominee for each of the other Acquirer Indemnified Parties) that, except as expressly consented to by Acquirer in writing, each Target Representation and Warranty is true and correct.
- (b) Unless expressed to be given at a particular time (in which case it is given at that time), each Target Representation and Warranty is given:
 - (i) as at the date of this Deed; and
 - (ii) as at 8am on the Second Court Date.

16.4 Indemnity by Target

Target agrees with Acquirer (in its own right and separately as trustee or nominee for each of the other Acquirer Indemnified Parties) to indemnify the Acquirer Indemnified Parties against any Liability that any of them suffers or incurs or is liable for by reason of any breach of the Target Representations and Warranties, provided however that Target shall not be liable for any indirect loss, economic loss or loss of profit whatsoever and however arising, including:

- (a) consequential loss or damage; or
- (b) loss of use, production, revenue, income, profits, business and savings or business interruption (whether or not the indirect loss or damage was foreseeable).

16.5 Survival of representations

Each Acquirer Representation and Warranty and Target Representation and Warranty:

- (a) is severable; and
- (b) survives the termination of this Deed, but does not survive, and will be taken to have no further force or effect following implementation of the Scheme.

16.6 Survival of indemnities

Each indemnity in this Deed (including those in clauses 16.2 and 16.4):

- (a) is severable;
- (b) is a continuing obligation;
- (c) constitutes a separate and independent obligation of the party giving the indemnity from any other obligations of that party under this Deed; and
- (d) survives the termination of this Deed, but does not survive and will be taken to have no further force and effect following implementation of the Scheme.

17. Releases

17.1 Target Indemnified Parties

- (a) Without limiting Acquirer's rights under clause 19, to the fullest extent permitted by law, Acquirer releases its rights against, and agrees with Target that it will not make a Claim against, any Target Indemnified Party (other than Target) in connection with:
 - (i) any breach of any representation, covenant and warranty of Target in this Deed; or
 - (ii) any disclosure made by any Target Indemnified Party that contains any statement which is false or misleading whether in content or by omission,

Appendix 4 – Scheme Implementation Deed

except to the extent that the relevant Target Indemnified Party has not acted in good faith or has engaged in fraud or wilful misconduct.

- (b) This clause is subject to any Corporations Act restriction and will be read down accordingly. Target receives and holds the benefit of this clause as trustee for each other Target Indemnified Party.

17.2 Acquirer Indemnified Parties

- (a) Without limiting Target's rights under clause 19, to the fullest extent permitted by law, Target releases its rights against, and agrees with Acquirer that it will not make a Claim against, any Acquirer Indemnified Party (other than Acquirer) in connection with:

- (i) any breach of any representation, covenant and warranty of Acquirer in this Deed; or
- (ii) any disclosure made by any Acquirer Indemnified Party that contains any statement which is false or misleading whether in content or by omission,

except to the extent that the relevant Acquirer Indemnified Party has not acted in good faith or has engaged in fraud or wilful misconduct.

- (b) This clause is subject to any Corporations Act restriction and will (if and to the extent required) be read down accordingly. Acquirer receives and holds the benefit of this clause as trustee for each other Acquirer Indemnified Party.

18. Public announcements

18.1 Announcement of the Transaction

As soon as reasonably practicable after execution of this Deed and by 8pm on the date of this Deed, Target must release to ASX a public announcement, which:

- (a) confirms that Target and Acquirer have entered into this Deed;
- (b) annexes a copy of this Deed; and
- (c) includes a statement (in a form agreed with Acquirer, acting reasonably) describing the need for, and effect of, the relief provided by ASIC under section 655A(1) of the Corporations Act in respect of section 631 of the Corporations Act in relation to the Offer and that such relief has taken effect.

18.2 Other public announcements

Subject to clause 18.3, each party must use its best endeavours to consult in good faith with the other party prior to making any public announcements to any stock exchange in connection with the Transaction.

18.3 Required announcement

Where a party is required by applicable law, the ASX Listing Rules or any other applicable stock exchange rule or regulation to make any announcement or make any disclosure relating to matters the subject of the Transaction, it may do so only after it has, to the maximum extent possible in the circumstances:

- (a) given the other party as much notice as is reasonably practicable in the context of any deadlines imposed by law or a Public Authority; and
- (b) consulted with the other party in good faith as to the content of that announcement or disclosure.

