

## **Lion Nathan Limited**

### **Annual General Meeting - Chairman's Address**

During the 2008 financial year, we again achieved robust revenue and earnings growth and strong cash flows while investing in our core assets – our people, brands and breweries so as to achieve higher sustainable earnings growth.

Our 2008 result was strong. We grew operating Net Profit after Tax by over 4% to \$278.3 million. It was particularly pleasing that all of our business units contributed to this robust result, with revenue and earnings growth in Australia, New Zealand and also in Wine. The performance was fuelled by the success of new products and increased brand investment. A particular highlight was beer volume, value and market share growth, achieved in both Australia and New Zealand.

In November, the Board declared a final fully-franked dividend of 22 cents per share, an increase of 4.8% on the FY07 final dividend. The total FY08 dividend was 42 cents per share, up 5.0% on total ordinary dividends in 2007.

Our CEO, Rob Murray, will talk through highlights from the 2008 financial year in a few moments.

These are undoubtedly challenging, some say unprecedented, times in global economic history. This is the first time we have seen a major slowdown in a truly globalised and largely deregulated economy. A whole generation of young people, active in the economy, has never seen a recession before. These factors add to the unpredictability facing all businesses.

This reporting season has further demonstrated that a great number of businesses operating in Australia and New Zealand have already been affected, some severely affected, by the global slowdown.

In this context, I am pleased to be able to report that we have made a very strong start to the 2009 financial year and that last week we were able to re-confirm our Net Profit after Tax guidance for the current year of \$300-315 million. This represents a significant step-up in profit of 10 to 16 per cent.

There is no doubt that the robustness of demand for beer, regardless of the economic cycle, is a key factor in our confidence for the future.

However, much of our assurance comes from very deliberate decisions made by our Board and our Leadership Team, led capably by Rob Murray, to manage our business for the long term.

We took a decision, at the time of a bull market, to spend the last 3 years investing in our core strategic assets. At the time some commentators felt that it was a brave strategy given our shareholders had become accustomed to double digit profits each year.

Our decision came from a strongly held belief that we had to change our business model to prepare our business for the future.

In 2009 we can boast a stronger brand portfolio geared to the growing segments of the markets in which we operate. Our power brands now make up 81 per cent of our Australian portfolio and 71 per cent of our New Zealand portfolio, all up significantly from 2004.

Our brand investment has strongly manifested in revenue growth. Within our Australian and New Zealand business units, 10% of net sales revenue in the 2008 financial year came from new products and innovation launched in the past three years.

Major upgrade projects at Tooheys and XXXX Castlemaine will be completed in FY09 as well as significant improvements to the Boag's Brewery in Tasmania. In New Zealand, we are building a new brewery, warehousing and production facility in Auckland. These investments achieve more than an attack on our cost base. We are also building in operational flexibility and agility, which will improve our offer to customers and consumers, and at the same time reduce our environmental footprint.

I believe that the businesses that perform most effectively in changing circumstances are those with great people and great cultures. These are the businesses that respond quickly to change.

Lion Nathan employs more than 3,000 people and our Board and leadership are fully aware that the success of our company depends on the efforts of every one of them. Regardless of the economic times, we are deeply committed to investing in our people to help them be the best they can be, really make a difference and have a great time doing it.

Our people and culture are a competitive advantage. Highly engaged people have more effective and productive customer relationships. External benchmarking proves that both our people, and consequently our customers, are highly engaged.

This engagement drives business success. Highly engaged customers buy more of our products and advocate our brands to consumers.

We have demonstrated initiative and discipline in capital management and corporate development. The purchase of Boag's provides our business with an additional and attractive growth stimulus. We have forsaken opportunities that have not met our strict acquisitions criteria and taken the initiative and "not died wondering" on opportunities that could drive returns for our shareholders.

In November, we tabled a compelling and attractive proposal for Coca-Cola Amatil at a 30 per cent premium. The combination would have created Australasia's largest diversified beverages business and would have brought significant benefits to both sets of shareholders. 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.

CCA was never a 'must-do' transaction for Lion Nathan. As I have outlined today, this is a business in robust health with an attractive organic growth profile. Our people have remained energised and focussed and we are well placed to deliver a significant step-up in earnings in FY09.

Our shareholders can be also assured that our funding position is secure. Our business is characterised by strong and healthy cashflows and, despite difficult debt market conditions, Jamie Tomlinson (Chief Financial Officer) and our finance team achieved three very positive outcomes in the debt market in the 2008 calendar year.

We are a business that manages for the long-term. We know that we only exist with the permission of the communities in which we operate. Consequently, we aim to maximise our positive contribution to society. We do so directly through the creation of shareholder wealth and through skills development and the provision of rewarding careers for our people.

Our business also provides essential commercial support to the agricultural, arts, sports, tourism and hospitality industries. In 2007 our contribution to the Australian and New Zealand economies was some AU\$739 million.

We also work hard to reduce our environmental footprint and to play a role in helping society minimise alcohol misuse.

In 2008, we continued to work with our industry colleagues, governments and the community to combat alcohol misuse. I believe that responsibility is defined as much by what you choose not to do as by what you do. Last year, we recognised community concerns about high

strength and energy ready to drinks. We took a voluntary decision to set a limit of two standard drinks for a single serve container of all of our products. We also ceased production of ready to drinks with energy mixers.

In 2007, I was proud to be able to inform our shareholder that Lion Nathan had become only the second company in Australia to be awarded Greenhouse Challenge Leadership status under the Federal Government's scheme. Lion Nathan now uses 25 per cent less energy per litre of beer produced than in 1995 and we have significantly reduced our emissions.

We also use just under 40 per cent less water to brew a litre of beer than in 1995. In 2008 we installed a water recycling plant at our XXXX brewery in Queensland to achieve world's best practice water consumption. In New Zealand, as I remarked a few moments ago, we are building environmental efficiency into our new Auckland brewery.

In summary, I am proud to Chair a business with a strong organic growth profile, with leadership and people with the agility to take the difficult decisions, to embrace opportunities and effectively manage risk. A business positioned for growth and well placed to chart a successful path through the challenges posed by the global slowdown.

I would like to thank my Board colleagues for their support over the last 12 months.

Finally, I would like to thank you, our shareholders, for your continued support.

I will now hand over to Rob Murray, our CEO, to present his address to the meeting.