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Lion Nathan First Quarter 2009 Trading Update

Sydney, 19 February 2009

Lion Nathan today announced its trading update for the quarter ended 31 December 2008. A good start to the year from the Lion Nathan Australia business underpins a solid first quarter in which the Company grew net sales revenue by 7%.

Lion Nathan Australia's positive momentum and focus has translated into pleasing first quarter results with net sales revenue growth of approximately 15% and beer volume growth of 9% to 221 million litres. The Australian beer market remains robust with a growth rate of 2.3% for the quarter and 0.2% on a MAT basis as measured by AC Nielsen[1]. Adjusting prior year volumes to include Boag's, the Company grew volumes by 2.5% in the quarter.

Consumers continue to move towards premium and step-up beers and the low-carb and midstrength categories remain in healthy growth. XXXX Gold, Tooheys Extra Dry, James Squire and Hahn Super Dry all performed strongly over the first quarter. In addition, Tooheys New White Stag was launched at the end of the 2008 financial year and has quickly built distribution and consumer awareness, contributing strongly to the growth of the Tooheys trademark.

The Boag's brands have strengthened under Lion Nathan's ownership with volume and revenue growing well in the important Christmas period assisted by a packaging redesign and with a new advertising campaign which highlights the brand's Tasmanian provenance. Boag's remains a key growth driver for the Company.

The New Zealand business grew volumes by 1% for the first quarter, with strong growth rates in wine and spirits and ready to drink (RTD) categories. Net sales revenue for beer, wine, spirits and RTDs was up 2.7%, but was down slightly for the total New Zealand business due to lower sales in other businesses. Lion Nathan's domestic beer volume was in line with the same period last year at 50 million litres, with premium category volume up 10% as Steinlager Pure and Steinlager Classic continue to perform strongly. Consumers are trading up from mainstream and value segments which declined during the quarter.

In the Wine business, total volumes grew by 3% compared to the first quarter of FY08. However, net sales revenue was down 10%. The fine wine market has declined dramatically as a result of the current economic conditions, particularly in the UK and US but also in Australia. The extreme heat and fires in Victoria and South Australia over the summer period are likely to adversely impact the current vintage and this will have a negative impact on the SGARA valuations in the current financial year. As a consequence of the deteriorated trading conditions in all key markets as well as a difficult vintage in Australia, Wine results for the full year are likely to be down significantly on prior year. Wine represents approximately 3% of the Company's EBIT[2], and as such, the anticipated decline is not material to the Company's full year outlook.

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[1] Company estimate based on AC Nielsen to December 2008
[2] Share of total EBIT (excluding Corporate) based on financial year ended 30 Sept 2008

Group Capital Expenditure

The new Auckland brewery is on track to be fully operational in 2011. The project remains on budget for time and cost.

The project to increase capacity of the Boag's brewery in Tasmania has commenced, with the first brew from the new brewhouse expected by the end of this calendar year.

In line with previous guidance, total capital expenditure for the 2009 financial year, including the costs associated with these two major projects, is forecast to be between $225 million and $275 million.

Coca-Cola Amatil Proposal

Lion Nathan announced on 9 February 2009 that it had withdrawn its proposal to merge with Coca-Cola Amatil. Costs of approximately $3 million were incurred in relation to the proposal, primarily for fees relating to committed debt facilities which have now been cancelled. Whilst these are one-time costs and will be reported separately, the Company expects to cover these costs within the existing NPAT guidance range.

Mr Murray said: "We tabled a compelling and attractive proposal at a 30% premium. Given the accepted industrial logic of a combination, it is disappointing that CCA shareholders did not get a chance to consider our offer on its merits."

FY2009 Operating NPAT Guidance

As a consequence of the very encouraging performance from the core beer businesses, the overall first quarter performance is in line with the Company's expectations. Lion Nathan remains on track to deliver a step up in earnings in FY09 and today re-affirmed its Operating NPAT guidance of $300 - $315 million.

The Company's balance sheet and cash generation remains strong and it has no funding facilities maturing until February 2010.

Commenting on the quarter, Lion Nathan CEO, Rob Murray said: "Our business is in robust shape thanks to the investments that we have made in recent years to drive growth. The beer market is resilient and our largest business units continue to deliver high quality results. We are on-track to deliver earnings growth of between 10 and 16 percent."

AGM

The Company will be holding its Annual General Meeting on Thursday, 26 February at the Hilton Hotel, George Street, Sydney at 2pm, with attendance registration available from 1.30pm.

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