

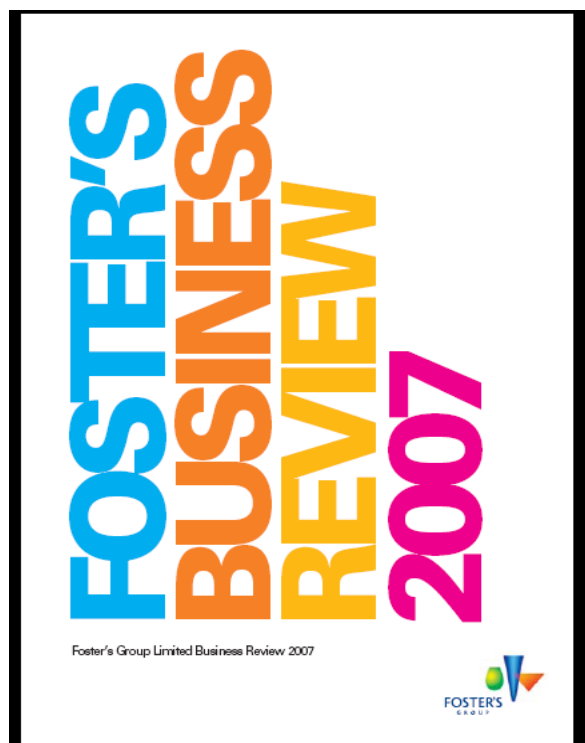
Report of the Month

ReportWatch e.com

November 2007

Foster's Group Ltd

Southbank, Victoria, Australia



Report Facts

Company name: Foster's Group Ltd
Fiscal year end: June 30, 2007
Report title: *Foster's Business Review 2007*
and *Foster's Annual Report 2007*
Chairman: Frank Swan
Chief Executive Officer: Trevor O'Hoy
Number of books: 2
Report length: 28 + 112 pages
Auditors: PricewaterhouseCoopers
Design agency: Amenda Roach Design
E-mail: investor.relations@fostersgroup.com

Report Rating: ★★★(★)

(Rating scale below)

Profile-Mission (Excerpts, as from the report)
At Foster's we have a simple vision – to be one of the world's great drink companies. We own, market and distribute an international portfolio of beer, wine, spirits, cider and non-alcohol brands and our products are sold in more than 155 countries. Products include Foster's, VB, Carlton, Rosemount, Cougar... (ifc / p 1 of Review/ Report. Italics are own company's words)

Key Figures (in millions, except per share and ratios)

Net sales: AU\$ 4,555.2

EBIT: AU\$ 1,213.5

Net profit after tax: AU\$ 716.1

Earnings per share: AU\$ 48.0 (cents)

Dividend: AU\$ 23.75 (cents)

Return on equity: 20.9%

Debt to equity: 55.4%

(Source: figures sourced from the annual report)

Some Competitors

- Anheuser-Busch
- Diageo
- Heineken
- Inbev
- Pernod Ricard

Report Rating: ★★★(★) Strongest

- > Corporate governance clearly stated and plainly laid out around ten principles.
- > Good background information for directors.
- > Extremely comprehensive *Remuneration Report*: 17 pages divided into 7 sections, including remuneration *structure by level* (see selected page), peer group lists, 5-year TSR performance charts, a summary of terms of employment, et al.

Stronger

- > Major brands and products' displays stand among key features in the compact *Business Review*, printed in a pocket-size format, ending with a list of all products in the back cover flap.
- > *Business drivers* are finely summarized.
- > A five-year summary not lacking in ratios.

Drinkable

- > At a glance wraps and maps a few key operating figures, from volumes to employees and EBITs.
- > The *Sustainability overview* emphasizes climate impact and reduction in water used per unit produced.
- > A financial review that uses constant currency measures, for better and worse.

Low Calories

- > A real vitamin deficiency on the covers. Sober? Maybe, but not up to what a *great drink company* that owns so many brands should deliver.
- > The *Financial Review* weighs twice as little in volume as the *Remuneration Report*.
- > The core *Annual Report* is chartless, except for... remuneration matters.
- > Surprisingly, the 28-page *Business Review* includes a *Remuneration*, a *Governance* and even a *Sustainability overview*; but no financial one.
- > Statements and notes are poorly laid out, and the latter lack comments.