19. Termination

19.1 General rights

Either Acquirer or Target may terminate this Deed by written notice to the other:

- (a) at any time before 8am on the Second Court Date and prior to the implementation of the Scheme on the Implementation Date, if:
 - (i) the other has materially breached any provision of this Deed (including any material breach of any Target Representation and Warranty or Acquirer Representation and Warranty);
 - (ii) the party wishing to terminate has given written notice to the other in a timely manner setting out the relevant circumstances and stating an intention to terminate this Deed; and
 - (iii) the relevant circumstances subsist for five Business Days from the time the notice of intention to terminate is given (or any shorter period ending at 5pm on the Business Day before the Second Court Date);
- (b) in the circumstances set out in, and in accordance with, clause 3.6 (except if the Condition Precedent in clause 3.1(c) has not been satisfied, in which case clause 19.1(d) will apply) provided that if the party not seeking to terminate has a right to waive the relevant Condition Precedent, the party seeking to terminate will first have given the other party 5 Business Days notice of its intention to terminate, and during that period the other party has not waived the Condition Precedent;
- (c) if the Board:
 - (i) fails to recommend or, in accordance with clauses 10.2(a) or 10.2(b), withdraws, adversely modifies or changes its support of the Scheme or its recommendation that Shareholders vote in favour of the Scheme and the Capital Return (in each case disregarding the operation of clause 10.1(b) for this purpose); or

- (ii) makes a public statement indicating that it no longer supports the Scheme or the Capital Return or that it supports a Competing Proposal, provided that in relation to termination by Target it has first paid the Break Fee under clause 12.2(e); or
- (d) in the circumstances set out in, and in accordance with clause 3.6 (provided that, if clause 3.1(c) has not been satisfied, the Target has first paid the Break Fee under clause 12.2(e)).

19.2 Effect of termination

If this Deed is terminated by a party under clauses 3.6 or 19.1, except to the extent that the termination results from a breach by a party of its obligations under this Deed, this Deed will be of no force or effect, without any liability or obligation on the part of any party, other than in relation to rights and obligations that accrued prior to termination and the provisions of this clause and of clauses 1, 12, 16, 17, 20, 21 and 22, which will remain in force after the termination.

20. Confidentiality

Each party acknowledges and agrees that it continues to be bound by the Confidentiality Deed. However, to the extent that there is any inconsistency between the Confidentiality Deed and this Deed, the terms of this Deed will prevail.

21. Notices

Any communication under or in connection with this Deed:

- (a) must be in writing;
- (b) must be addressed as shown below:
 - (i) to Target:
Address: **Foster's Group Limited**
77-87 Southbank Boulevard
Southbank Victoria 3006

Attention: Company Secretary
Fax No: +61 3 9645 7226; and
 - (ii) to Acquirer:
Address: **SABMiller plc**
SABMiller House,
Church Street West
Woking, Surrey, GU21 6HS, UK

Attention: General Counsel
Fax No: +44 1483 264 103.

(or as otherwise notified by that party to the other parties from time to time);

- (c) must be signed by the party making the communication or by a person duly authorised by that party;
- (d) must be delivered to the address, or sent by fax to the number, of the addressee in accordance with clause 21(b); and
- (e) will be deemed to be received by the addressee:
 - (i) (in the case of prepaid post) on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;
 - (ii) (in the case of fax) at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is not a Business Day, or is after 5pm on a Business Day, when that communication will be deemed to be received at 9am on the next Business Day at the place of receipt; and
 - (iii) (in the case of delivery by hand) on delivery at the address of the addressee as provided in clause 21(b) unless that delivery is not made on a Business Day, or after 5pm on a Business Day, when that communication will be deemed to be received at 9am on the next Business Day.

22. General

22.1 GST

- (a) Unless otherwise expressly stated, all amounts payable under this Deed (other than the Scheme Consideration and the Capital Return payment) are expressed to be exclusive of GST. If GST is payable on a Taxable Supply made under or in connection with this Deed, the recipient of the supply must pay the supplier, an additional amount equal to the GST payable on that supply provided that the supplier first issues a tax invoice for that supply.
- (b) Without limiting clause 22.1(a), if an amount payable under this Deed is calculated by reference to a liability incurred by a party, then the amount of the liability must be reduced by the amount of any Input Tax Credit to which that party is entitled in respect of the acquisition of the supply to which that liability relates. A party will be assumed to be entitled to a full Input Tax Credit unless it demonstrates that its entitlement is otherwise prior to the date on which payment must be made.

Appendix 4 – Scheme Implementation Deed

- (c) Words and expressions used in this clause 22.1 have the same meaning as in *A New Tax System (Goods and Services) Tax Act 1999* (Cth).

