



ASX/ NZX/ MEDIA RELEASE

Lion Nathan releases preliminary trading results (subject to audit review) for the six months ended 31 March 2009

24 April 2009: The Board of Lion Nathan (LNN) has authorised the release of the attached preliminary trading results (which are subject to audit review) for the six months ended 31 March 2009.

Full results for the six months ended 31 March 2009 will be provided in line with original reporting timeline, with results expected to be released on or before 20 May 2009.

As previously disclosed, LNN has received an indicative, non-binding, conditional and confidential proposal from Kirin. LNN has obtained a trading halt from ASX and NZX until it makes an announcement in relation to that proposal or the commencement of normal trading on Monday 27 April 2009, whichever is the earlier.

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Preliminary Trading Results

SUBJECT TO AUDIT REVIEW FOR 6 MONTHS ENDED 31 MARCH 2009

Note: all dollar amounts are in Australian dollars unless noted otherwise

DATE: 24th April, 2009

OVERVIEW

Lion Nathan's solid first half beer results have enabled a positive revision to the FY09 Reported NPAT guidance to \$305-315 million (previously \$300 - \$315 million), which represents 12% - 16% growth on prior year.

First half results summary: (comparisons are to first half of FY08 unless noted otherwise)

- ◆ Group net sales revenue up 5.5% to \$1.184 billion
- ◆ Group Earnings Before Interest and Tax (EBIT) increased by 8.4% to \$307.0 million
- ◆ Reported Net Profit After Tax (NPAT) of \$176 million, up 6.9% (Underlying NPAT¹ up 6.1% to \$178 million)
- ◆ Lion Nathan's robust business model continues to generate strong cash flows. The company's funding position remains secure, with no debt maturities in the remainder of FY09.
- ◆ Very strong results from Lion Nathan Australia achieved through core brand growth, innovation, tap gains and Boag's growth
 - EBIT up 14.8% to \$280.3 million
 - Volume up 4.6%
 - Net sales revenue up 11.3%
- ◆ New Zealand - maintaining position through innovation success
 - EBIT up 3.1% to NZ\$56.5 million
 - Domestic beer volume in line with prior year
 - Growth of Steinlager Pure and Speight's Summit resulted in strong mix gains
- ◆ Wine – profitability adversely impacted by economic environment in US, UK and Australia and investment in US platform
 - EBIT (pre SGARA²) of \$3.5 million, down 55.7%

Outlook:

The Company's investment decisions over the past five year have built a stronger business which is positioned to deliver in FY09 and beyond.

The Company expects a higher growth rate in the second half due to innovation momentum, Boag's growth accelerating, the timing of Easter and the cycling of the investment period of the prior year where fourth quarter marketing spend and the funding costs relating to the Boag's acquisition had a significant impact on results.

¹ NPAT excluding costs associated with CCA proposal (first half FY09) and Boags one time items (first half FY08)

² Self Generating and Re-Generating Assets

TO LION NATHAN SHAREHOLDERS – 24 APRIL 2009

BUSINESS OVERVIEW

Lion Nathan's solid first half beer results have enabled a positive revision to the FY09 Reported NPAT guidance to \$305-315 million (previously \$300 - \$315 million).

Lion Nathan today released preliminary trading results (subject to audit review), which indicate a net profit after tax (NPAT) of \$176 million for the six months to 31 March 2009, up 6.9%. Underlying NPAT was \$178 million after adjusting for costs associated with the proposed acquisition of Coca-Cola Amatil.

Commenting on the result, Lion Nathan CEO, Rob Murray said, "These first half results show the resilience of our business which has delivered another set of robust numbers. Five years ago, we made the decision to invest in our most valuable assets; our brands, our people and our breweries and we made a commitment that the investment would be followed by a step up in earnings. At the time we could not have predicted the economic conditions we would face. For that reason, it is even more rewarding to see the business delivering ahead of our forecasts. The investments we have made have been a key enabler of innovation and have enhanced the equity of our core brands and it has also resulted in a stronger business, better able to navigate tough economic times. We are in a strong position for the full year and consequently we have revised our full year NPAT guidance which is now \$305 million to \$315 million."

