

The Independent Directors
unanimously recommend that you

VOTE IN FAVOUR

of the Scheme, in the absence
of a Superior Proposal.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

YOU SHOULD READ IT IN ITS ENTIRETY PRIOR TO DECIDING WHETHER OR NOT TO VOTE IN FAVOUR OF THE SCHEME. IF YOU ARE IN DOUBT AS TO WHAT YOU SHOULD DO, YOU SHOULD CONSULT YOUR LEGAL, INVESTMENT OR OTHER PROFESSIONAL ADVISER. LION NATHAN LIMITED ACN 093 160 448

FINANCIAL ADVISER

CALIBURN

LEGAL ADVISER

MALLESONS STEPHEN JAQUES

IMPORTANT NOTICES

Purpose Of Scheme Booklet

This Scheme Booklet includes the explanatory statement required to be sent to Shareholders under Part 5.1 of the Corporations Act in relation to the Scheme.

The purpose of this Scheme Booklet is to explain the terms of the Scheme and the manner in which the Scheme will be considered and implemented (if approved by a Requisite Majority of Non-Kirin Shareholders and by the Court) and to provide information as is prescribed or otherwise material to the decision of Non-Kirin Shareholders whether or not to vote in favour of the Scheme.

Read Entire Scheme Booklet

Shareholders are encouraged to read this Scheme Booklet in its entirety before making a decision on whether or not to vote in favour of the Scheme.

Glossary And Defined Terms

A number of terms used in this Scheme Booklet have special meanings. These are listed in the Glossary at the back of this Scheme Booklet. Each of the documents reproduced in some of the Annexures to this Scheme Booklet has its own defined terms, which are sometimes different from those in the Glossary.

Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this document. All numbers are rounded unless otherwise indicated.

The financial amounts in this Scheme Booklet are expressed in Australian currency unless otherwise stated. A reference to \$, AS, AUD and cents is to Australian currency, unless otherwise stated.

All times referred to in this Scheme Booklet are references to time in Sydney, Australia, unless otherwise stated.

Investment Decisions

This Scheme Booklet is intended for Non-Kirin Shareholders collectively and does not take into account the investment objectives, financial situation and particular needs of each security holder or any other particular person. This Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to the Scheme or your Shares. Before making any investment decision in relation to the Scheme or your Shares, including any decision to vote in favour of or against the Scheme, you should consider, with or without the assistance of a financial adviser, whether that decision is appropriate in the light of your particular investment needs, objectives and financial circumstances. If you are in any doubt about what you should do, you should seek independent financial and taxation advice before making any investment decision in relation to the Scheme or your Shares.

Future Matters And Intentions

Certain statements in this Scheme Booklet relate to the future. These statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements to be materially different from expected future results, performance or achievements expressed or implied by those statements. These statements reflect only views held at the date of this Scheme Booklet.

None of Lion Nathan or Kirin, any director of those companies nor any other person gives any representation, assurance or guarantee that the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur and you are cautioned not to place undue reliance on such future statements.

Responsibility For Information

The information contained in this Scheme Booklet other than in Section 4 and the Independent Expert's Report (**Lion Nathan Information**) has been prepared by Lion Nathan and the Independent Directors and is the responsibility of Lion Nathan. None of Kirin, its advisers or the Kirin Nominee Directors assume any responsibility for the accuracy or completeness of the Lion Nathan Information.

The information contained in Section 4 of this Scheme Booklet (**Kirin Information**) has been provided by Kirin and is the responsibility of Kirin. None of Lion Nathan, its advisers or the Independent Directors assume any responsibility for the accuracy or completeness of the Kirin Information except to the extent that Lion Nathan has provided Kirin with information for the purpose of Kirin preparing information on the merged entity following implementation of the Scheme.

Loneragan Edwards & Associates Limited has prepared an Independent Expert's Report set out in Annexure D and takes responsibility for that report. Lion Nathan, Kirin and their respective directors, officers and

advisers do not assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

ASIC, ASX and NZX

ASIC has reviewed a copy of this Scheme Booklet. Lion Nathan has asked ASIC to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. ASIC's policy in relation to statements under section 411(17)(b) of the Corporations Act is that it will not provide such a statement until the Second Court Date. This is because ASIC will not be in a position to advise the Court until it has had an opportunity to observe the entire Scheme process. If ASIC provides that statement, then it will be produced to the Court on the Second Court Date.

