



## APPENDIX 4D

### Half Year Report For the six months ended 31 December 2008

ABN 49 007 620 886

#### Results for announcement to the market

Extracts of the Foster's Group Limited results for the half year ended 31 December 2008.

				<b>\$m</b>
Total operating revenue	up	2.5%	to	2,516.0
Net profit for the period attributable to members	up	3.2%	to	411.3
<b>Dividends</b>				
		Amount per security	Franked amount per Security at 30% tax	
Interim dividend		12.00¢		12.00¢
Previous corresponding period		12.00¢		12.00¢
Record date for determining entitlements to the dividend			2 March 2009	
<b>Other information</b>				
Net tangible asset backing				\$0.47 per share (2007: \$0.55 per share)

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# Foster's Group Limited

## Financial Report for the six month period ended 31 December 2008

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17 February 2009

## **NET PROFIT<sup>1</sup> AND OPERATING CASH UP IN FIRST HALF**

- *Net profit<sup>1</sup> up 4.5% to \$411.1 million*
- *Operating cash flow pre interest and tax up 13.2% to \$691.9 million*
- *Interim dividend maintained at 12.0 cents per share*

Foster's Group Limited (Foster's) today reported a 4.5% increase in net profit<sup>1</sup> to \$411.1 million, with earnings per share<sup>1</sup> up 6.5% to 21.4 cents.

Cash flow remains excellent, with cash conversion up 6.6 percentage points to 92.5% of EBITDAS<sup>2</sup> and cash flow pre interest and tax up 13.2% to \$691.9 million. Cash flow after dividends was \$155.9 million.

Net sales revenue increased 2.2% and earnings before interest, tax, significant items and SGARA (EBITS) increased 4.5%. On a constant currency basis net sales revenue declined 0.9%, EBITS declined 1.8% and earnings per share<sup>1</sup> increased 0.9%. There were no significant items in the period.

"In the face of very unique global trading conditions, our balance sheet is strong, our medium term funding secure and we continue to generate outstanding operating cash flows," said Ian Johnston, Chief Executive Officer.

Beer, Cider and Spirits (BCS) in Australia, Asia and Pacific (AAP) continued to perform strongly with beer net sales revenue in Australia up 6.2% and AAP BCS EBITS<sup>3</sup> up 5.6% on a constant currency basis.

"We've seen a strong comeback in Australian beer with underlying volume up over 3% for the half and we finished the year with around a 52% value share of the Australian beer market<sup>4</sup>," Ian said.

Wine top line performance included share gains in key market segments in the Americas and the UK and strong bottled wine sales growth in Australia. However volume was impacted by the previously announced decision to exit cask in Australia, the anticipated decline in Beringer White Zinfandel following the January 2008 price increase and a one time disruption in the Nordics. While negatively impacting volume, the exit from cask in Australia and the Beringer White Zinfandel price increase have positively contributed to earnings. The disruption in the Nordics includes an impact from the move to direct distribution that is expected to contribute positively in future periods.

"Deteriorating global trading conditions are a challenge in wine, with a switch away from the higher contribution on-premise trade and consumers trading down on price" Ian said. "Our ability to win

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<sup>1</sup> Before significant items and SGARA (refer page 5)

<sup>2</sup> Earnings before interest, tax, depreciation, amortisation, significant items and SGARA (EBITDAS)

<sup>3</sup> Underlying basis excludes the distribution of the Boags brand, asset sale profits and logistics transformation costs from the prior period.

<sup>4</sup> Source Nielsen

share gains in key market segments in the Americas and the UK and our improved performance in Australian bottled wine gives me real confidence in the future.”

Foster's retains a robust financial position with significant available liquidity. Interest cover was 7.9 times and at 31 December 2008, Foster's had cash balances of \$296 million and \$1.5 billion of committed undrawn bank facilities. Foster's has approximately \$33 million of short term bi-lateral bank debt repayable within the next 12 months.

Net debt increased \$648 million as cash flow after dividends from operations of \$155.9 million was offset by a \$794 million non-cash impact from exchange rate movements primarily on US dollar denominated debt. Reflecting the increase in net debt, gearing increased to 76.2%.

“Despite global wine challenges, our Group first half performance has been strong,” Ian said. “We are building a more accountable, adaptable and aggressive culture, we continue to take the tough decisions and we are beginning to drive improving sales growth trends and win back lost share.”

**AAP Beer, Cider and Spirits:** In Australia Foster's beer volume and net sales revenue growth improved through the first half. Foster's underlying<sup>3</sup> beer value share has sustained an improving trend since August 2008<sup>4</sup>.

Pure Blonde continues to lead beer category growth<sup>4</sup> with net sales revenue up 32.2%. Carlton Draught sales grew 10.5% and in December was Australia's second largest regular beer brand behind VB by value<sup>4</sup>.

Foster's further increased its market leadership position in the premium domestic and international beer categories with above category volume and revenue growth<sup>4</sup>.

Foster's continues to innovate strongly in beer and in the first half launched Pure Blonde Naked Ale, the first beer launched as a low carb alternative in the mid-strength category, Carlton Natural Blonde and craft beers Fat Yak and Sebastian.

**Global Wine:** In key wine markets the category has remained in growth, however it has moderated and mix trends have generally been unfavourable. Global wine EBITs increased 10.6% to \$243.3 million with the benefit from exchange rate movements partially offset by lower volume, negative mix, higher cost of sales and increased promotional investment. On a constant currency basis global wine EBITs declined 11.6%.

**AAP wine:** In Australia increased promotional investment and improved sales focus contributed to 5.9% bottled wine volume and 6.2% net sales revenue growth. Wine volume in Asia and the Pacific was below the prior year and impacted by the economic recession in a number of key markets.

**Americas wine:** Volume in the Americas declined 6.8% and constant currency net sales revenue declined 3.5%. Excluding Beringer White Zinfandel volume in the Americas increased 0.3% and specifically in the US increased 3.4%. Distributor depletions of Foster's wines, which provide an indication of underlying performance, were ahead of shipments. US distributor depletions declined 2.2% with the decline in Beringer White Zinfandel the key driver. Excluding Beringer White Zinfandel US distributor depletions increased 5.5% with depletions of the balance of the Californian sourced wine portfolio up 8.1% and Australian sourced wines up 2.1%.

Beringer White Zinfandel volume was in line with expectations following the January 2008 price increase. Earnings were ahead of the prior period and the price initiative has facilitated the successful expansion of Beringer California Collection into multiple varietals.

**Europe, Middle East and Africa (EMEA) wine:** Performance in EMEA reflected strong share gains in the competitive UK market offset by lower volume in Ireland and Continental Europe. The volume decline reflects an impact from the slowing consumer environment and in the Nordics the impact of the change in ownership of our distribution partner and Foster's subsequent decision to move to direct distribution. Volume declined 8.5% and net sales revenue declined 10.3% on a constant currency basis.

### **Strategic Agenda**

Good progress was made during the half against our near-term strategic agenda - to build volume growth, gain value share, reduce business costs and build capability.

"We've focussed on getting the basics right, simplifying the business to focus on what really matters – profitably making and selling drinks," Ian said. "We have begun to turn around sales growth trends and we've taken back 1 percentage point of share in the Australian beer market in the last quarter<sup>4</sup>."

Concerted effort has also been applied to capturing cost efficiencies across the group. There is currently a comprehensive review of Foster's business processes underway to drive efficiencies and eliminate low-value adding activities. Improving sales capability – investing in excellence programs and better aligning our sales force rewards with performance outcomes – is reaping early rewards.

"We are already great producers of drinks, but a focus on continuous improvement is now driving efficiency leading to cost savings and increasing quality delivery across our supply chain", Ian said. "The early positive response to this work gives great encouragement."

### **Wine Review**

The Board completed its review of Foster's wine business and announced the outcomes today in a separate release to the Australian Securities Exchange. Key initiatives announced today include the operational separation of the Australian beer and wine businesses, the appointment of a new and experienced leadership team and the integration of supply activities, a performance improvement program that is expected to deliver \$100 million of annual cost savings in fiscal 2011 and the rationalisation of non-core vineyards and non-core Australian wine brands.

These initiatives are expected to result in restructuring costs and asset write-downs of between \$330 million and \$415 million before tax (\$280 million to \$350 million after tax) in the second half of fiscal 2009. The cash component is expected to be between \$130 million and \$165 million and the non-cash component between \$200 million and \$250 million.

The operational separation of the beer and wine businesses in Australia is expected to result in a \$60 million increase in overheads allocated to AAP Wine and a corresponding reduction in overheads allocated AAP BCS. The increase in overheads allocated to AAP Wine reflects the detailed work undertaken as part of the wine review and reflects costs associated with a significantly increased number of specialist wine sales, marketing and support roles. The overhead changes are expected to have a partial impact in fiscal 2009 with the full impact expected in fiscal 2010.