Underpinning the result was the excellent performance of the Lion Nathan Australia business unit, which grew Operating EBIT by an impressive 12.7% to \$280.3 million (Reported EBIT grew 14.8%). Net sales revenue rose 11.3% in the period and total volumes increased by 4.6%. Gains through core brands and the Boag's trademark, ongoing improvement in mix, successful innovation and good tap beer volumes were the key drivers of growth.

The New Zealand business performed well to achieve a 3.1% improvement in EBIT in New Zealand dollars (NZD). With stable domestic beer volumes, the growth in EBIT was largely the result of improving mix with the key contributors being the success of Steinlager Pure and Speight's Summit. This was supported by good results from the wine, spirits and ready to drink (RTD) portfolio and tight cost control across the business.

In regard to the market conditions in Australia and New Zealand (NZ), Mr Murray said "Our core beer markets have remained robust despite the economic circumstances, with premium beer remaining attractive as an affordable luxury. The level of innovation has had a very positive impact and consumers continue to move to more premium beers. We have seen some switching to at home consumption in particular regions, but overall the market remains in good health."

In contrast to the strong beer results, the Wine business has experienced much greater volatility and exposure to the current economic conditions. Wine EBIT pre SGARA declined to \$3.5 million, down 55.7% for the half. This was further compounded by an adverse SGARA movement which went from a \$0.5 million gain in the first half of last financial year to a \$0.7 million loss this half year.

Corporate costs rose due partly to the legal, consulting and other costs associated with the CCA proposal as well as one-time items associated with the move to the new corporate office and an increase in other group costs.

The Company's cash flow and financing position remains solid. The interest expense for the half was better than anticipated due to the timing of cashflows for major projects and a modest benefit from lower interest rates.

The step change in EBIT for the Australian beer business and the resilience of the New Zealand business in the first half positions the Company well for the full year, and as such, the Company has revised the NPAT guidance range to \$305 - \$315 million (previously \$300 - \$315 million). The timing of Easter, further gains through innovation and contribution from the Boag's brands are expected to culminate in an increase of the NPAT growth rate in the second half.

Table 1 – REPORTED PROFIT ANALYSIS

Six months ended (\$m)	31 March 2009	31 March 2008	Change
Net Sales Revenue ³	1,184.0	1,121.9	5.5%
Reported EBIT			
Australia	280.3	244.2	14.8%
<i>New Zealand (NZD)</i>	56.5	54.8	3.1%
New Zealand (AUD)	47.0	47.6	-1.3%
Wine (pre SGARA)	3.5	7.9	-55.7%
SGARA	(0.7)	0.5	-240.0%
Corporate	(23.1)	(16.9)	-36.7%
Group EBIT	307.0	283.3	8.4%
Net Interest Expense	(61.7)	(47.8)	-29.1%
Pre-Tax Earnings	245.3	235.5	4.2%
Income Tax Expense	(69.2)	(70.7)	2.1%
Minority Interests	(0.1)	(0.2)	50.0%
Net Profit after Tax	176.0	164.6	6.9%

Note: Rounding may affect percentage change calculations – correct percentage change shown in table.

³ Net of excise and discounts

AUSTRALIA

Table 2 – AUSTRALIA

Six months ended		31 March 2009	31 March 2008	Change
Volume	(millions of litres)	406	388	4.6%
Net Sales Revenue ⁴	\$m	832.0	747.7	11.3%
Operating EBIT	\$m	280.3	248.7	12.7%
Reported EBIT	\$m	280.3	244.2	14.8%

Note: Rounding may affect percentage change calculations – correct percentage change shown in table

Investments leading to stronger brand equity and EBIT improvement

The performance of the Australian business in the first half of FY09 provides a solid platform for the full year and beyond. The growth in core brands including Boag's, enhanced brand equity, strong mix and tap gains all helped Lion Nathan Australia (LNA) achieve a 12.7% rise in Operating EBIT for the first half (a 14.8% increase in Reported EBIT).