22.2 Entire agreement

This Deed contains the entire agreement between the parties with respect to its subject matter. It sets out the only conduct relied on by the parties and supersedes all earlier conduct and prior agreements and understandings between the parties in connection with its subject matter.

22.3 Assignment

Neither party may assign or otherwise transfer any of its rights arising under this Deed without the prior written consent of the other party.

22.4 Severability

Any provision of this Deed which is prohibited or unenforceable in any jurisdiction will be ineffective in that jurisdiction to the extent of the prohibition or unenforceability. That will not invalidate the remaining provisions of this Deed nor affect the validity or enforceability of that provision in any other jurisdiction.

22.5 No waiver

A failure to exercise or a delay in exercising any right, power or remedy under this Deed does not operate as a waiver. A single or partial exercise or waiver of the exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver is not valid or binding on the party granting that waiver unless made in writing.

22.6 Variation

A variation of any term of this Deed must be in writing and executed by the parties as a deed.

22.7 Costs and expenses

- (a) Except as otherwise provided in this Deed, each party must pay its own legal costs and expenses in respect of the negotiation, preparation, and proposed, attempted or actual implementation of this Deed and the Scheme.
- (b) Acquirer must pay all stamp duties (if any) and any fines and penalties with respect to stamp duty in respect of this Deed and the Scheme, and in respect of any agreement or document contemplated by this Deed.

22.8 Further assurances

Each party must do anything necessary (including executing agreements and documents) to give full effect to this Deed and the transactions contemplated by it.

22.9 No merger

The rights and obligations of the parties will not merge on the completion of any transaction contemplated by this Deed. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing a transaction.

22.10 Governing law

This Deed is governed by the laws of Victoria. Each party submits to the non-exclusive jurisdiction of courts exercising jurisdiction there, and waives any right to claim that those courts are an inconvenient forum.

22.11 Counterparts

This Deed may be executed in any number of counterparts. All counterparts taken together will be taken to constitute one agreement. The parties agree that a facsimile copy of a counterpart received from a party shall be regarded as an original copy of that counterpart received from that party.

Schedule 1

Acquirer Representations and Warranties

1. **(Status)** Acquirer is a corporation duly incorporated and validly existing under the laws of the place of its incorporation.
2. **(Solvency)** Acquirer is not affected by an Insolvency Event.
3. **(Power)** Acquirer has the corporate power to enter into and perform its obligations under this Deed and to carry out the transactions contemplated by this Deed.
4. **(Corporate authorisations)** Acquirer has taken all necessary corporate action to authorise the entry into and performance of this Deed and to carry out the transactions contemplated by this Deed.
5. **(Documents binding)** This Deed is Acquirer's valid and binding obligation enforceable in accordance with its terms, subject to any necessary stamping and registration.
6. **(Transactions permitted)** The execution and performance by Acquirer of this Deed and each transaction contemplated under this Deed, subject to and in accordance with its terms, did not and will not violate in any respect a provision of:
 - (a) a law or treaty or a judgment, ruling, order or decree of a Public Authority binding on it;
 - (b) its constitution or other constituent documents; or
 - (c) any other document which is binding on it or its assets.

7. **(Acquirer Information)** The Acquirer Information provided to Target:
 - (a) at the time it was provided, was provided in good faith and on the understanding that each of the Target Indemnified Parties will rely on that information to prepare the Scheme Booklet or supplementary disclosure to Shareholders (as applicable) and to propose and implement the Scheme in accordance with the Corporations Act;
 - (b) at the time Target commenced despatch of the Scheme Booklet or supplementary disclosure (as applicable) to Shareholders, does not contain any statement which is materially misleading or deceptive (including by way of omission); and
 - (c) complies in all material respects with relevant laws (including the Corporations Act and relevant ASIC Regulatory Guides).
8. **(Continuing Obligation)** Acquirer will, as a continuing obligation, provide Target with all further or new information which may arise after the Scheme Booklet has been despatched until the date that the Scheme Meetings is to be held which is necessary to ensure that the Acquirer Information, in the form and context in which that information appears in the version of the Scheme Booklet sent to Shareholders is not misleading or deceptive in any material respect (whether by omission or otherwise).
9. **(Information for Independent Expert)** All information provided by or on behalf of Acquirer to the Independent Expert to enable the Independent Expert's Report to be included in the Scheme Booklet to be prepared and completed will be provided in good faith and on the understanding that the Independent Expert will rely upon that information for the purpose of preparing the Independent Expert's Report for inclusion in the Scheme Booklet.