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## FINANCIAL COMMENTARY

6 Months to 31 December	2008	2007	Change	2007	Change
	Reported	Reported		Constant	
	\$m	\$m		Currency \$m	
Net sales revenue <sup>(1)</sup>	2,407.6	2,356.3	2.2	2,428.6	(0.9)
Australia, Asia and Pacific	503.6	515.5	(2.3)	499.0	0.9
Americas	117.3	98.3	19.3	132.1	(11.2)
Europe, Middle East and Africa	58.7	45.1	30.2	68.4	(14.2)
Corporate	(16.4)	(24.3)	32.5	(23.9)	31.4
<b>EBITS<sup>(1)</sup></b>	<b>663.2</b>	<b>634.6</b>	<b>4.5</b>	<b>675.6</b>	<b>(1.8)</b>
SGARA	0.3	4.1	(92.7)	4.1	(92.7)
<b>EBIT</b>	<b>663.5</b>	<b>638.7</b>	<b>3.9</b>	<b>679.7</b>	<b>(2.4)</b>
Net finance costs	(84.2)	(81.3)	(3.6)	(93.7)	10.1
<b>Continuing net profit before tax</b>	<b>579.3</b>	<b>557.4</b>	<b>3.9</b>	<b>586.0</b>	<b>(1.1)</b>
Tax	(165.3)	(158.7)	(4.2)	(166.9)	1.0
<b>Continuing net profit after tax</b>	<b>414.0</b>	<b>398.7</b>	<b>3.8</b>	<b>419.1</b>	<b>(1.2)</b>
Minority Interests	(2.7)	(3.5)	22.9	(3.5)	22.9
<b>Continuing net profit after tax and minority interests (before significant items)</b>	<b>411.3</b>	<b>395.2</b>	<b>4.1</b>	<b>415.6</b>	<b>(1.0)</b>
Discontinued operations trading result after tax	-	1.2	(100.0)	1.4	(100.0)
<b>Net profit after tax (before significant items)</b>	<b>411.3</b>	<b>396.4</b>	<b>3.8</b>	<b>417.0</b>	<b>(1.4)</b>
Discontinued operations significant items (net of tax)	-	2.2		2.4	
<b>Net profit after tax attributable to members of Foster's Group Limited</b>	<b>411.3</b>	<b>398.6</b>	<b>3.2</b>	<b>419.4</b>	<b>(1.9)</b>
Net profit after tax (before significant items & SGARA)	411.1	393.5	4.5	414.1	(0.7)
EPS (before significant items & SGARA)	21.4	20.1	6.5	21.2	0.9
Reported EPS	21.4	20.4	4.9	21.5	(0.5)
Average shares (number - million)	1,924.2	1,953.1		1,953.1	

1 Refer reconciliation to the Income Statement on page 5

**Exchange rates:** Average exchange rates used for profit and loss purposes in 2009 are: \$A1 = \$US 0.7864 (2008: \$A1 = \$US 0.8678), \$A1 = GBP 0.4488 (2008: \$A1 = GBP 0.4265). Period end exchange rates used for balance sheet items in 2009 are: \$A1 = \$US 0.6917 (2008: \$A1 = \$US 0.877), \$A1 = GBP 0.48 (2008: \$A1 = GBP 0.4396).

**Constant currency:** Throughout this report constant currency assumes current and prior earnings of self-sustaining foreign operations are translated and cross border transactions are transacted at current year exchange rates.

**SGARA:** Australian Accounting standard AASB141 "Agriculture"

## RECONCILIATION TO THE INCOME STATEMENT

6 Months to 31 December	Reference	2008	2007
		Reported	Reported
		\$m	\$m
Net sales revenue	Commentary - p4	2,407.6	2,356.3
Other revenue		108.4	98.9
<b>Total revenue</b>	Income statement - p16	<b>2,516.0</b>	<b>2,455.2</b>
EBITS	Commentary - p4	663.2	634.6
SGARA		0.3	4.1
<b>Profit from continuing operations before tax and finance costs</b>	Income statement - p16	<b>663.5</b>	<b>638.7</b>
Tax	Commentary - p4	(165.3)	(158.7)
<b>Income tax expense relating to continuing operations</b>	Income statement - p16	<b>(165.3)</b>	<b>(158.7)</b>
Discontinued operations trading result after tax	Commentary - p4	-	1.2
Discontinued operations significant items after tax			2.2
<b>Net profit from discontinued operations</b>	Income statement - p16	<b>-</b>	<b>3.4</b>
Net profit after tax before significant Items and SGARA	Commentary - p4	411.1	393.5
Discontinued operations significant items after tax		-	2.2
SGARA post tax		0.2	2.9
<b>Net profit attributable to members of Foster's Group Limited</b>	Income statement - p16	<b>411.3</b>	<b>398.6</b>

## FOSTER'S AUSTRALIA, ASIA AND PACIFIC

6 Months to 31 December	2008	2007	Change	2007	Change
	Reported	Reported		Constant Currency	
Continuing Business pre significant Items	\$m	\$m	%	\$m	%
BCS Volume (millions 9L cases)	59.0	59.7	(1.3)	59.7	(1.3)
Wine Volume (million 9L cases)	5.7	5.8	(3.4)	5.8	(3.4)
Total Volume (millions 9L cases)	64.6	65.6	(1.4)	65.6	(1.4)
BCS NSR	1,232.4	1,217.1	1.3	1,217.5	1.2
Wine NSR	354.0	345.5	2.5	343.5	3.1
Total Net Sales Revenue	1,586.4	1,562.6	1.5	1,561.0	1.6
BCS EBITs	425.9	433.4	(1.7)	418.5	1.8
Wine EBITs	77.7	82.1	(5.4)	80.5	(3.5)
Total EBITs	503.6	515.5	(2.3)	499.0	0.9
EBITs / NSR Margin (%)	31.7	33.0	(1.2)pts	32.0	(0.2)pts

### Beer, Cider and Spirits / RTD

The Australian beer category performed strongly through the period and has benefited from volume growth<sup>4</sup> and the continuation of positive price and mix trends. Foster's performance improved through the half as initiatives to improve sales focus and new products gained traction.

Foster's underlying Australian beer value share, which excludes the Boag's brand from the prior period, has sustained an improving trend since August 2008<sup>4</sup>. Underlying value share in December quarter was 52.2% and in the month of December value share was ahead of the prior period<sup>4</sup>.

Underlying AAP beer volume increased 2.5% and net sales revenue increased 5.9%. In Australia underlying beer volume increased 3.1% and net sales revenue increased 6.2%.

Cider continues to perform strongly with volume up 16.5% and net sales revenue up 22.8%. Spirits / ready to drink (RTD) volume and net sales revenue declined following changes to RTD excise in fiscal 2008.

On a constant currency basis AAP BCS EBITs increased 1.8% to \$425.9 million. On a constant currency underlying basis AAP BCS EBITs increased 5.6%. The underlying basis excludes a net \$15.3 million non-recurring benefit from the prior period that included \$17.8 million of assets sale profits, \$2.4 million in earnings related to the distribution of Boag's and \$4.9 million of costs associated with the transformation of the Australian logistics network.

AAP BCS mix adjusted unit cost of sales increased 4.6% and Foster's expects the fiscal 2009 increase to be within the previous guidance range of between 4 and 6%.

AAP BCS EBITs was negatively impacted by exchange rate movements relating to imported beer purchases and packaging and other input costs.

### Wine

Foster's continues to focus on the development of its premium bottled wine portfolio. In Australia the gap between bottled wine category growth and Foster's performance continued to narrow<sup>4</sup> as



benefits were realised from the release of new varietals, increased marketing and selling investment and improved sales focus.

In Australia bottled wine volume increased 5.9% to 4.4 million cases and net sales revenue increased 6.2% to \$289.2 million. The Asia and Pacific markets were impacted by the slowing consumer environment and volume declined 12.4% to 0.8 million cases.

Foster's continues to manage its exit from cask wine in Australia. Volume declined 43.1% to 0.4 million cases and Foster's expects to complete the exit from this category in February 2009.

Constant currency wine net sales revenue per case increased 6.7% and included a significant contribution from mix and a benefit from selective price increases.

On a constant currency basis AAP wine EBITs declined approximately 3.5% and included the impact from increased investment in selling, marketing and promotional support and previously identified higher Australian vintage costs.