Core brands and tap beer providing mix benefits

The strong mix shift to "step-up" brands, aided by the success of recent innovations, secured an up-lift in net sales revenue of 11.3% for the period.

The benefits of upweighted brand investment were seen in the strength of LNA's core brands with Tooheys Extra Dry, XXXX Gold and Tooheys New all performing ahead of their respective market segments. Premiumisation and wellbeing trends are still thriving in the market. LNA's "step-up" portfolio has enjoyed considerable success as a consequence of consumers moving up from traditional mainstream beers. Hahn Super Dry grew volumes by just under 50% in the half, outstripping the already high growth rate for the low-carb category. Craft beer sales increased through the James Squire trademark with volumes up 14% for the half.

Lion Nathan Australia was able to grow tap volumes in XXXX Gold, Boag's Draught, Tooheys Extra Dry, James Squire and Hahn Super Dry which has had a positive impact on margin levels. The business's total tap beer volumes were up 2% on prior year including Boag's, and almost flat once Boag's is excluded. This is an excellent result in the context of a market segment which has been in steady decline for over 10 years as consumers move to drink from bottles in on-premise locations and compounded by smoking bans. The tap gains are testament to the strength of the brands and gains made in brand equity through sustained brand investment.

Maintaining market share in buoyant market

LNA grew total volumes by 4.6% in the half and 5.5% on an MAT basis. Once the prior year volumes are normalised for Boag's, volumes grew by 1%⁵ MAT. This is in line with the market which is estimated by AC Nielsen, to have grown by 0.9%⁶ MAT. LNA outperformed the market in all bar the Premium segment, where the business is structurally under represented and where there was significant price activity during the half.

Recent innovations a success

Over the last 3 years, the business has created a number of new brands and each of these is now established as sizeable and sustainable consumer propositions. Tooheys New White Stag was launched in September 2008 as the first mainstream low-carbohydrate beer in the market and is meeting internal launch expectations. This half year represents the first summer for Barefoot Radler and sales volume outstripped expectations with the brand reaching 5 million litres in the last year and rising rapidly, broadening the appeal of beer.

Boag's building momentum - increasing profitability in the second half

Boag's is a key growth driver for Lion Nathan Australia and the first half results provide the business with further confidence in the potential for the trademark. Volumes for the Boag's trademark were up 8% on prior year, and the four key brands within the Boag's portfolio rose 12%. The brand momentum has increased significantly in recent months, with Boag's Draught now available on tap in over 1,800 locations nationwide and building. This is

⁴ Net of excise and discounts

⁵ Prior year figure adjusted to include prior year Boag's volumes

⁶ AC Nielsen MAT volume growth as at February 2009

supported by the recently commenced TV advertising campaign for Boag's Draught which highlights the brands' Tasmanian provenance, a message which has gained strong cut through with consumers.

The last twelve months has included significant investment in this brand, with new packaging, TV commercials, and other advertising developed. These investments support the recent growth momentum which is expected to culminate in an increasing profit contribution from Boag's in the second half.

Investments delivering results

The LNA business has benefited greatly from the decision to invest behind the Company's core assets – its brands, breweries and people. The first half results demonstrate the renewed strength of the LNA business and the impact of the investments in creating a business that is more agile, efficient and better able to capitalise on opportunities through innovation and strong brand equity. Further benefits from these investments are anticipated into the second half of FY09 and beyond, including further savings through the nearly completed brewery upgrades.