A copy of this Scheme Booklet has been lodged with ASX and NZX.

Neither ASIC, ASX, NZX nor any of their respective officers take any responsibility for the contents of this Scheme Booklet.

Court

The Court is not responsible for the contents of this Scheme Booklet and, in ordering that the Scheme Meeting be held, the Court does not in any way indicate that the Court has approved or will approve the terms of the Scheme. An order of the Court under section 411(1) of the Corporations Act is not an endorsement of, or any other expression of opinion on, the Scheme.

Shareholders Outside Australia

This Scheme Booklet is subject to Australian disclosure requirements. Financial information in this Scheme Booklet has been prepared in accordance with AIFRS and is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

Australian disclosure requirements and AIFRS may be different from those applicable in other jurisdictions.

Tax Implications Of The Scheme

Section 5 of this Scheme Booklet provides a general outline of the Australian and New Zealand income tax, capital gains tax, GST and stamp duty consequences for Non-Kirin Shareholders who receive the Special Dividend and/or dispose of their Shares to the Australian Holding Company in accordance with the Scheme. It does not purport to be a complete analysis nor to identify all potential tax consequences nor is it intended to replace the need for specialist tax advice in respect of the particular circumstances of individual Shareholders.

Shareholders who are subject to taxation outside Australia and New Zealand should also consult their tax adviser as to the applicable tax consequences of the Scheme in the relevant jurisdiction.

Privacy

Lion Nathan may collect personal information in the process of implementing the Scheme. This information may include the names, contact details and security holdings of Shareholders and the names of persons appointed by Shareholders to act as proxy, corporate representative or attorney at the Scheme Meeting. The primary purpose of collecting this information is to assist Lion Nathan in the conduct of the Scheme Meeting and to enable the Scheme to be implemented by Lion Nathan in the manner described in this Scheme Booklet. The collection of this personal information is required or authorised by the Corporations Act.

Personal information may be disclosed to the Share Registry, to print and mail service providers, to authorised securities brokers and to Kirin.

Shareholders have the right to access personal information that has been collected. They should contact the Share Registry in the first instance if they wish to exercise this right.

Shareholders who appoint a named person to act as their proxy, corporate representative or attorney at the Scheme Meeting should ensure that they inform that person of the matters outlined above.

Information Line

If you have any questions about your Shares or any other matter in this Scheme Booklet, please call the Lion Nathan Information Line on 1800 211 826 (within Australia), 0800 630 109 (within New Zealand) or +61 2 8986 9354 (outside Australia and New Zealand) between 9.00am and 5.00pm (Sydney time) Monday to Friday.

Lion Nathan And Kirin Websites

The content of Lion Nathan's and Kirin's respective websites do not form part of this Scheme Booklet and Shareholders should not rely on any such content.

Date Of Scheme Booklet

This Scheme Booklet is dated 6 August 2009.

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CHAIRMAN'S LETTER

6 August 2009

Dear Shareholder,

As you will be aware, on 11 May 2009, Lion Nathan Limited (**Lion Nathan**) announced that it had entered into an Implementation Agreement with its major shareholder Kirin Holdings Company, Limited (**Kirin**), in relation to Kirin's offer to acquire all of the shares in Lion Nathan that it does not already own by way of a scheme of arrangement. This followed the receipt of Kirin's initial proposal on 22 April 2009 and, thereafter, detailed discussions between Lion Nathan and Kirin.

If the Scheme is approved and implemented, relevant Shareholders will receive cash payments equal to \$12.00 per Share (**Cash Payments**) comprising:

- **Scheme Consideration of \$11.50** for each Share held by a Non-Kirin Shareholder as at the Scheme Record Date;
- A **Special Dividend of \$0.50** in relation to each Share held by a Shareholder as at the Special Dividend Record Date. The Special Dividend will be fully franked with Australian franking credits and partly imputed utilising available New Zealand imputation credits.

Lion Nathan paid an interim dividend of \$0.22 per Share on 23 June 2009 (**Interim Dividend**), which had the effect of adjusting the total original offer consideration from \$12.22 (which included the Interim Dividend) to \$12.00 per Share.

The Cash Payments of \$12.00 per Share represent a substantial premium to Lion Nathan's historical trading prices and also compares favourably to historical precedent transactions.