## FOSTER'S AMERICAS

6 Months to 31 December	2008	2007	Change	2007	Change
	Reported	Reported		Constant Currency	
Continuing Business pre significant Items	\$m	\$m	%	\$m	%
BCS Volume (millions 9L cases)	2.3	2.7	(12.8)	2.7	(12.8)
Wine Volume (million 9L cases)	9.5	10.2	(6.8)	10.2	(6.8)
Total Volume (millions 9L cases)	11.8	12.8	(8.1)	12.8	(8.1)
BCS NSR	2.8	3.0	(6.7)	3.1	(9.7)
Wine NSR	583.9	551.6	5.9	605.2	(3.5)
Total Net Sales Revenue	586.7	554.6	5.8	608.3	(3.6)
BCS EBITs	2.1	1.4	50.0	1.4	50.0
Wine EBITs	115.2	96.9	18.9	130.7	(11.9)
Total EBITs	117.3	98.3	19.3	132.1	(11.2)
EBITs / NSR Margin (%)	20.0	17.7	2.3 pts	21.7	(1.7)pts

## Wine

The continuation of strong growth rates in Foster's Californian portfolio (excluding Beringer White Zinfandel) and the return to growth of Foster's Australian portfolio were the highlights of the Americas performance.

In the first half there has been an improvement in Foster's US in-market performance which benefited from a stronger innovation program and increased investment in sales execution and improved promotion planning. Foster's portfolio of domestic table wine retailing over US\$4 per bottle (excluding White Zinfandel) has grown volume ahead of the market over the past 5 months and volume share in the first half increased 0.3 percentage points to 9.3%<sup>4</sup>.

In a deteriorating economy the US wine category continues to show positive value, volume and revenue per case growth<sup>4</sup>. However growth rates are moderating and mix has been unfavourable to prior year with good growth in wines retailing under US\$10 per bottle partially offset by softening sales in wines priced over US\$10 and a significant slow down in on-premise sales.

Foster's shipments declined 6.8% with US shipments down 5.9% and Canadian shipments down 13.8%. Excluding Beringer White Zinfandel shipments were up 0.3% and in the US up 3.4%.

Distributor depletions of Foster's wines, which provide an indication of underlying consumer demand, were ahead of shipments.

US distributor depletions of Foster's Californian sourced wines (excluding Beringer White Zinfandel) increased 8.1%. The Beringer California Collection varietals launched over the past 12 months, Meridian, Cellar No 8 and Chateau St Jean all grew strongly. Depletions of luxury wines were below the prior year.

US distributor depletions of Australian sourced wine increased 2.1%. Foster's Australian sourced wines benefited from the launch of new varietals and stronger merchandising and promotional programs.

US distributor depletions of Beringer White Zinfandel declined 19.8% and were in line with expectations following the January 2008 price increase. Beringer White Zinfandel earnings were ahead of the prior period and the price initiative has facilitated the successful expansion of Beringer California Collection into multiple varietals.

On a constant currency basis net sales revenue per case increased 3.5% and included the benefit of Beringer California Collection and Canadian pricing partially offset by the impact of mix.

EBITS increased 18.9% to \$115.2 million and benefited from exchange rate movements. On a constant currency basis EBITs declined 11.9% and was impacted by unfavourable mix and cost of sales increases. The increase in cost of sales reflects higher vintage costs for Australian and Californian sourced wine and higher glass and energy costs for Californian sourced wine.

## FOSTER'S EUROPE, MIDDLE EAST AND AFRICA

6 Months to 31 December	2008	2007	Change	2007	Change
	Reported	Reported		Constant Currency	
Continuing Business pre significant Items	\$m	\$m	%	\$m	%
BCS Volume (millions 9L cases)	0.7	0.7	6.2	0.7	6.2
Wine Volume (million 9L cases)	4.7	5.2	(8.5)	5.2	(8.5)
Total Volume (millions 9L cases)	5.5	5.8	(6.8)	5.8	(6.8)
BCS NSR	8.3	6.9	20.3	7.0	18.6
Wine NSR	226.2	232.2	(2.6)	252.3	(10.3)
Total Net Sales Revenue	234.5	239.1	(1.9)	259.3	(9.6)
BCS EBITs	8.3	4.2	97.6	4.5	84.4
Wine EBITs	50.4	40.9	23.2	63.9	(21.1)
Total EBITs	58.7	45.1	30.2	68.4	(14.2)
EBITs / NSR Margin (%)	25.0	18.9	6.2 pts	26.4	(1.3)pts

## Wine

Within EMEA Foster's performance in the UK remains strong with Foster's increasing its share of the Australian category in the UK off-premise market to record levels<sup>4</sup>. Growth in the total Australian category in the UK has slowed with volume flat and average retail unit price growth being largely driven by excise increases. Foster's volume in the UK increased 5.2% with new

product releases contributing to share gains in the grocery channel and distribution gains driving growth in the impulse channel.

Outside the UK volume declined 28% and was impacted by a one time disruption in key Nordic markets and the slowing consumer environment.

In key Nordic markets the purchase of Foster's former distribution partner V & S Group by a competitor disrupted trading and subsequently Foster's has moved to establish direct distribution capability in Finland, Norway and Sweden. The impact from the disruption and move to direct distribution is expected to result in a one-time reduction in volume of between 0.6 and 0.8 million cases in fiscal 2009 with approximately half of the impact in the first half.

On a constant currency basis net sales revenue per case declined 2.0% primarily a result of unfavourable sales mix as a higher portion of first half fiscal 2009 sales were in the competitive UK market.

On a constant currency basis EBITs margin declined 3.0 percentage points to 22.3% with higher vintage costs, unfavourable mix and lower volume offsetting the benefit from prior period price increases and cost savings from in-market packaging.

### Beer, Cider and Spirits / RTDs

African and Eastern, Foster's joint venture company in the Middle East, continues to perform well and has realised costs savings through licensed production arrangements in the Middle East.

### FOSTER'S WINE TRADE

6 Months to 31 December	2008	2007	Change	2007	Change
	Reported	Reported		Constant Currency	
Continuing Business pre significant Items	\$m	\$m	%	\$m	%
AAP Volume (millions 9L cases)	5.7	5.8	(3.4)	5.8	(3.4)
Americas Volume (millions 9L cases)	9.5	10.2	(6.8)	10.2	(6.8)
EMEA Volume (millions 9L cases)	4.7	5.2	(8.5)	5.2	(8.5)
Total Volume (millions 9L cases)	19.8	21.2	(6.3)	21.2	(6.3)
AAP NSR	354.0	345.5	2.5	343.5	3.1
Americas NSR	583.9	551.6	5.9	605.2	(3.5)
EMEA NSR	226.2	232.2	(2.6)	252.3	(10.3)
Total Net Sales Revenue	1,164.1	1,129.3	3.1	1,201.0	(3.1)
AAP EBITs	77.7	82.1	(5.4)	80.5	(3.5)
Americas EBITs	115.2	96.9	18.9	130.7	(11.9)
EMEA EBITs	50.4	40.9	23.2	63.9	(21.1)
Total EBITs	243.3	219.9	10.6	275.1	(11.6)
EBITs / NSR Margin (%)	20.9	19.5	1.4 pts	22.9	(2.0)pts
EBIT	243.6	224.0	8.8	279.2	(12.8)
Cash Conversion (%)	112.4	104.5	7.9 pts	88.8	23.6 pts

Volume of Australian sourced wine declined 5.1% to 13.4 million cases with the exit from cask wine in Australia and lower volume in the Continental Europe the key contributors. Volume of Californian sourced wine declined 10.5% to 5.7 million cases and reflects lower Beringer White Zinfandel volume.

Global wine EBITs increased 10.6% to \$243.3 million and included a \$55 million benefit from exchange rate movements. On a constant currency basis wine EBITs declined 11.6%. On a constant currency basis wine unit cost of goods increased at the low end of the mid to high single digit guidance range.

### **Wine Inventory**

Foster's has made good progress on reducing the surplus wine inventory position identified in June 2008 and expects to have substantially eliminated the surplus in the first half of fiscal 2010.

### **Vintage Update**

Industry grape production in the 2008 Californian vintage was 6% below the 2007 vintage<sup>5</sup>. Yields in the coastal regions were impacted by frost and heat. Overall the Californian industry is expected to remain in a balanced supply position.

The 2009 Australian vintage is currently underway. The impact of the extreme heat conditions experienced in late January and into February has varied by region and varietal and is expected to result in an overall reduction in yields. Foster's is currently assessing whether any additional damage has been caused by smoke taint from the recent fires.