NEW ZEALAND

Table 3 - NEW ZEALAND

Six months ended		31 March 2009	31 March 2008	Change
Domestic Beer Volume ⁷ (millions of litres)		91	91	-0.3%
Total Volume ⁸ (millions of litres)		105	106	-0.6%
Net Sales Revenue ⁹	NZ\$m	323.8	326.3	-0.8%
	\$m	269.6	283.5	-4.9%
Reported EBIT	NZ\$m	56.5	54.8	3.1%
	\$m	47.0	47.6	-1.3%

Note: Rounding may affect percentage change calculations – correct percentage change shown in table

Innovation led to improved mix and EBIT, despite high cost and FX pressures

The New Zealand business has been able to gain ground through innovation and mix improvements in beer complemented by volume gains in wine, spirits and RTDs offsetting export and mainstream beer volume declines. This enabled EBIT growth to continue in the first half of 2009, with EBIT up 3.1% in local currency.

Domestic beer volumes steady

Despite strong prior year first half volumes which benefited from the timing of Easter and the hot NZ summer, domestic beer volumes in the first half of FY09 remained steady on prior year. Beer exports declined by 1.3 million litres for the period as macro-economic factors caused demand to contract, particularly in Hawaii, where Steinlager has a strong presence, and where tourism levels are down significantly on prior year.

Positive mix trends continue largely due to successful innovations

Lion Nathan New Zealand's domestic beer volumes were in line with prior year, with an improved product mix as consumers migrated to "step up" and premium beers. Much of this movement to higher value brands was due to recently launched brands Steinlager Pure and Speight's Summit. In addition, Steinlager Classic returned to growth.

Price increases required to cover rising costs

Beer raw material costs (especially aluminium, sugar, barley, glass, energy costs) have risen significantly in recent years, and well ahead of CPI. While positive mix gains and innovation success has provided some offset to this cost pressure, this is not sustainable. A recent price increase effected in March 2009 will alleviate some of this cost pressure and partially restore beer margins, however further price increases are likely in 2009 to recover these significant historic cost increases and the continued negative exchange rate impacts on foreign priced input costs.

Wine, Spirits & RTDs provide incremental EBIT

Lion Nathan New Zealand achieved first half volume growth of 11% from its wine, spirits, and RTDs portfolio compared to the prior year with all categories growing. New product development initiatives in wine, and new agency brands more than offset the loss of the Moet Hennessy agency brands in February 2008. The effective Christmas promotional programme supported by the continued strength in the Smirnoff vodka brand helped lift spirits performance in a competitive market, while RTDs were boosted by increased multi-pack volumes in key brands.

⁷ Excludes Lion Nathan International volume

⁸ Comprising beer, wine, spirits, RTDs and other volume

⁹ Net of excise and discounts

WINE

Table 4 – WINE

Six months ended		31 March 2009	31 March 2008	Change
Volume ¹⁰ (000s of 9 litre cases)		798	752	6.1%
Net Sales Revenue ¹¹	\$m	82.4	90.7	-9.2%
Reported EBIT pre SGARA	\$m	3.5	7.9	-55.7%
SGARA	\$m	(0.7)	0.5	-240.0%
Reported EBIT	\$m	2.8	8.4	-66.7%

Note: Rounding may affect percentage change calculations – correct percentage change shown in table.

Wine Group profitability down due to market conditions and investment in US platform

Key wine markets have been impacted not only by the economic crisis but also by structural wine industry dynamics of excess supply, the vagaries of nature and rising discount requirements.

Volumes and overheads up due to the new US distribution platform

Volumes are higher than prior year due to the inclusion of brands distributed through the new owned Lion Nathan US wine distribution business. This business is in start up phase and it is expected to breakeven in the near term, covering the additional overheads attributable to this business. The platform provides a solid basis to take Lion Nathan's wines to market in the US.

Consumers trading down and deeper discounting required

In the US and UK, market dynamics have deteriorated with considerable trading down evident and a switch away from on-premise consumption, reducing demand for fine wines. Additionally, there has been a significant increase in supplier funded discounting required by major retailers, particularly in the UK, leveraging the excess global supply.