Lion Nathan's Independent Directors unanimously recommend that Non-Kirin Shareholders vote in favour of the Scheme and the Independent Directors intend to vote the Shares they own or control in favour of the Scheme, in each case in the absence of a Superior Proposal.

The Independent Expert, Lonergan Edwards & Associates Limited, has concluded that the Scheme is fair and reasonable and in the best interests of Non-Kirin Shareholders. The Independent Expert's Report is included in Annexure D of this booklet and I strongly encourage you to read it.

The Scheme requires the approval of a Requisite Majority of Non-Kirin Shareholders and the Court. The Scheme Meeting, at which Non-Kirin Shareholders are able to consider approving the Scheme, will be held at 10.00am on Thursday 17 September 2009. If you are unable to attend on this day, you are encouraged to vote by completing the enclosed personalised proxy form for the Scheme Meeting and returning it to the Share Registry so that it is received by 10.00am on Tuesday 15 September 2009. It is proposed that Court approval will be sought approximately 21 days after the Scheme Meeting.

Further information in relation to the Scheme is contained in this Scheme Booklet. I encourage you to read it in its entirety before making your decision and voting at the Scheme Meeting. If you have any questions in relation to any part of the Scheme, please call the Lion Nathan Information Line on 1800 211 826 (within Australia), 0800 630 109 (within New Zealand) or +61 2 8986 9354 (outside Australia and New Zealand) between 9.00am and 5.00pm (Sydney time) Monday to Friday, or visit the Lion Nathan website - www.lion-nathan.com.

I look forward to seeing you on Thursday 17 September 2009.

Yours sincerely,



Geoff Ricketts
Chairman
Lion Nathan Limited

IMPORTANT DATES

Scheme Booklet and Notice of Meeting despatched to Shareholders	Tuesday, 18 August 2009
.....
Latest time and date for receipt of proxy forms for Scheme Meeting	10.00am, Tuesday, 15 September 2009
.....
Time and date for determining eligibility to vote at the Scheme Meeting	7.00pm, Tuesday, 15 September 2009
.....

SHAREHOLDERS' MEETING TO VOTE ON THE SCHEME	10.00AM THURSDAY, 17 SEPTEMBER 2009
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IF THE SCHEME IS APPROVED BY A REQUISITE MAJORITY OF NON-KIRIN SHAREHOLDERS

Record date for determining entitlement to receive Special Dividend (Special Dividend Record Date)	7.00pm, Friday, 25 September 2009
.....
Payment of the Special Dividend	Tuesday, 6 October 2009
.....
Second Court Date for approval of Scheme	Wednesday, 7 October 2009
.....
Court order is lodged with ASIC and Scheme takes effect (Effective Date)	Wednesday, 7 October 2009
.....
Suspension of Shares from trading on ASX and NZSX	Close of trading on Wednesday, 7 October 2009
.....
Record date for determining entitlement to receive Scheme Consideration (Scheme Record Date)	7.00pm, Wednesday, 14 October 2009
.....
Implementation of the Scheme (Implementation Date)	Wednesday, 21 October 2009

NOTE: Unless otherwise stated, all times referred to in this Scheme Booklet are references to time in Sydney, Australia. Dates are indicative only. Lion Nathan reserves the right to vary the times and dates set out above, subject to the approval of such variation by ASIC, ASX, the Court and Kirin, where required. Any changes to the above timetable will be announced through the ASX and NZSX and notified on Lion Nathan's website, www.lion-nathan.com.

SCHEME HIGHLIGHTS

CASH PAYMENTS

If the Scheme is approved and implemented, relevant Shareholders will receive **Cash Payments equal to \$12.00** per Share, comprising:

- **Scheme Consideration of \$11.50** for each Share held by a Non-Kirin Shareholder as at the Scheme Record Date;
- a **Special Dividend of \$0.50** in relation to each Share held by a Shareholder as at the Special Dividend Record Date.

The Special Dividend will be fully franked with Australian franking credits and partly imputed utilising available New Zealand imputation credits.

The payment of the Special Dividend is conditional on a Requisite Majority of Non-Kirin Shareholders approving the Scheme at the Scheme Meeting. The payment of the Scheme Consideration will be made as part of the implementation of the Scheme.

You will only receive the Special Dividend for Shares you hold on the Special Dividend Record Date, and the Scheme Consideration for Shares you hold on the Scheme Record Date. The Special Dividend Record Date is expected to be 7.00pm on 25 September 2009, which is 19 days before the Scheme Record Date. Shares will trade ex-entitlement on 21 September 2009 and Shares acquired on that date will not be entitled to the Special Dividend.