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<sup>5</sup> Source California Agricultural Statistics Service

## CASH FLOW

6 Months to 31 December	2008	2007	% Change
	\$m	\$m	
<b>EBITDAS - continuing</b>	<b>748.4</b>	<b>711.8</b>	<b>5.1</b>
Working capital change	(31.0)	(79.6)	
Other items	(25.5)	(21.0)	
<b>Operating cash flow before interest and tax</b>	<b>691.9</b>	<b>611.2</b>	<b>13.2</b>
Net interest paid	(81.9)	(83.2)	
Tax paid	(128.4)	(72.4)	
<b>Net operating cash flows</b>	<b>481.6</b>	<b>455.6</b>	<b>5.7</b>
Net capital expenditure	(51.9)	32.2	
<b>Cash flow before dividends</b>	<b>429.7</b>	<b>487.8</b>	<b>(11.9)</b>
Ordinary dividends/distributions to minorities	(273.8)	(200.0)	
<b>Cash flow after dividends</b>	<b>155.9</b>	<b>287.8</b>	<b>(45.8)</b>
<b><u>Reconciliation to the Cash Flow Statement</u></b>			
<b>Continuing Net operating cash flows before significant</b>	<b>481.6</b>	<b>455.6</b>	<b>5.7</b>
Discontinued business	-	(1.3)	
Significant item cash flows in payments	(7.8)	(9.6)	
ATO disputed tax payment	-	(244.5)	
<b>Net cash flow from operating activities</b>	<b>473.8</b>	<b>200.2</b>	<b>136.7</b>

Foster's continues to generate robust cash flow.

Cash conversion increased 6.6 percentage points to 92.5% of EBITDAS. BCS cash conversion was 86% and wine cash conversion was 112.4%.

Net capital expenditure was \$51.9 million an \$84.1 million increase on the prior period that included the proceeds from the sale of the Nurioopta and Seppeltsfield wineries and properties adjacent to the Abbotsford Brewery. Capital expenditure in the first half included costs associated with Foster's global information technology project and the purchase of kegs and oak. Foster's continues to expect capital expenditure in fiscal 2009 to be similar to depreciation.

The increase in cash dividend payments reflects an increase in dividends per share and the satisfaction of Dividend Reinvestment Plan (DRP) entitlements associated with the final 2008 dividend through the on-market purchases of shares. Foster's currently intends to satisfy the interim 2009 DRP entitlements via the issue of new shares.

## NET DEBT AND INTEREST EXPENSE

	Dec 2008 \$m	Dec 2007 \$m	% Change	Jun 2008 \$m	% Change
Gross borrowings	3,367.5	3,160.4	6.6	2,584.5	30.3
Debt issuance costs	(20.7)	(19.1)		(21.2)	
Fair value adjustments to fixed debt	220.6	72.5		66.1	
Borrowings per balance sheet	3,567.4	3,213.8	11.0	2,629.4	35.7
Cash	(296.2)	(341.7)	(13.3)	(160.9)	84.1
Fair value of fixed rate debt hedges	(220.9)	(71.3)		(65.8)	
Net debt	3,050.3	2,800.8	8.9	2,402.7	27.0
Gearing (%)	76.2	62.9	(13.3)pts	62.4	(13.8)pts
Interest Expense (\$m)	(84.2)	(81.3)	(3.6)	(144.7)	
Interest Cover (pre significant items) (times)	7.9	7.8	0.1 times	7.9	-

Exchange rate movements had a negative impact on net debt and interest expense. Net debt increased \$648 million to \$3.1 billion as \$155.9 million in cash flow after dividends was offset by a \$794 million non-cash increase in debt as a result of exchange rate movements. Net interest expense increased 3.6% to \$84.2 million.

Foster's uses foreign currency denominated debt to create natural hedges for assets denominated in those currencies. Consistent with the hedging relationship the impact of exchange rate movements on the Australian dollar carrying value of net debt has been matched by an increase in the Australian dollar carrying value of the foreign currency denominated assets.

In the first half exchange rate movements provided a net benefit to earnings as the positive impact on EBITs exceeded the negative impact on interest expense.

Foster's debt servicing ratios and cash generation are robust with interest cover of 7.9 times. However reflecting the non-cash increase in net debt as a result of exchange rate movements, gearing increased to 76.2%.

Foster's retains its long term BBB / Baa2 credit rating with a stable outlook and its current financial position is well within applicable bank covenants.

Foster's gross debt at 31 December 2008 had an average maturity of 7.7 years, approximately 85% was denominated in US dollars and approximately 44% was at floating interest rates.

In the first half Foster's continued to actively manage its liquidity and as appropriate renegotiated and extended bi-lateral bank facilities as and when they fell due. As at 31 December, Foster's had committed undrawn facilities of approximately \$1.5 billion and \$296 million of cash. Approximately 50% of the committed undrawn facilities have maturities beyond June 2010 and approximately 83% of the facilities are denominated in foreign currencies.

Foster's has approximately \$33 million of short term bi-lateral bank debt repayable within the next 12 months and no capital market or term bank debt repayable until the second half of fiscal 2010. In March 2010 \$300 million of Australian dollar denominated medium term notes will mature and in June 2010 approximately \$167 million drawn under a multi-currency term bank facility will mature.

The Directors present their report on the consolidated entity comprising Foster's Group Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2008.

#### **PRINCIPAL ACTIVITIES**

The principal activities of the Group during the period were the production and marketing of alcoholic beverages.

#### **REVIEW OF OPERATIONS**

The consolidated net profit of the Group, after income tax expense and minority interests, attributable to shareholders was \$411.3 million, an increase of 3.2% on the previous corresponding period result of \$398.6 million. Total consolidated Company net profit before minority interests was \$414.0 million, an increase of 3.0% on the previous corresponding period of \$402.1 million. Net profit attributable to minority interests was \$2.7 million compared with \$3.5 million in the previous corresponding period.

Continuing operations net profit after tax attributable to shareholders was \$414.0 million, an increase of 3.8% on the previous corresponding period of \$398.7 million. Tax expense on continuing operations was \$165.3 million, a 4.2% increase on the previous corresponding period of \$158.7 million. Net interest expense was \$84.2 million, an increase of 3.6% on the previous corresponding period of \$81.3 million.

There were no material items or discontinued operations in the current or prior period.

The prior period reported a discontinued operations segment which disclosed the results of the legacy Clubs and Services business.

Continuing operations earnings before interest and tax (EBIT) was \$663.5 million, an increase of 3.9% on the previous corresponding period of \$638.7 million. The EBIT contribution from each operating division was as follows:

- Australia, Asia and Pacific EBIT was \$504.1 million, a decrease of 3.1% on the previous corresponding period of \$520.2 million.
- Americas EBIT was \$117.1 million, an increase of 19.9% on the previous corresponding period of \$97.7 million.
- Europe, Middle East and Africa EBIT was \$58.7 million, an increase of 30.2% on the previous corresponding period of \$45.1 million.
- Corporate division costs before tax were \$16.4 million, a decrease of 32.5% over the previous corresponding period of \$24.3 million.

#### **EVENTS SUBSEQUENT TO REPORTING DATE**

On 17 February 2009 the Board decided on a number of organisational and operational initiatives intended to improve performance of the Wine and Beer businesses. The initiatives are expected to result in asset write-downs and restructuring charges in the second half of the 2009 fiscal year in the range of \$330 million - \$415 million before tax, comprising cash costs of approximately \$130 million - \$165 million and non cash costs of approximately \$200 million - \$250 million.

Under the terms of the Long Term Incentive Plan 706,090 fully paid ordinary shares were issued during January 2009 at nil cash consideration.

## SHARES

Movement in shares during the period were as follows:

<b>Movement in Consolidated Group Contributed Equity</b>	<b>Number of ordinary fully paid shares (million)</b>	<b>\$m</b>
Balance at 1 July 2008	1,921.5	3,493.3
Shares issued pursuant to the Foster's Long Term Incentive Plan	0.2	-
Shares purchased by Foster's controlled entity pursuant to the Foster's Restricted Share Plan	-	(2.4)
Balance at 31 December 2008	<u>1,921.7</u>	<u>3,490.9</u>

Under the terms of the Long Term Incentive Plan 192,824 fully paid ordinary shares were issued during the period at nil cash consideration.

## AUDITOR INDEPENDENCE

The external auditor has provided a written statement that no professional engagement for the Group has been carried out which would impair their independence as auditor. The auditors' independence declaration is attached as part of this report.

## DIVIDENDS

The 2007/2008 final dividend of \$273.8 million (14.25 cents per ordinary share) was paid on 7 October 2008. No ordinary shares were issued pursuant to the dividend reinvestment plan as the requirement to satisfy shares under the plan were purchased on market.

The Directors have declared an interim dividend of 12.00 cents per ordinary share, no change from the 12.00 cents per share for the previous corresponding period.

## DIRECTORS

The members of the Board of Directors of Foster's Group Limited who held office during the half year are as follows:

David A Crawford	<i>Chairman</i>
M Lyndsey Cattermole, AM	
Paul A Clinton	
Ian D Johnston	<i>Chief Executive Officer</i>
Graeme W McGregor, AO (until 29 October 2008)	
Trevor L O'Hoy (until 21 July 2008)	
Max G Ould	
Michael J Ullmer	

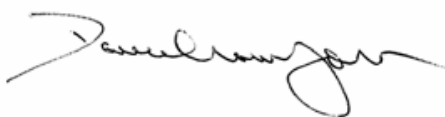


## ROUNDING

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. In accordance with that Class Order, reported amounts have been rounded to the nearest tenth of one million dollars.