In Australia, similar trends are becoming evident. The total bottled market is still in growth, though much reduced from previous levels. MAT value growth is at 3.8%, down from 8% a year ago and the quarterly growth is only 1.8%. The major contributor to wine market growth in Australia was sauvignon blanc, which increased value by approximately 30% in the half to overtake chardonnay (which decreased 10%) as the number one varietal. The growth in sauvignon blanc accounted for 82% of the total market growth.

As Lion Nathan's Wine business adapts to take account of the changing market conditions, Wither Hills is strongly positioned in the Australian market and brand extensions are planned to capture demand at key growth price points.

Nature impacting on yields and SGARA

The intense heat and fires in South Eastern Australia have reduced vintage yields across the region and have negatively impacted SGARA valuations for the half. The heatwave across Victoria and South Australia has had the greatest impact, with yields down up to 15% for some vineyards. Berry weights are below expectation with some fruit effectively dried from the sun and extreme heat. In Central Victoria, no owned vineyards were lost in the recent fires but smoke taint was detected in some of the contracted growers' vineyards. Consequently intake from these growers in the region was considerably reduced. The lower 2009 vintage is likely to assist the balancing of bulk wine inventory in Australia and will not impact on the Company's ability to meet demand.

Outlook

The Wine business is expected to track below prior year for the second half of FY09, as economic factors continue to suppress demand and margins. Due to the relative size of the Wine business, this is not expected to be material to the Group result.

¹⁰ External sales only (excludes sales to Lion Nathan New Zealand)

¹¹ Net of excise and discounts

OTHER FINANCIAL INFORMATION

Effective income tax rate

The effective income tax rate during the half has reduced by the lower New Zealand corporate tax rate and R&D tax concessions.

Strong funding position

Key debt coverage ratios remain well within debt covenants and investment grade parameters.

The robustness of Lion Nathan's business model and balance sheet resulted in rating agency Fitch upgrading the Company's credit rating in April 2009 to BBB+ (from BBB).

Ratings from Standard and Poor's and Moody's are BBB/stable and Baa2/positive respectively.

Interest costs higher than prior year, but better than anticipated

The Company's funding levels increased in January 2008 to facilitate the acquisition of Boag's and the investment in brewing assets. Consequently, interest expense increased, with \$47.8 million incurred in the first half of FY08, increasing to \$60.9 million in the second half of FY08. In the first half of FY09, the timing of cashflows for major projects has enabled interest costs to remain broadly consistent with the second half of FY08 at \$61.7 million. Interest expense for the second half of FY09 is expected to remain at a similar level.

COGS guidance reaffirmed

At a Group level, variable COGS are likely to increase between 5-7% in FY09¹², as per previous guidance.

Full year capital expenditure guidance reaffirmed

As previously guided, capital expenditure of between \$225 – 275 million is anticipated in FY09.

The investment in breweries in Australia and New Zealand will help the Company maintain low cost, efficient operations with enhanced flexibility, agility and quality to meet evolving customer and consumer requirements as well as providing further improvements in occupational health and safety standards and reducing the environmental footprint of the breweries.

Further savings enabled through recent Australian breweries investment

Work to improve the XXXX Castlemaine and Tooheys breweries will conclude by the end of this financial year, with some fine tuning expected in FY10. Annualised savings from this investment have reached the \$15 million project commitment, and there is now scope for these savings to increase as the full benefits of the investment program come to fruition. The project has resulted in significant reductions in greenhouse gas emissions and energy usage and a forecast reduction in trade waste.

Increasing the capacity of the Boag's brewery

The new brewhouse at the Boag's Brewery in Launceston is expected to be complete in the first half of FY10. The first brew is expected by the end of this calendar year. The additional capacity of the brewery will allow the brand to build on its current momentum.

Transforming NZ operations

The Auckland brewery project is well underway, with the brewhouse currently under construction. The first brew from the new brewery is expected by the end of this calendar year. Following this, the packaging and distribution equipment will be installed. It is anticipated that the Auckland operations will be fully transitioned to the new facility in 2011. Total projected Auckland Brewery Project expenditure remains at NZ\$250 million as previously advised. The project is on track to deliver NZ\$15 million in savings, as per previous guidance.