Schedule 2

Target Representations and Warranties

1. **(Status)** Target is a corporation duly incorporated and validly existing under the laws of the place of its incorporation.
2. **(Solvency)** No entity within the Target Group is affected by an Insolvency Event.
3. **(Power)** Target has the corporate power to enter into and perform its obligations under this Deed and to carry out the transactions contemplated by this Deed.
4. **(Corporate authorisations)** Target has taken or will take all necessary corporate action to authorise the entry into and performance of this Deed and to carry out the transactions contemplated by this Deed.
5. **(Documents binding)** This Deed is Target's valid and binding obligation enforceable in accordance with its terms, subject to any necessary stamping and registration.
6. **(Transactions permitted)** The execution and performance by Target of this Deed and each transaction contemplated under this Deed, subject to and in accordance with its terms, did not and will not violate in any respect a provision of:
 - (a) a law or treaty or a judgment, ruling, order or decree of a Public Authority binding on it other than such exceptions as would not be reasonably expected to have a material adverse effect on Target's ability to perform its obligations under this Deed;
 - (b) its constitution or other constituent documents; or
 - (c) any other document which is binding on it or its assets.
7. **(Capital structure)** Target's capital structure, including all securities issued and outstanding at the date of this Deed is as set out in schedule 3. No entity within the Target Group is subject to any obligation (including any contingent obligation) to issue or have transferred to any person securities in or of it or any other entity of the Target Group, save as pursuant to the Foster's Group Limited Long Term Incentive Plan to the extent disclosed in schedule 3.
8. **(Continuous disclosure)** Target has complied with its continuous disclosure obligations under ASX Listing Rule 3.1 and there is no information that Target is withholding pursuant to Listing Rule 3.1A.

Appendix 4 – Scheme Implementation Deed

9. **(Target Information)** The Target Information:
- at the time Target commenced despatch of the Scheme Booklet to Shareholders, does not contain any statement which is materially misleading or deceptive (including by way of omission); and
 - complies in all material respects with relevant laws (including the Corporations Act and relevant ASIC Regulatory Guides).
10. **(Continuing Obligation)** Target will, as a continuing obligation, provide Acquirer with all further or new information which may arise after the Scheme Booklet has been despatched until the date of the Scheme Meeting which is necessary to ensure that the Target Information, in the form and context in which that information appears in the version of the Scheme Booklet sent to Shareholders is not misleading or deceptive in any material respect (whether by omission or otherwise).
11. **(Information for Independent Expert)** All information provided by or on behalf of Target to the Independent Expert to enable its report to be prepared will be provided in good faith and on the understanding that the Independent Expert will rely on that information for the purpose of preparing its report for inclusion in the Scheme Booklet.
12. **(Compliance)** To Target's knowledge, no entity within the Target Group:
- has failed to comply in any material respect with:
 - any Australian law or regulation applicable to them; or
 - any order of any Australian Public Authority having jurisdiction over it;
 - does not hold any material licence or permit necessary for it to conduct the business of the Target Group as it is presently being conducted as at the date of this Deed,

where any such non-compliance or any failure to hold such licence or permit would diminish or is reasonably likely to diminish:

 - the consolidated net assets of the Target Group, taken as a whole, by at least \$375 million; or
 - the consolidated net profit after tax of the Target Group, taken as a whole, by at least \$75 million in any financial year of Target.
13. **(Not misleading)** All information that Target has provided in writing to Acquirer is not misleading and:
- it is not aware that any such information is inaccurate; and
 - it has not omitted any information required to make the information provided in writing to Acquirer not materially misleading.
14. **(Material Contract)** To Target's knowledge, other than as expressly disclosed or notified by Target to Acquirer or its Advisers prior to execution of this Deed, no person, as a result of the Transaction, the acquisition of Shares by BidCo under the Scheme or the delisting of Target if the Transaction is successful is or will be entitled or has stated an intention (in all cases whether absolutely or contingently) to exercise or assert (whether absolutely or contingently) any right under any provision of any contract or understanding to which a Target Group company is a party or is bound to:
- terminate, vary the terms of or accelerate the performance of obligations under a Material Warranty Contract; or
 - acquire or require the disposal of or alter the terms of investment in any company, business, trust, asset or share (or any interest in one or more companies, businesses, assets, trusts or shares) held by any entity within the Target Group with a value of more than \$100 million in aggregate.