INDEPENDENT DIRECTORS' RECOMMENDATION AND VOTE

The Independent Directors unanimously recommend that you vote in favour of the Scheme and the Independent Directors who hold Shares intend to vote the Shares they own or control in favour of the Scheme, in each case in the absence of a Superior Proposal.

INDEPENDENT EXPERT'S CONCLUSION

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Non-Kirin Shareholders.

SUBSTANTIAL PREMIUM TO HISTORICAL TRADING PRICES

The Cash Payments of \$12.00 per Share which will be paid to relevant Shareholders if the Scheme becomes Effective represent a premium of 54.4% to the ex-Interim Dividend volume weighted average price (VWAP) of \$7.77 for Shares quoted on ASX in the one month up to and including 22 April 2009 (the day prior to Lion Nathan's announcement of the receipt of Kirin's proposal).

NO ALTERNATIVE PROPOSAL

As at the date of this Scheme Booklet, no alternative proposal has emerged. Given the time that has elapsed since the announcement of the Independent Directors' recommendation of the Kirin proposal on 27 April 2009, and the fact that Kirin currently holds 46.13% of Lion Nathan, it is the view of the Independent Directors that a Superior Proposal is unlikely to emerge prior to the Scheme Meeting.

SHARE PRICE MAY FALL IF THE SCHEME IS NOT APPROVED

Lion Nathan's Share price may fall if the Scheme is not approved.

NO TRANSFER COSTS

No brokerage or stamp duty will be payable by you on the transfer of your Shares pursuant to the Scheme.

The Independent Directors unanimously recommend that you VOTE IN FAVOUR of the Scheme, in the absence of a Superior Proposal

INDEPENDENT DIRECTORS' RECOMMENDATION, AND REASONS TO VOTE IN FAVOUR OF OR AGAINST THE SCHEME*

REASONS TO VOTE IN FAVOUR OF THE SCHEME

- ✓ Your Independent Directors unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal
- ✓ The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Non-Kirin Shareholders
- ✓ You are being offered a substantial premium to historical trading prices
- ✓ The Cash Payments of \$12.00 per Share compares favourably to historical precedent transactions
- ✓ The Special Dividend will be fully franked with Australian franking credits and partly imputed utilising available New Zealand imputation credits which may have incremental value for certain Shareholders
- ✓ No alternative proposal has emerged as at the date of this Scheme Booklet
- ✓ The Lion Nathan share price may fall if the Scheme is not approved
- ✓ If implemented, the Scheme provides you with the value and certainty of cash in this uncertain environment
- ✓ No brokerage or stamp duty will be payable by you on the transfer of your Shares

POSSIBLE REASONS NOT TO VOTE IN FAVOUR OF THE SCHEME

- >> You may disagree with the Independent Directors and the Independent Expert and believe that the Scheme is not in your best interests
- >> If the Scheme proceeds you will no longer be a shareholder of Lion Nathan and you will not participate in any potential upside that may result from being a shareholder of Lion Nathan
- >> If the Scheme proceeds, Non-Kirin Shareholders will not participate in future dividends of Lion Nathan (other than the Special Dividend)
- >> The tax consequences of the Scheme for you may not be optimal for your financial position

* For detailed information on the case for Voting in Favour of the Scheme, please refer to supporting data on pages 9-11

VOTING INFORMATION

Your Vote Is Important

For the Scheme to proceed, it is necessary that a Requisite Majority of Non-Kirin Shareholders vote in favour of the Scheme. The Scheme is also subject to Court approval.

This Scheme Booklet includes the Notice of Meeting and encloses a personalised proxy form for the Scheme Meeting.

Voting Entitlements

If you are registered on the Share Register at 7.00pm on **15 September 2009** as a Non-Kirin Shareholder, you will be entitled to vote on the resolution to approve the Scheme at the Scheme Meeting. Accordingly, registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

If Shares are jointly held, only one of the joint Shareholders is entitled to vote. If more than one joint Shareholder votes, only the vote of the Shareholder whose name appears first on the Register will be counted.

How To Vote In Person

To vote in person at the Scheme Meeting, Non-Kirin Shareholders must attend the Scheme Meeting to be held at **10.00am on 17 September 2009** at the Grand Ballroom, Hilton Sydney, 488 George Street, Sydney.