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

Dated at Melbourne 17 February 2009.



**David A Crawford**  
Chairman



**Ian D Johnston**  
Chief Executive Officer

## AUDITORS' INDEPENDENCE DECLARATION TO THE DIRECTORS OF FOSTER'S GROUP LIMITED

As lead auditor for the review of Foster's Group Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Foster's Group Limited and the entities it controlled during the period.



Andrew Mill  
Partner

Melbourne  
17 February 2009

## Income Statement

Foster's Group Limited and its controlled entities  
Income Statement for the half year ended 31 December

	Note	Consolidated 2008 \$m	2007 \$m
Revenue	2	2,516.0	2,455.2
Cost of sales		(1,382.8)	(1,377.2)
<b>Gross profit</b>		<b>1,133.2</b>	<b>1,078.0</b>
Other income	2	7.4	28.3
Selling Expenses		(202.9)	(165.7)
Marketing Expenses		(161.1)	(175.6)
Administration Expenses		(100.2)	(113.8)
Other Expenses		(18.3)	(17.0)
Share of net profits of associates and joint ventures accounted for using the equity method	9	5.4	4.5
<b>Profit from continuing operations before tax and finance costs</b>		<b>663.5</b>	<b>638.7</b>
Finance income		12.4	13.8
Finance costs		(96.6)	(95.1)
Net finance income/(costs)		(84.2)	(81.3)
<b>Profit before tax from continuing operations</b>		<b>579.3</b>	<b>557.4</b>
Income tax expense relating to continuing operations		(165.3)	(158.7)
<b>Net profit from continuing operations</b>		<b>414.0</b>	<b>398.7</b>
Net profit from discontinued operations	3	-	3.4
<b>Net profit including discontinued operations</b>		<b>414.0</b>	<b>402.1</b>
Net profit attributable to minority interests		(2.7)	(3.5)
<b>Net profit attributable to members of Foster's Group Limited</b>		<b>411.3</b>	<b>398.6</b>
Earnings per share for profit from continuing operations attributable to the members of Foster's Group Limited (cents)	5	21.4	20.2
Earnings per share for profit attributable to the members of Foster's Group Limited (cents)	5	21.4	20.4

The Income Statement should be read in conjunction with the accompanying notes.

## Balance Sheet

Foster's Group Limited and its controlled entities  
Balance Sheet at 31 December

	Note	Dec-08 \$m	Consolidated Jun-08 \$m	Dec-07 \$m
<b>Current assets</b>				
Cash and cash equivalents		296.2	160.9	341.7
Receivables		1,232.5	1,099.8	1,346.2
Inventories		1,246.0	1,010.8	1,002.8
Non-current assets classified as held for sale		19.5	38.2	78.3
Derivative financial assets		12.5	1.5	3.3
<b>Total current assets</b>		<b>2,806.7</b>	<b>2,311.2</b>	<b>2,772.3</b>
<b>Non-current assets</b>				
Receivables		29.7	29.2	36.8
Inventories		364.0	388.6	444.8
Investments accounted for using the equity method	9	72.2	58.8	61.7
Property, plant and equipment		2,197.2	2,040.1	2,200.6
Agricultural assets		334.2	291.6	335.4
Intangible assets		3,058.3	2,749.5	3,362.1
Deferred tax assets		452.6	317.7	263.3
Derivative financial assets		220.9	66.4	71.2
<b>Total non-current assets</b>		<b>6,729.1</b>	<b>5,941.9</b>	<b>6,775.9</b>
<b>Total assets</b>		<b>9,535.8</b>	<b>8,253.1</b>	<b>9,548.2</b>
<b>Current liabilities</b>				
Payables		829.7	721.8	822.2
Borrowings		32.5	45.6	587.6
Current tax liabilities		96.2	108.9	83.6
Provisions		157.7	139.1	120.8
Liabilities directly associated with non-current assets held for sale		9.6	23.4	35.4
Derivative financial liabilities		24.7	-	4.3
<b>Total current liabilities</b>		<b>1,150.4</b>	<b>1,038.8</b>	<b>1,653.9</b>
<b>Non-current liabilities</b>				
Payables		18.7	19.1	23.3
Borrowings		3,534.9	2,583.8	2,626.2
Deferred tax liabilities		791.3	724.7	756.4
Provisions		34.5	36.0	35.7
Derivative financial liabilities		5.2	-	1.8
<b>Total non-current liabilities</b>		<b>4,384.6</b>	<b>3,363.6</b>	<b>3,443.4</b>
<b>Total liabilities</b>		<b>5,535.0</b>	<b>4,402.4</b>	<b>5,097.3</b>
<b>Net assets</b>		<b>4,000.8</b>	<b>3,850.7</b>	<b>4,450.9</b>
<b>Equity</b>				
Contributed equity	7	3,490.9	3,493.3	3,493.6
Reserves		(306.2)	(335.3)	(256.2)
Retained profits	8	780.9	663.5	1,183.7
Total parent entity interest		3,965.6	3,821.5	4,421.1
Minority interests in controlled entities		35.2	29.2	29.8
<b>Total equity</b>		<b>4,000.8</b>	<b>3,850.7</b>	<b>4,450.9</b>

The Balance Sheet should be read in conjunction with the accompanying notes.

## Statement of recognised income and expenses

Foster's Group Limited and its controlled entities  
Statement of Recognised Income & Expenses for the half year ended 31 December

	Note	Consolidated	
		2008 \$m	2007 \$m
<b>Total Equity at the beginning of the period</b>		<b>3,850.7</b>	4,633.2
Cash flow hedges (net of tax)		(15.2)	(2.9)
Net investment hedges (net of tax)		(353.2)	39.5
Share based payments		(1.4)	6.0
Actuarial gains/(losses) on defined benefit plans		(20.1)	0.6
Exchange difference on translation of foreign operations		398.9	(79.4)
<b>Net income/(expense) recognised directly in equity</b>		<b>9.0</b>	(36.2)
<b>Profit for the period</b>		<b>414.0</b>	402.1
<b>Total recognised income for the period</b>		<b>423.0</b>	365.9
Total recognised income for the period is attributable to:			
- members of Foster's Group Limited		420.3	362.4
- minority interests		2.7	3.5
Transactions with equity holders			
- contributions (return) of equity	7	(2.4)	(119.3)
- dividends paid	6	(273.8)	(427.6)
- minority interests		3.3	(1.3)
		(272.9)	(548.2)
<b>Total Equity at the end of the period</b>		<b>4,000.8</b>	4,450.9

The Statement of Recognised Income and Expenses should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements

Foster's Group Limited and its controlled entities  
Statement of Cash Flows for the half year ended 31 December

	2008 \$m	2007 \$m
	Inflow s/ (Outflow s)	Inflow s/ (Outflow s)
<b>Cash flows from operating activities</b>		
Receipts from customers	3,810.0	3,276.4
Payments to suppliers, governments and employees	(3,125.9)	(2,674.8)
Interest received	11.7	8.7
Borrowing costs	(93.6)	(92.1)
Income taxes paid	(128.4)	(318.0)
<b>Net cash flows from operating activities</b>	<b>473.8</b>	<b>200.2</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant, equipment and agricultural assets	(47.9)	(47.7)
Payments for acquisition of investments/other assets	(5.2)	-
Payments for issue of loans	(0.2)	-
Net proceeds from repayment of loans	0.7	2.2
Proceeds from sale of non-current assets	1.2	77.0
Proceeds from sale of controlled entities	-	(1.9)
<b>Net cash flows from investing activities</b>	<b>(51.4)</b>	<b>29.6</b>
<b>Cash flows from financing activities</b>		
Payments for shares bought back	(2.4)	(180.0)
Proceeds from borrowings	181.3	503.0
Repayment of borrowings	(211.2)	(125.0)
Dividends paid	(273.8)	(371.3)
<b>Net cash flows from financing activities</b>	<b>(306.1)</b>	<b>(173.3)</b>
<b>Total cash flows from activities</b>	<b>116.3</b>	<b>56.5</b>
Cash at the beginning of the period	160.9	287.5
Effects of exchange rate changes on foreign currency cash flows and cash balances	19.0	(2.3)
<b>Cash at the end of the period</b>	<b>296.2</b>	<b>341.7</b>

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Non cash financing activity: Dividend reinvestment plan participation during 2008 was achieved through the on market purchase of shares. In 2007 dividend reinvestment participation resulted in 8.8 million shares being issued increasing share capital by \$56.3 million.