Schedule 3

Target capital structure

Security	Number on issue at the date of this Deed
Fully Paid Shares	1,940,894,542
Partly Paid Shares	786,510
Performance Rights on issue as at the date of this Deed, or to be issued after the date of this Deed, pursuant to the Foster's Group Limited Long Term Incentive Plan (which amount will be reduced to the extent that the issue of 960,088 Performance Rights to John Pollaers is not approved at Target's Annual General Meeting in October 2011)	2,695,887

Schedule 4

Prescribed Occurrences

1. Target converting all or any of its shares into a larger or smaller number of shares under Section 254H of the Corporations Act.
2. Target or a subsidiary of Target resolving to reduce its share capital in any way.
3. Target or a subsidiary of Target entering into a buyback agreement or resolving to approve the terms of a buyback agreement under section 257C(1) or 257D(1) of the Corporations Act.
4. Target or a subsidiary of Target issuing any shares or granting an option over its shares or agreeing to make such an issue or grant such an option, excluding any of the following to the extent it has been disclosed in writing to Acquirer prior to execution of this Deed:
 - (a) any issue of shares made on the exercise of performance rights issued by Target under the Foster's Group Limited Long Term Incentive Plan where those performance rights were issued prior to the execution of this Deed;
 - (b) any issue of performance rights by Target under the Foster's Group Limited Long Term Incentive Plan pursuant to offers of performance rights that were made by Target under the Foster's Group Limited Long Term Incentive Plan prior to the execution of this Deed;
 - (c) any issue of performance rights by Target under the Foster's Group Limited Long Term Incentive Plan made to holders of performance rights that were issued by Target under the Foster's Group Limited Long Term Incentive Plan prior to the execution of this Deed to the extent such issue of performance rights is made to compensate the holders of those performance rights for any inability to participate, in respect of those performance rights, in the Capital Return;
 - (d) any issue of shares made on the exercise of performance rights referred to in paragraph (b) or (c); and
 - (e) any issue of Shares by Target under its Restricted Share Plan pursuant to offers of Shares that were made by Target under the Foster's Group Limited Restricted Share Plan prior to the execution of this Deed.
5. Target or a subsidiary of Target issuing, or agreeing to issue, convertible notes.
6. Target or a subsidiary of Target disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property.
7. Target or a subsidiary of Target resolving to be wound up.
8. The appointment of a liquidator or provisional liquidator of Target or a subsidiary of Target.
9. The making of an order by a court for the winding up of Target or a subsidiary of Target.
10. An administrator of Target or a subsidiary of Target being appointed under section 436A, 436B or 436C of the Corporations Act.
11. Target or a subsidiary of Target executing a deed of company arrangement.
12. The appointment of a receiver, or a receiver and manager in relation to the whole, or a substantial part, of the property of Target or a subsidiary of Target.
13. Target announcing, making, declaring or paying any dividend or other distribution (whether in cash or in specie) other than:
 - (a) the Capital Return; or
 - (b) as permitted by clause 15 of this Deed.

Schedule 5

Scheme Consideration for Partly Paid Shares

Partly Paid Share Tranche No:	No of Partly Paid Shares	Issue price per Partly Paid Share (\$)	Paid up value per Partly Paid Share (\$)	Unpaid portion of issue price per Partly Paid Share (\$)*	Scheme Consideration per Partly Paid Share (\$)
50	300	5.8300	0.0167	5.8133	1.82
51	4,800	7.3800	0.0167	7.3633	1.58
53	27,270	7.9700	0.0167	7.9533	1.51
55	600,000	9.4000	0.0167	9.3833	1.36
56	62,490	8.3000	0.0167	8.2833	1.47
57	32,700	7.7000	0.0167	7.6833	1.54
58	25,290	7.6300	0.0167	7.6133	1.55
59	31,800	7.3300	0.0167	7.3133	1.59
61	450	5.0000	0.0167	4.9833	2.00
64	810	4.4200	0.0167	4.4033	2.15
65	600	4.3200	0.0167	4.3033	2.17

* Prior to the Capital Return

Note: The signature blocks, Annexure 1 (Form of Scheme), Annexure 2 (Form of Deed Poll) and Annexure 3 (Indicative Timetable) not reproduced.

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Appendix 5

Notice of Scheme Meeting



Appendix 5 – Notice of Scheme Meeting

Foster's Group Limited

ABN 49 007 620 886

By order of the Court made on 26 October 2011, a meeting of the holders of ordinary shares in Foster's Group Limited (**Foster's**) (other than any entity within the SABMiller Group) will be held at Melbourne Recital Centre, 31 Sturt Street, Southbank, Victoria 3006 on Thursday, 1 December 2011 at 9.00am (Melbourne time).