A Non-Kirin Shareholder who wishes to attend and vote at the Scheme Meeting in person will be admitted to the Scheme Meeting and given a voting card upon disclosure at the point of entry of their name and address.

Persons who are attending as an attorney should bring the original or a certified copy of the power of attorney to the Scheme Meeting, unless Lion Nathan has already noted it.

Persons who are attending as a corporate representative for a corporation must bring evidence of their appointment. The appointment must comply with section 250D of the Corporations Act. An authorised corporate representative will be admitted to the Scheme Meeting and given a voting card upon providing, at the point of entry to the Scheme Meeting, written evidence of their appointment (including any authority under which it is signed), their name and address and the identity of their appointer.

How To Vote By Proxy

Your personalised proxy form for the Scheme Meeting accompanies this Scheme Booklet. Information setting out how you may vote by proxy is contained in the Notice of Meeting. If your proxy is signed by an attorney, please also enclose the authority under which the proxy is signed (or a certified copy of the authority).

Proxy forms may be lodged as follows:

- **deliver** the completed proxy form to Computershare Investor Services Pty Limited, located at Level 2, 60 Carrington Street, Sydney NSW 2000;
- **mail** the completed proxy form to Computershare Investor Services Pty Limited using the reply paid envelope;
- **fax** the completed proxy form to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
- **sent electronically** via the internet, by visiting www.lion-nathan.com and clicking on the "Scheme Proxy Voting" icon.

Proxy forms, together with any power of attorney or authority under which the proxy form is signed, must be received no later than **10.00am on 15 September 2009**. Proxy forms received after this time will be invalid.

A proxy will be admitted to the Scheme Meeting and given a voting card upon providing, at the point of entry to the Scheme Meeting, written evidence of their name and address. The sending of a proxy form will not preclude a Shareholder from attending in person and voting at the Scheme Meeting. However, the Corporations Act specifies that the presence of a Shareholder at a meeting suspends his or her proxy's rights to speak and vote.

QUESTIONS AND ANSWERS

This Scheme Booklet contains detailed information regarding the Scheme. The following section provides summary answers to some questions you may have and will assist you to locate further detailed information in this Scheme Booklet.

THE SCHEME AT A GLANCE

What is the Scheme?

The Scheme involves Kirin, through its wholly owned subsidiary, Kirin Holdings (Australia) Pty Ltd (**Australian Holding Company**) acquiring all of Lion Nathan's issued shares that Kirin does not already own by way of a 'scheme of arrangement'.

What is a 'Scheme of Arrangement'?

A 'scheme of arrangement' is a means of implementing an acquisition of shares under the Corporations Act. It requires a vote in favour of the Scheme by a Requisite Majority of Non-Kirin Shareholders at a meeting of Non-Kirin Shareholders (**Scheme Meeting**), and Court approval.

A detailed description of the Scheme is set out in Section 2. The terms of the Scheme are set out in full in Annexure B.

What do the Independent Directors recommend?

The Independent Directors consider that the Scheme is in the best interests of Non-Kirin Shareholders. The Independent Directors unanimously recommend that, in the absence of a Superior Proposal, you vote in favour of the Scheme. The basis for this recommendation is set out in Section 1.1. Each Independent Director who owns or controls Shares, intends to vote in favour of the Scheme, in the absence of a Superior Proposal.

Section 1.2 also includes a summary of the possible reasons not to vote in favour of the Scheme.

What is the Independent Expert's conclusion?

The Independent Directors engaged Lonergan Edwards & Associates Limited as Independent Expert to provide a report. The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Non-Kirin Shareholders.

The Independent Expert's Report is included in Annexure D.

What are the prospects of receiving a Superior Proposal?

Since the Scheme was announced, no Superior Proposal has emerged. Given the time that has elapsed since the announcement of the Independent Directors' recommendation of the Kirin proposal on 27 April 2009, and the fact that Kirin currently holds 46.13% of Lion Nathan, it is the view of the Independent Directors that a Superior Proposal is unlikely to emerge prior to the Scheme Meeting.

What should I do?

You should read this Scheme Booklet carefully in its entirety and then vote by attending the Scheme Meeting, or by appointing a proxy to vote on your behalf. Full details of who is eligible to vote and how to vote are set out on page 5.

WHAT YOU WILL RECEIVE UNDER THE SCHEME

What Cash Payments will I receive?