## Notes to the Financial Statements

### Note 1 Summary of significant accounting policies

#### Basis of Preparation

This general purpose financial report for the interim half year reporting period ended 31 December 2008 has been prepared in accordance with the requirements of applicable Accounting Standards including AASB 134 "Interim Financial Reporting", the Corporations Act 2001 and all mandatory professional reporting requirements. The half-year financial report has also been prepared on a historical cost basis, except for derivative financial instruments and agricultural assets, which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair value attributable to the risks that are being hedged.

This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 prepared under Australian GAAP, changes in accounting policy for accounting standard requirements summarised below and any public announcements made by Foster's Group Limited (FGL) during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The financial report has been prepared for the consolidated entity (also referred to as the 'Group') comprising FGL as the parent entity and all its controlled entities. This report is presented in Australian dollars, which is the functional and presentation currency of FGL and its Australian subsidiaries.

#### Statement of Compliance

This financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS).

Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards (IFRS).

#### Prior period Accounting Policy change

The following change in accounting policy was implemented for the period ended 31 December 2007 and is disclosed in the comparatives.

#### Inventory accounting Policy Change

Inventory standard costs were adjusted at 1 July 2007 to harmonise beer and wine cost treatment, by including certain overheads previously expensed in the period into inventory standards.

Inventory balances were revalued upwards on 1 July 2007 by \$2.9 million to reflect the additional costs in inventory with a corresponding increase in net income. The impact on Earnings Per Share of the change was to increase earnings per share for profit attributable to members of the Foster's Group Limited from 20.3 cents per share to 20.4 cents per share.

#### Adoption of new and revised Accounting Standards

The Group adopted the following new and revised Accounting Standards issued by the Australian Accounting Standards Board (AASB) for the year ended 30 June 2008 that are relevant to its operations.

- AASB 2007-4 "Amendments to Australian Accounting Standards Arising from ED 151 and Other Amendments"
- AASB 2 "Group & Treasury Share Transactions" (revised);

The Group also elected to adopt the following accounting standards early for the year ended 30 June 2008:

- AASB 3, "Business Combinations" (revised); and
- AASB 127 "Consolidated and Separate Financial statements" (revised).

There has been no financial impact of adopting these accounting standards in 2008.

The Group has also adopted the following Accounting Standards as listed below for the year ended 30 June 2008 which only impacted on the Group's financial Statements with respect to disclosure:

- AASB 101 "Presentation of Financial statements" (amendments to capital disclosures)
- AASB 7 "Financial Instruments: Disclosures"

Recently issued or amended accounting standards

The following Australian Accounting Standards have recently been issued or amended but are not yet effective and have not been adopted for this annual reporting period:

AASB 8 "Operating Segments", issued February 2007 and applicable to the Group for the year commencing 1 July 2009.

AASB 101 "Presentation of financial statements", (revised) issued September 2007 and applicable to the Group for the year commencing 1 July 2009.

AASB 123 "Borrowing Costs", (revised) issued June 2007 and applicable to the Group for the year commencing 1 July 2009.

AASB 2008-1 "Amendments to AASB 2, Share-based Payments: Vesting Conditions and Cancellations" issued February 2008 and applicable to the Group for the year commencing 1 July 2009.

AASB 2008-2 "Amendments to AASB 132 and AASB 1: Puttable Financial Instruments and Obligations Arising on liquidation" issued March 2008 and applicable to the Group for the year commencing 1 July 2009.

The Group has not determined the financial impact of adopting the new or amended accounting standards.

#### Significant Accounting Policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report for the year ended 30 June 2008.

## Notes to the Financial Statements

### Note 2 Revenue, Income & Expenses

	Consolidated	
	2008	2007
	\$m	\$m
<b>Revenue</b>		
Sales Revenue from continuing operations	2,405.1	2,354.4
Royalties	2.5	1.9
<b>Net Sales Revenue</b>	<b>2,407.6</b>	<b>2,356.3</b>
Other revenue	108.4	98.9
<b>Total revenue from continuing operations</b>	<b>2,516.0</b>	<b>2,455.2</b>
<b>Income</b>		
Net profit on disposal of non-current assets	7.1	24.2
Net agriculture valuation increment	0.3	4.1
<b>Total income from continuing operations</b>	<b>7.4</b>	<b>28.3</b>
Depreciation - continuing operations	(83.7)	(75.8)
Amortisation - continuing operations	(1.5)	(1.5)
<b>Total depreciation and amortisation - continuing operations</b>	<b>(85.2)</b>	<b>(77.3)</b>

Net sales of alcoholic beverage products is after deducting excise and other duties and taxes of \$1,036.0 million (2007: \$1,055.6 million).

## Notes to the Financial Statements

### Note 3 Discontinued operations

#### Wine Clubs and services

Sobemab, the European Wine Services business was sold in May 2008 for \$8.9 million to Vintage Sarl. This completed the clubs and Services divestment activity.

#### Australian Leisure and Hospitality

The Australian Leisure and Hospitality Group (ALH) division was divested in November 2003. Certain properties which remained on hand were subject to development conditions before title could pass to the Australian Leisure and Entertainment Property Trust. The current period Discontinued Operations profit shown below pertains to ALH property settlements.

There were no operations of divested businesses in the current period. To cease ongoing disclosure of a Discontinued Operations the current period ALH results have been disclosed in the Corporate segment and as part of Continuing Operations in the Group's income statement.

	6 months ended Dec-08 \$m	12 months ended Jun-08 \$m	6 months ended Dec-07 \$m
<b>Consolidated income statement information</b>			
Revenue	-	36.0	19.3
Expenses	-	(32.4)	(17.3)
<b>Profit before tax and finance costs</b>	-	3.6	2.0
Income tax expense	-	-	(0.8)
Profit after tax from discontinued operations	-	3.6	1.2
Gain on sale before income tax	<b>5.6</b>	2.1	1.4
Income tax expense	-	0.8	0.8
Profit after tax on divestment	<b>5.6</b>	2.9	2.2
<b>Net profit from discontinued operations</b>	<b>5.6</b>	6.5	3.4
<b>Carrying amount of assets and liabilities</b>			
Non-current assets classified as held for sale	<b>6.9</b>	14.4	42.7
Liabilities directly associated with non-current assets held for sale	<b>(7.8)</b>	(21.4)	(34.0)
<b>Net Assets</b>	<b>(0.9)</b>	(7.0)	8.7
<b>Consolidated cash flow information</b>			
<b>Cash Flows related to Operating activities</b>			
Receipts from customers	-	36.9	19.4
Payments to suppliers, governments and employees	-	(32.4)	(20.7)
<b>Net Operating Cash Flows</b>	-	4.5	(1.3)
<b>Cash Flows related to Investing activities</b>			
Payment for purchases of property, plant and equipment	-	(0.6)	(0.3)
Proceeds from sale of controlled entities	-	7.5	-
<b>Net Investing Cash Flows</b>	-	6.9	(0.3)
<b>Net cash flows from activities</b>	-	11.4	(1.6)



## Notes to the Financial Statements

### Note 4 Segment results

	Total assets \$m	Total liabilities \$m	Acquisition of property, plant & equipment, agricultural assets & intangibles \$m	Depreciation and amortisation expense \$m	Recoverable amount w rite-dow n \$m
<b>2008</b>					
<b>Geographic segments</b>					
Australia, Asia and Pacific	5,230.0	637.7	33.3	62.5	2.0
Americas	2,223.5	252.8	12.6	17.9	-
Europe, Middle East and Africa	761.7	62.6	0.9	1.4	-
Continuing operations	8,215.2	953.1	46.8	81.8	2.0
<i>Unallocated</i>					
Corporate	571.8	127.1	6.3	3.4	-
Cash/Borrowings	296.2	3,567.3			
Deferred tax assets/tax provisions	452.6	887.5			
Continuing operations	9,535.8	5,535.0	53.1	85.2	2.0
Discontinued operations	-	-	-	-	-
Total operations	9,535.8	5,535.0	53.1	85.2	2.0
<b>2007</b>					
<b>Geographic segments</b>					
Australia, Asia and Pacific	5,834.3	593.1	34.0	58.9	3.2
Americas	2,262.5	190.6	10.3	13.5	-
Europe, Middle East and Africa	393.2	97.1	0.4	1.3	-
Continuing operations	8,490.0	880.8	44.7	73.7	3.2
<i>Unallocated</i>					
Corporate	410.5	128.7	1.7	3.6	-
Cash/Borrowings	341.7	3,213.8			
Deferred tax assets/tax provisions	263.3	840.0			
Continuing operations	9,505.5	5,063.3	46.4	77.3	3.2
Discontinued operations	42.7	34.0	0.3	-	-
Total operations	9,548.2	5,097.3	46.7	77.3	3.2