Rating Scale

★★★★: World-class ★★★(★): First-rate ★★★★: Excellent ★★★(★): Fine ★★: Average
★(★): Uneven ★★: Ordinary ★(★): Deficient ★: Unsatisfactory (★): Uncompetitive

The rating is based on ReportWatch internal desk research and does not take into account the independent Rating Panel's judgment.

*How does the company report in key areas? What are the main report pluses and minuses?
The **Report Scan** gives an overview of strengths and weaknesses, and scores each item.*

Contact He.com@reportwatch.net

Remuneration Report continued

Remuneration structure

Executives' remuneration is composed of the following elements:

- fixed remuneration – including salary, non-monetary benefits and superannuation;
- short-term incentives; and
- long-term incentives.

A detailed description of each of these elements is provided below.

Remuneration packages are structured to ensure that a significant part of an executive's reward depends on achieving business objectives and generating returns for shareholders. Accordingly, the proportion of remuneration that is at risk (being the short- and long-term incentive elements) increases for more senior positions. The structure and relative proportion of each element is held as consistent as practicable on a global basis, with exceptions made to cater to markets where practice places greater emphasis on certain elements.

In the year commencing 1 July 2007, relative proportions will change to achieve a number of objectives:

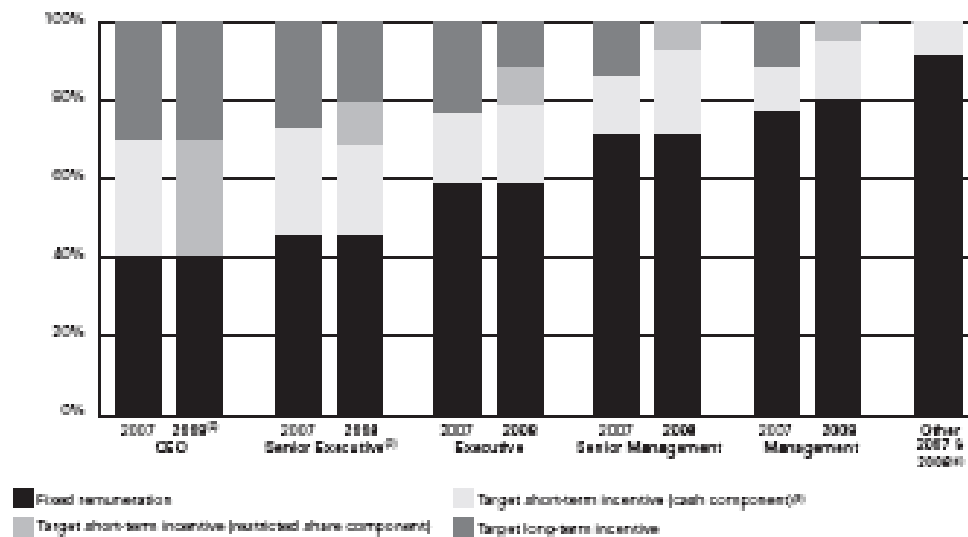
- participation in the Company's long-term incentive arrangements will be restricted to around 30 of the most senior employees

(executives, senior executives and the CEO), compared to more than 200 employees in recent years. This reduction of eligible employees means that participation in long-term incentive arrangements will better reflect the group of employees who can most directly influence the Company's share price, which is the key determinant of awards under the Company's long-term incentive arrangements.

- short-term incentive opportunities for senior employees will increase, generally to offset reduced long-term incentive opportunities.
- short-term incentive payments for senior employees will be partly delivered in shares. These shares, delivered under the proposed Restricted Share Plan, will be subject to forfeiture if the participant resigns or otherwise leaves the Company in certain circumstances within three years. Compared to previous arrangements, these shares will provide a more compelling incentive for key employees to remain with the Company and align actions with shareholders' interests.

The following chart shows how remuneration is structured for executives and salaried employees:

Chart 3.1 Remuneration structure by level ⁽¹⁾



⁽¹⁾ Amounts shown reflect typical weightings only, as some variations in regional remuneration structures exist.

⁽²⁾ The CEO has elected to receive future STIP payments primarily as shares acquired under the Directors' Share Purchase Plan.

⁽³⁾ Senior executives comprise all continuing Key Management Personnel excluding Directors.

⁽⁴⁾ Other employees include Australian, non-management salaried employees and equivalents in other countries. Short-term incentive payments may differ slightly by country.

⁽⁵⁾ Target long-term incentive opportunity reflects the market value, as determined at the time of offer, of shares offered for achieving median performance (against all tranches/both peer groups).