The Court has directed that David Crawford be chairman of the meeting or failing him Michael Ullmer.

Information on the Scheme is set out in this Booklet (of which this notice forms part). Terms used in this notice have the same meaning as set out in the glossary to this Booklet, unless indicated otherwise.

BUSINESS

To consider and, if thought fit, to pass the following resolution:

"That, pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed between Foster's and the holders of Foster's Shares (other than any entity within the SABMiller Group), the terms of which are contained in and more precisely described in this Booklet (of which the notice convening this meeting forms part) is approved (with or without modification as approved by the Supreme Court of Victoria)."

By order of the Board



Dan Last

Company Secretary
Foster's Group Limited

26 October 2011

EXPLANATORY NOTES

Shareholders who are entitled to vote

Only Foster's Shareholders, other than a Foster's Shareholder which is an entity within the SABMiller Group, registered at 7.00pm (Melbourne time) on Tuesday, 29 November 2011 are entitled to vote on the resolution.

Majorities required

In accordance with section 411(4)(a)(ii) of the Corporations Act, the resolution must be passed by:

- a majority in number of Foster's Shareholders present and voting at the meeting in person or by proxy (unless the Court orders otherwise); and
- Foster's Shareholders holding at least 75% of the total number of votes cast by Foster's Shareholders present and voting at the meeting (in person or by proxy).

Court approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without modification) must be approved by an order of the Court. If the resolution put to this meeting is passed by the requisite majorities and the other Conditions Precedent are satisfied or waived (as applicable), including the Capital Return Resolution being passed at the General Meeting, Foster's intends to apply to the Court on Friday, 2 December 2011 for approval of the Scheme.

Voting

How to vote

Foster's Shareholders can vote in either of two ways:

- by attending the Scheme Meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative; or
- by appointing a proxy to attend and vote at the Scheme Meeting on their behalf.

Voting in person (or by attorney)

If possible, Foster's Shareholders should arrive at the meeting venue 30 minutes before the time designated for the Scheme Meeting, so that their shareholding can be checked against Foster's Share Register and attendances noted.

Attorneys should bring with them original or certified copies of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting.

Representatives of companies should bring with them satisfactory evidence of their appointment including any authority under which that appointment is signed (unless previously given to the Share Registry).

Voting by proxy

A Foster's Shareholder entitled to attend and vote at the meeting may appoint a proxy. The person appointed as a proxy may be an individual or a body corporate. If entitled to cast two or more votes, the Foster's Shareholder may appoint one or two proxies.

Where two proxies are appointed, each proxy may be appointed to represent a specific proportion of the Foster's Shareholder's voting rights. If the proportion is not specified, each proxy may exercise half of the Foster's Shareholder's voting rights. Fractional votes will be disregarded.

Foster's Shareholders should read carefully the instructions on the Scheme Meeting Proxy Form and consider how they wish to direct the proxy to vote on their behalf. Foster's Shareholders may direct the proxy to vote "for", "against" or "abstain" from voting on the resolution or may leave the decision to the appointed proxy after discussion at the meeting.

A proxy need not be a Foster's Shareholder.

The Scheme Meeting Proxy Form must be signed by the Foster's Shareholder or the Foster's Shareholder's attorney. Proxies given by corporations must be signed in accordance with the corporation's constituent documents, or as authorised by the Corporations Act.

To be valid, the Scheme Meeting Proxy Form must be received by 12.00 noon (Melbourne time) on Tuesday, 29 November 2011 by one of the following methods:

- (a) by mail or by hand to the registered office of Foster's;
- (b) by mail to the Share Registry:
 - Computershare Investor Services Pty Limited
 - GPO Box 242, Melbourne, Victoria 3001,
 - Australia;or by hand to the office of the Share Registry:
 - Yarra Falls, 452 Johnston Street, Abbotsford,
 - Victoria 3067, Australia;
- (c) by facsimile to Share Registry on 1800 783 447 (within Australia) or +61 3 9473 2555 (international);
or
- (d) electronically, either via:
 - www.investorvote.com.au using the details printed on the personalised Scheme Meeting Proxy Form or www.fostersgroup.com and clicking on 'Scheme and General Meeting Proxy';
or
 - www.intermediaryonline.com for custodian voting (subscribers only).

If the Scheme Meeting Proxy Form is executed under a power of attorney that has not been noted by Foster's, the original or a certified copy of the power of attorney must accompany the Scheme Meeting Proxy Form.