¹² Excludes the impact of volume and mix

OUTLOOK

Positive change to guidance

Following the strong first half results, robust beer market fundamentals and positive indicators going in to the second half, the Company today revised the full year Reported NPAT guidance range to \$305 million - \$315 million (previous guidance was \$300 million - \$315 million).

Beer market and beer results robust

With consumers trading into beer, but moving up within the beer category to step-up and premium offerings, the beer market has remained buoyant. Lion Nathan has been able to take advantage of these trends to deliver strong results from both beer business units in the first half, with LNA EBIT up 14.8%, and LNNZ NZD EBIT up 3.1%.

Innovation remains key

The momentum of recent new brands such as Steinlager Pure, Hahn Super Dry, Barefoot Radler, Speight's Summit and Tooheys New White Stag is expected to yield further growth in the second half. It is anticipated that this will be enhanced by further innovation which is scheduled for release in the second half.

Growth rate accelerating

The Company expects the NPAT growth rate to increase in the second half of FY09, as the business cycles the heavy marketing investment period of the last quarter of FY08. Additionally, the first half growth rate was suppressed by the significantly lower interest costs in the first half of FY08 as the Boag's funding was drawn down in January of last year. Funding levels have been relatively stable since that time.

Boag's considerable contributor in second half

The profitability of the key Boag's brands are expected to rise in the second half as they build on the momentum achieved through the recent relaunch of Boag's Draught and new advertising campaign.

Easter timing a factor

With Easter moving from the first half in FY08 to the second half in FY09, the Company has enjoyed a good start to the second half in April for all divisions, providing further confidence in the full year outlook.

Excise tax

The Company's original guidance was set in November 2008, based on the excise rates of beer, wine, spirits and RTDs prevailing at the time and which are the same today. This remains the assumption on which the outlook is based.

Outlook

In regard to the Company's outlook for the full year, Rob Murray said "The business fundamentals give us confidence in a strong second half, building on the solid foundations of the first half. Our key beer markets remain healthy and with limited exposure to the more volatile wine market, we are well placed to thrive in the current environment. The wise investment decisions we made five years ago have resulted in a stronger, more resilient Company with great brands, more flexible and efficient operations, leading people engagement and a string of successful brand innovations. Each of these is a competitive advantage for Lion Nathan that can help us to deliver not only in FY09 but well into the future."

NOTES:

These preliminary results are subject to Audit Review. Full results will be provided in line with the Company's original half year reporting timeline, with a results announcement expected on 20 May, 2009.

This announcement includes forward looking statements which may be subject to events or uncertainties outside of Lion Nathan's control. No warranty of accuracy or reliability is made and Lion Nathan takes no responsibility for accuracy or reliability of forecasts, the assumptions on which they are based or other forward looking statements. Actual future events may vary from these forecasts. Undue reliance should not be placed on any forward looking statement.

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APPENDICES

1 - One-Time Items (OTI)

The first half of FY09 contains no separately disclosed one-time items.

In line with previous announcements, approximately \$3 million pre-tax (around \$2 million after tax) in costs were incurred in the first half of this financial year in relation to the proposed merger with Coca-Cola Amatil. As these costs are not considered material, they will not be separately disclosed as OTIs in the financial report.

In the first half of the prior financial year, pre-tax OTIs of \$4.5 million (\$3.1 million after tax) were incurred relating to restructuring and integration costs associated with the Boag's acquisition.

2 - Significant items

The 2009 first half result contained no individually significant items (ISIs). Similarly the prior corresponding period contained no ISIs.

3 - Exchange rate translation

Lion Nathan converts its New Zealand earnings into Australian dollars at the monthly weighted average exchange rate for the period which was NZ\$1.201 (compared to NZ\$1.151 for first half FY08 – up 4.3%). New Zealand investments are converted into Australian dollars at the period end exchange rate which was NZ\$1.211 (NZ\$1.157 at 31 March 2008 – up 4.7%).