## Notes to the Financial Statements

### Note 4 Segment results (continued)

	Total Revenue			Comprised of	
	Revenue including inter-segment sales \$m	Inter segment revenue \$m	External revenue \$m	Net Sales Revenue \$m	Other revenue \$m
<b>2008</b>					
<b>Geographical segments</b>					
Australia, Asia and Pacific	1,980.5	(290.5)	1,690.0	1,586.4	103.6
Americas	594.7	(7.0)	587.7	586.7	1.0
Europe, Middle East and Africa	249.4	(14.0)	235.4	234.5	0.9
	2,824.6	(311.5)	2,513.1	2,407.6	105.5
<i>Unallocated</i>					
Corporate	2.9	-	2.9	-	2.9
Net finance costs					
Continuing operations	2,827.5	(311.5)	2,516.0	2,407.6	108.4
Discontinued operations	-	-	-	-	-
Total operations	2,827.5	(311.5)	2,516.0	2,407.6	108.4
<b>2007</b>					
<b>Geographical segments</b>					
Australia, Asia and Pacific	2,008.8	(353.3)	1,655.5	1,562.6	92.9
Americas	560.9	(5.4)	555.5	554.6	0.9
Europe, Middle East and Africa	253.7	(13.8)	239.9	239.1	0.8
	2,823.4	(372.5)	2,450.9	2,356.3	94.6
<i>Unallocated</i>					
Corporate	4.3	-	4.3	-	4.3
Net finance costs					
Continuing operations	2,827.7	(372.5)	2,455.2	2,356.3	98.9
Discontinued operations	19.9	(0.6)	19.3	19.2	0.1
Total operations	2,847.6	(373.1)	2,474.5	2,375.5	99.0

The Group operates predominantly in the beverage industry, which includes the production and marketing of alcoholic beverages. The interest revenue and interest expense has not been allocated across segments as the financing function of the Group is centralised through the Group's Treasury division. Inter-segment pricing is on an arm's length basis.

Other revenue mainly includes sales of non-alcoholic beverages, sales by capital liquor, hop extract sales and bio-resource revenue.

## Notes to the Financial Statements

### Note 4 Segment results (continued)

	Profit before income tax and material items \$m	Material items \$m	Profit before income tax \$m
<b>2008</b>			
<b>Geographical segments</b>			
Australia, Asia and Pacific	504.1	-	504.1
Americas	117.1	-	117.1
Europe, Middle East and Africa	58.7	-	58.7
	<b>679.9</b>	<b>-</b>	<b>679.9</b>
<i>Unallocated</i>			
Corporate	(16.4)	-	(16.4)
Net finance costs	(84.2)	-	(84.2)
Continuing operations	579.3	-	579.3
Discontinued operations	-	-	-
Total operations	<b>579.3</b>	<b>-</b>	<b>579.3</b>
<b>2007</b>			
<b>Geographical segments</b>			
Australia, Asia and Pacific	520.2	-	520.2
Americas	97.7	-	97.7
Europe, Middle East and Africa	45.1	-	45.1
	663.0	-	663.0
<i>Unallocated</i>			
Corporate	(24.3)	-	(24.3)
Net finance costs	(81.3)	-	(81.3)
Continuing operations	557.4	-	557.4
Discontinued operations	2.0	-	2.0
Total operations	559.4	-	559.4

Corporate current period profit before income tax includes \$5.6 million profit from the settlement of residual ALH properties. Disclosure of prior period divested businesses in the Discontinued Operations segment has ceased in the current period.

## Notes to the Financial Statements

### Note 4 Segment results

	Total assets \$m	Acquisition of property, plant & equipment, agricultural assets & intangibles \$m	External revenue \$m
<b>2008</b>			
<b>Industry segments</b>			
<b>Wine</b>			
Australia, Asia and Pacific	3,404.9	13.0	358.3
Americas	2,192.9	12.6	584.9
Europe, Middle East and Africa	723.4	0.9	228.0
	<b>6,321.2</b>	<b>26.5</b>	<b>1,171.2</b>
<b>Beer</b>			
Australia, Asia and Pacific	1,935.6	20.3	1,331.7
Americas	30.6	-	2.8
Europe, Middle East and Africa	38.1	-	7.4
	<b>2,004.3</b>	<b>20.3</b>	<b>1,341.9</b>
<i>Unallocated</i>			
Corporate	461.5	6.3	2.9
Cash/Borrowings	296.2		
Deferred tax assets/tax provisions	452.6		
Continuing operations	<b>9,535.8</b>	<b>53.1</b>	<b>2,516.0</b>
Discontinued operations	-	-	-
Total operations	<b>9,535.8</b>	<b>53.1</b>	<b>2,516.0</b>
<b>2007</b>			
<b>Industry segments</b>			
<b>Wine</b>			
Australia, Asia and Pacific	4,042.3	9.4	349.4
Americas	2,238.6	10.3	552.4
Europe, Middle East and Africa	293.8	0.4	232.9
	<b>6,574.7</b>	<b>20.1</b>	<b>1,134.7</b>
<b>Beer</b>			
Australia, Asia and Pacific	1,792.0	24.6	1,306.1
Americas	23.9	-	3.1
Europe, Middle East and Africa	99.4	-	7.0
	<b>1,915.3</b>	<b>24.6</b>	<b>1,316.2</b>
<i>Unallocated</i>			
Corporate	410.5	1.7	4.3
Cash/Borrowings	341.7		
Deferred tax assets/tax provisions	263.3		
Continuing operations	<b>9,505.5</b>	<b>46.4</b>	<b>2,455.2</b>
Discontinued operations	42.7	0.3	19.3
Total operations	<b>9,548.2</b>	<b>46.7</b>	<b>2,474.5</b>

## Notes to the Financial Statements

### Note 5 Earnings Per Share

	Consolidated	
	2008	2007
Basic earnings per share (cents) based on net profit from continuing operations attributable to members of Foster's Group Limited	21.4	20.2
Basic earnings per share (cents) based on net profit from discontinued operations	-	0.2
Basic earnings per share (cents) based on profit attributable to members of Foster's Group Limited	21.4	20.4
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share (in thousands)	1,921,595	1,953,032
Diluted earnings per share (cents) based on net profit from continuing operations attributable to members of Foster's Group Limited	21.4	20.2
Diluted earnings per share (cents) based on net profit from discontinued operations	-	0.2
Diluted earnings per share (cents) based on profit attributable to members of Foster's Group Limited	21.4	20.4
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share (in thousands)	1,924,225	1,953,116

Comparatives have been restated to reflect the impact of bonus elements of shares.

### Earnings reconciliation

<i>Basic earnings per share</i>	\$m	\$m
Net profit from continuing operations	414.0	398.7
Net profit attributable to minority interests	(2.7)	(3.5)
Net profit from continuing operations attributable to members of Foster's Group Limited used in calculating basic earnings per share	411.3	395.2
Net profit from discontinued operations	-	3.4
Net profit attributable to members of Foster's Group Limited used in calculating basic earnings per share	411.3	398.6
<i>Diluted earnings per share</i>		
Net profit from continuing operations	414.0	398.7
Net profit attributable to minority interests	(2.7)	(3.5)
Net profit from continuing operations attributable to members of Foster's Group Limited used in calculating diluted earnings per share	411.3	395.2
Net profit from discontinued operations	-	3.4
Net profit attributable to members of Foster's Group Limited used in calculating diluted earnings per share	411.3	398.6

## Notes to the Financial Statements

### Note 6 Dividends

Date interim dividend payable	Thursday, 2 April 2009
Record date for determining entitlements	Monday, 2 March 2009

Registrable transfers received by the Company at its principal register or any of its branch registers up to 5.00 pm on Monday, 2 March 2009, if paper based, or by End of Day on that date if electronically transmitted by CHESS, will be registered before entitlements to the dividend are determined.

Computershare Investor Services Pty. Limited  
Yarra Falls  
452 Johnston Street  
Abbotsford, Victoria, 3067  
Australia

	2008 \$m	2007 \$m
Interim dividend of 12.00 cents per ordinary share payable 2 April 2009 (2007: 12.00 cents per ordinary share paid 2 April 2008)	<b>230.7</b>	230.6
Franking credits available for the subsequent year.	<b>76.8</b>	52.6
Dividends during the period were:		
Paid in cash	<b>273.8</b>	200.0
Off-market share buy-back	-	171.3
Satisfied by the issue of shares under the dividend reinvestment plan	-	56.3
Employee share plan loan repayment	-	-
	<b>273.8</b>	427.6

Amount per security of foreign sourced dividends is nil.