In the case of joint Foster's Shareholders, the names of all joint Foster's Shareholders should be shown and all joint Foster's Shareholders should sign the Scheme Meeting Proxy Form.

Corporations

A corporation that is a Foster's Shareholder or a proxy may elect to appoint a representative in accordance with the Corporations Act, in which case Foster's will require the appropriate "Appointment of Corporate Representative" form to be lodged with or presented to Foster's before the meeting. A form may be obtained from the Share Registry or online at www.investorcentre.com under the information tab "Downloadable Forms".

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Appendix 6

Notice of General Meeting



Appendix 6 – Notice of General Meeting

Foster's Group Limited

ABN 49 007 620 886

Notice is given that a general meeting of the holders of ordinary shares in the capital of Foster's Group Limited (**Foster's**) will be held at Melbourne Recital Centre, 31 Sturt Street, Southbank, Victoria 3006, at the later of 9.15am (Melbourne time) on Thursday, 1 December 2011 and the adjournment or conclusion of the Scheme Meeting.

Terms used in this notice have the same meaning as set out in the glossary to this Booklet (of which this notice forms part), unless indicated otherwise.

BUSINESS

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That, subject to and conditional upon the Scheme becoming Effective and for the purposes of section 256C(1) of the Corporations Act, Foster's share capital be reduced on the Implementation Date by \$0.30 per Foster's Share on issue as at the Record Date, or such lesser amount as determined in accordance with clause 3.5 of the Scheme Implementation Deed, with the reduction to be effected and satisfied by:

- (a) in the case of a Fully Paid Share – returning such amount in cash to the person who is registered as the holder of that Fully Paid Share as at the Record Date; and*
- (b) in the case of a Partly Paid Share – reducing the issue price of that Partly Paid Share by such amount."*

By order of the Board



Dan Last

Company Secretary
Foster's Group Limited

26 October 2011

EXPLANATORY NOTES

Capital Return

The Capital Return Resolution at the General Meeting is being put to shareholders to obtain approval under section 256C of the Corporations Act to an equal reduction in Foster's ordinary share capital under section 256B of the Corporations Act by \$0.30 per Foster's Share (or such lesser amount as determined in accordance with clause 3.5 of the Scheme Implementation Deed).

The Capital Return Resolution is being proposed in connection with the Scheme and the Scheme is conditional upon, among other things, the resolution being passed.

The Capital Return is conditional upon obtaining the ATO Class Ruling from the Commissioner of Taxation which, amongst other things, seeks to confirm that, for Participating Australian Shareholders that hold Fully Paid Shares on capital account (and are not subject to the TOFA Rules in respect of their Fully Paid Shares), the Capital Return Amount will be treated as being on capital account and will not be treated as a dividend in the hands of shareholders for Australian income tax purposes. If the ATO Class Ruling is not obtained, or is issued in a form and substance not reasonably satisfactory to Foster's and SABMiller because it concludes that the Capital Return gives rise to a dividend or deemed dividend for Australian income tax purposes, the Capital Return will no longer be proposed. If the ATO Class Ruling is obtained but concludes that a Capital Return for a lesser amount than the Capital Return Amount is not a dividend or deemed dividend for Australian income tax purposes, then the Capital Return will only be implemented in respect of that lesser amount.

The effect on Foster's and its shareholders if the Capital Return Resolution is passed, together with all other factors that are material to the making of a decision by shareholders whether to approve the Capital Return Resolution, is set out in this Booklet (of which this notice forms part).

If the Capital Return Resolution is passed by the requisite majority, it will take effect provided the Scheme is approved by the requisite majorities of shareholders and by the Court and all other Conditions Precedent are satisfied or waived (as applicable).

The Directors are of the view that, taking into account all relevant matters, the Transaction (which includes the Capital Return and the Scheme) is in the best interests of shareholders and will not materially prejudice Foster's ability to pay its creditors.

Each Director recommends that you vote in favour of the Capital Return Resolution, in the absence of a Superior Proposal, and intends to vote all Foster's Shares controlled by them in favour of that resolution.

Shareholders who are entitled to vote

Only Foster's Shareholders registered at 7.00pm (Melbourne time) on Tuesday, 29 November 2011 are entitled to vote on the resolution.

Majority required

The resolution must be passed by a majority of the votes cast on the resolution (more than 50%).

Voting

How to vote

Foster's Shareholders entitled to vote can vote in either of two ways:

- by attending the General Meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative; or
- by appointing a proxy to attend and vote at the General Meeting on their behalf.

Voting in person (or by attorney)

If possible, Foster's Shareholders should arrive at the meeting venue 30 minutes before the time designated for the General Meeting, so that shareholdings can be checked against Foster's Share Registers and attendances noted.

Attorneys should bring with them original or certified copies of the power of attorney under which they have been authorised to attend and vote at the General Meeting.

Representatives of companies attending the meeting should bring with them satisfactory evidence of their appointment including any authority under which that appointment is signed (unless previously given to the Share Registry).

Voting by proxy

A Foster's Shareholder entitled to attend and vote at the meeting may appoint a proxy. The person appointed as a proxy may be an individual or a body corporate. If entitled to cast two or more votes, the Foster's Shareholder may appoint one or two proxies.

Where two proxies are appointed, each proxy may be appointed to represent a specific proportion of the Foster's Shareholder's voting rights. If the proportion is not specified, each proxy may exercise half of the Foster's Shareholder's voting rights. Fractional votes will be disregarded.

Foster's Shareholders should carefully read the instructions on the General Meeting Proxy Form and consider how they wish to direct the proxy to vote on their behalf. Foster's Shareholders may direct the proxy to vote "for", "against" or "abstain" from voting on the resolution or may leave the decision to the appointed proxy after discussion at the meeting.

A proxy need not be a Foster's Shareholder.

The General Meeting Proxy Form must be signed by the Foster's Shareholder or the Foster's Shareholder's attorney. Proxies given by corporations must be signed in accordance with the corporation's constituent documents or, as authorised by the Corporations Act.

To be valid, the General Meeting Proxy Form must be lodged by 12.00 noon (Melbourne time) on Tuesday, 29 November 2011 by one of the following methods:

- (a) by mail or by hand to the registered office of Foster's;
- (b) by mail to the Share Registry:
Computershare Investor Services Pty Limited
GPO Box 242, Melbourne, Victoria 3001;
or by hand to the office of the Share Registry:
Yarra Falls, 452 Johnston Street
Abbotsford, Victoria 3067, Australia;
- (c) by facsimile to Share Registry on 1800 783 447 (within Australia) or +61 3 9473 2555 (international); or
- (d) electronically, either via:
 - www.investorvote.com.au using the details printed on the personalised General Meeting Proxy Form or www.fostersgroup.com and clicking on 'Scheme and General Meeting Proxy'; or
 - www.intermediaryonline.com for custodian voting (subscribers only).

If the General Meeting Proxy Form is executed under a power of attorney that has not been noted by Foster's, the original or a certified copy of the power of attorney must accompany the General Meeting Proxy Form.

In the case of joint Foster's Shareholders, the names of all joint Foster's Shareholders should be shown and all joint Foster's Shareholders should sign the General Meeting Proxy Form.

Corporations

A corporation that is a Foster's Shareholder or a proxy may elect to appoint a representative in accordance with the Corporations Act, in which case Foster's will require the appropriate "Appointment of Corporate Representative" form to be lodged with or presented to Foster's before the meeting. A form may be obtained from the Share Registry or online at www.investorcentre.com under the information tab "Downloadable Forms".

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Corporate directory

Foster's Group Limited

ABN 49 007 620 886

Level 5, 77 Southbank Boulevard
SOUTHBANK VIC 3006
Telephone: +61 3 8626 2000

Directors

David Crawford, AO
Chairman and Non-Executive Director

John Pollaers
Chief Executive Officer

Paul Clinton
Non-Executive Director

Paula Dwyer
Non-Executive Director

Judith Swales
Non-Executive Director

Michael Ullmer
Non-Executive Director

Michael Wesslink
Non-Executive Director

Company Secretary

Daniel Last

Auditor

PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006

Financial Advisers

Goldman Sachs & Partners Australia Pty Limited
Level 17, 101 Collins Street
MELBOURNE VIC 3000

Gresham Advisory Partners Limited
Level 17, 167 Macquarie Street
SYDNEY NSW 2000

Australian Legal Adviser

Allens Arthur Robinson
Level 27, 530 Collins Street
MELBOURNE VIC 3000

Australian Taxation Adviser

Corrs Chambers Westgarth
Level 36, Bourke Place, 600 Bourke Street
Melbourne VIC 3000

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
ABBOTSFORD VIC 3067

Telephone: 1300 048 608 (within Australia) or
+61 3 9415 4812 (international)

FOSTER'S

GROUP LTD