The above value of franking credits available for the remainder of the year represents the balances of the franking accounts as at the end of the period, adjusted for income tax payable and income tax refunds at 31 December. All the proposed dividends will be 100% franked out of existing franking credits or out of franking credits arising from the payment of income tax in the period subsequent to 31 December based on a tax rate of 30%. Franking credits expected to be used to fully frank the interim dividend are \$99.0 million (2007:\$101.8 million). The final dividend paid in the current and previous period were 100% franked at a tax rate of 30%.

The Company's dividend reinvestment plan (DRP) was reactivated for the 1999/00 final dividend and continues to be available to eligible shareholders. For the 2008/2009 interim dividend, new shares will be issued at an amount which is based on the daily volume weighted average price for fully paid ordinary shares sold on the ASX for an eight trading day period starting from two days after the record date. The last date for receipt of election notices for participation in the 2008/2009 interim dividend under the DRP is Monday 2 March 2009.

## Notes to the Financial Statements

### Note 7 Contributed Equity

	Consolidated	
	2008	2007
	\$m	\$m
Paid up capital		
ordinary fully paid shares	3,490.9	3,493.6
Movements in Share Capital		
opening balance		
- ordinary fully paid shares	3,493.3	3,612.9
- employee shares of \$1 paid to 1.67 cents	-	-
	3,493.3	3,612.9
Shares purchased by a Foster's controlled entity pursuant to the Foster's Restricted Share Plan	(2.4)	-
192,284 (2007: nil) shares issued pursuant to the Foster's Long Term Incentive Plan at nil cost	-	-
2007: 697,263 ordinary fully paid shares issued to employees @ \$6.40 per share	-	4.1
2007 Dividend reinvestment plan: 8,832,202 shares @ \$6.37	-	56.3
2007 On-market share buy-back: 15,950,793 shares @ \$6.27	-	(100.0)
2007 Off-market share buy-back: 42,956,371 shares @ \$5.82	-	(79.7)
Closing balance		
- ordinary fully paid shares	3,490.9	3,493.6
- employee shares of \$1 paid to 1.67 cents	-	-
<b>Total Contributed equity</b>	<b>3,490.9</b>	<b>3,493.6</b>

	2008	2007
	shares m	shares m
Opening balance		
- ordinary fully paid shares	1,921.5	1,970.8
- partly paid employee shares	0.8	0.8
	1,922.3	1,971.6
192,284 (2007: nil) shares issued pursuant to the Foster's Long Term Incentive Plan at nil cost	0.2	-
2007: 697,263 employee share plan issues	-	0.7
2007 Dividend reinvestment plan: 8,832,202	-	8.8
2007 On-market share buy-back: 15,950,793	-	(15.9)
2007 Off-market share buy-back: 42,956,371	-	(43.0)
Closing balance		
- ordinary fully paid shares	1,921.7	1,921.4
- partly paid employee shares	0.8	0.8
	1,922.5	1,922.2

## Notes to the Financial Statements

### Note 8 Retained Profits

	Consolidated	
	2008	2007
	\$m	\$m
Retained profits at the beginning of the period	663.5	1,212.1
Net profit attributable to members of Foster's Group Limited	411.3	398.6
Actuarial gains/(losses) on defined benefit superannuation plans	(20.1)	0.6
Total available for appropriation	1,054.7	1,611.3
Ordinary dividends final paid	(273.8)	(427.6)
Retained profits at the end of the period	780.9	1,183.7

### Note 9 Investments accounted for using the equity method

	Reporting date	Ownership interest	
		2008	2007
		%	%
Fiddlesticks LLC	31 December	50.0	50.0
Foster's USA, LLC	31 March	49.9	49.9
Judd Road Vineyards Limited	30 June	50.0	50.0
International Trade and Supply Limited	31 December	39.9	39.9
Oak Vale Vineyard Limited	30 June	50.0	50.0

The carrying values of material investments are:

- Foster's USA LLC \$30.4 million (2007: \$23.9 million); and
- International Trade and Supply Limited \$41.3 million (2007: \$36.5 million)

### Note 10 Contingent Liabilities

	Consolidated	
	2008	2007
	\$m	\$m
Litigation – disputed tax assessments	288.8	288.8
Guarantees – divestment warranties	-	316.2
Termination benefits – executive service agreements	6.8	7.2
	<u>295.6</u>	<u>612.2</u>

#### Disputed tax assessments

On 29 June 2007 the Group received assessment notices from the Australian Commissioner of Taxation (the Commissioner) for primary tax of \$548.7 million and penalties and interest of \$302.0 million. The assessments are attributable to the 1995 to 2004 income tax years and relate to the utilisation of tax losses associated with the funding of the Elders Finance Group (EFG) in the 1980s and 1990s. Foster's is disputing these assessments. Foster's view of the positions adopted by the Commissioner is that its potential maximum exposure in relation to these and related assessments is limited to \$545.7 million, comprising \$340.9 million for primary tax and \$204.8 million for penalties and interest. The matter was heard in the Federal Court in June 2008 and is awaiting judgement. The Group remains confident of the position it has adopted.

Part payment of the disputed tax assessments was required pending resolution of the dispute. The Group paid \$244.5 million to the Commissioner in August 2007 in respect of the assessments. This amount is fully refundable in the event that the matter is resolved in favour of Foster's. This amount has been recorded on the balance sheet as a receivable.



## Notes to the Financial Statements

### Note 11 Recoverable amount of Cash Generating Units (CGUs)

As at 31 December 2008, each CGU was tested to determine whether there was any change in the recoverable amounts reported at 30 June 2008. The test for impairment involved an assessment of whether additional impairment exists, as well as any indication that the impairment loss recognised in the prior period for assets other than goodwill no longer exists or may have decreased. The assessment concluded that the carrying values of assets remained appropriate and no current period adjustment through profit and loss was required.

The Group's CGUs continue to be:

- Australia, Asia and Pacific Wine (AAP Wine)
- Australia, Asia and Pacific Beer, Cider and Spirits (AAP BCS)
- Americas
- Europe, Middle East and Africa (EMEA)

The key assumptions used in determining recoverable amount under the fair value less costs to sell and value in use tests are:

Discount rate - Future cash flows have been discounted using a rate of 12 per cent (30 June 2008: 12 per cent).

Long term growth rate – Cash flows beyond a five year period have been extrapolated using a growth rate of 3 per cent (30 June 2008: 3 per cent) The growth rate does not exceed the long term growth rate for the business in which the CGU operates.

Exchange rate – The fair value less costs to sell CGU tests converted forecast foreign currency cash flows at the exchange rate expected to be in place at the time of the forecast transaction. Most foreign currency cash flows are denominated in USD and GBP. The recoverable amount test included a forecast USD exchange rate of \$A1 = 0.69 graduating up over a five year forecast period (30 June 2008: \$A1 = 0.96 graduating down over a five year forecast period) and a GBP exchange rate of \$A1 = GBP 0.48 for 2009 graduating down over a five year forecast period (30 June 2008: \$A1 = 0.49 graduating down over a five year forecast period).

### Note 12 Events subsequent to reporting date

On 17 February 2009 the Board decided on a number of organisational and operational initiatives intended to improve performance of the Wine and Beer businesses. Key initiatives announced include the operational separation of the Australian beer and wine businesses, the appointment of a new and experienced leadership team, the integration of supply activities, a performance improvement program that is expected to deliver \$100 million of annual cost savings in fiscal 2011 and the rationalisation of non-core vineyards and non-core Australian wine brands. The initiatives are expected to result in asset write-downs and restructuring charges in the second half of the 2009 fiscal year in the range of \$330 million - \$415 million before tax, comprising cash costs of approximately \$130 million - \$165 million and non cash costs of approximately \$200 million - \$250 million.

Under the terms of the Long Term Incentive Plan 706,090 fully paid ordinary shares were issued during January 2009 at nil cash consideration.

Foster's Group Limited  
Directors' Declaration

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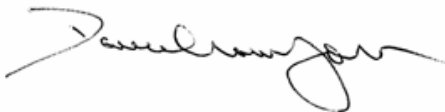
The directors declare that the financial statements and notes for the consolidated entity:

- a. comply with Accounting Standard AASB 134 "Interim Financial Reporting", the Corporations Act 2001 and other mandatory professional reporting requirements; and
- b. give a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date.

In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated at Melbourne this 17th day of February 2009.



**David A. Crawford**  
Chairperson



**Ian D. Johnston**  
Chief Executive Officer

## Independent auditor's review report to the members of Foster's Group Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Foster's Group Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Foster's Group (the consolidated entity). The consolidated entity comprises both Foster's Group Limited (the company) and the entities it controlled during that half-year.

#### *Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Foster's Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

**Independent auditor's review report to the members of  
Foster's Group Limited (continued)**

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Foster's Group Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

  
PricewaterhouseCoopers

  
Andrew Mill  
Partner

17 February 2009  
Melbourne