If the Scheme is approved and implemented, relevant Shareholders will receive **Cash Payments equal to \$12.00** per Share, comprising:

- **Scheme Consideration of \$11.50** for each Share held by a Non-Kirin Shareholder as at the Scheme Record Date;

- a **Special Dividend of \$0.50** in relation to each Share held by a Shareholder as at the Special Dividend Record Date.

The payment of the Special Dividend is conditional on a Requisite Majority of Non-Kirin Shareholders approving the Scheme at the Scheme Meeting. The payment of the Scheme Consideration will be made as part of implementation of the Scheme.

You will only receive the Special Dividend for Shares you hold on the Special Dividend Record Date, and the Scheme Consideration for Shares you hold on the Scheme Record Date. The Special Dividend Record Date is expected to be 7.00pm on 25 September 2009, which is 19 days before the Scheme Record Date. Shares will trade ex-entitlement on 21 September 2009 and Shares acquired on that date will not be entitled to the Special Dividend.

Will the Special Dividend attach Australian franking credits or utilise New Zealand imputation credits?

The Special Dividend will be fully franked with Australian franking credits and partly imputed utilising available New Zealand imputation credits.

If the Special Dividend is paid within three months of being determined, as is intended, NZD0.29 imputation credits will be attached to the \$0.50 Special Dividend (which itself will be converted to NZD in accordance with Section 2.7). If the Special Dividend is not paid within three months of being determined, the exact amount of New Zealand imputation credits that can be attached to the Special Dividend will depend on the exchange rate between Australia and New Zealand when the Special Dividend is paid.

What will I receive if the Scheme is not approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting?

If the Scheme is not approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting, you will not receive the Scheme Consideration or the Special Dividend.

In that event, it is currently expected that the Board will follow its normal dividend policy in relation to the determination of a final dividend for 2009.

When will the Special Dividend be paid?

If you hold Shares on the Special Dividend Record Date, your Special Dividend will be paid no later than the Business Day before the Second Court Date.

If the Scheme is not approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting, the Special Dividend will not be paid.

When will the Scheme Consideration be paid?

If you hold Shares on the Scheme Record Date, you will be paid your Scheme Consideration within 5 Business Days after the Implementation Date.

If the Scheme is not approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting and by the Court, the Scheme Consideration will not be paid.

I am a New Zealand Shareholder - will I receive my Cash Payments in New Zealand currency?

If you have a payment direction for a New Zealand bank account recorded with the Share Registry as at the Special Dividend Record Date, you will be paid your Special Dividend in New Zealand currency. If you have a payment direction for a New Zealand bank account recorded with the Share Registry as at the Scheme Record Date, you will be paid your Scheme

Consideration in New Zealand currency. All other Non-Kirin Shareholders will receive the Special Dividend and Scheme Consideration in Australian currency.

The payments in New Zealand currency will involve conversion from Australian currency into New Zealand currency. For the Special Dividend, the exchange rate for conversion will be established within two Business Days after the Special Dividend Record Date – which is expected to be 7.00pm on 25 September 2009, which is approximately 11 days before the scheduled date for payment of the Special Dividend. For the Scheme Consideration, the exchange rate for conversion will be established within two Business Days after the Scheme Record Date – which is expected to be 7.00pm on 14 October 2009, which is approximately 7 days before the Implementation Date.

New Zealand Shareholders will carry full exchange rate risk relating to any changes in the Australian dollar–New Zealand dollar exchange rate following the conversion of the Special Dividend and Scheme Consideration into New Zealand currency. When the Special Dividend and the Scheme Consideration are actually paid in New Zealand currency those amounts may be worth less (or more) than the Australian dollar amount at the time the exchange rate for conversion was established.

What are the tax consequences of the Scheme for me?

Section 5 provides a general outline of the Australian and New Zealand income tax, capital gains tax, GST and stamp duty consequences for Non-Kirin Shareholders who receive the Special Dividend and/or dispose of their Shares to the Australian Holding Company in accordance with the Scheme.

You should consult with your own tax adviser regarding the consequences of receiving the Special Dividend and disposing of your Shares to the Australian Holding Company in accordance with the Scheme in light of current tax laws and your particular investment circumstances.

Will I have to pay brokerage fees or stamp duty?

No, you will not have to pay any brokerage or stamp duty in connection with the Scheme.

VOTING TO APPROVE THE SCHEME

When and where will the Scheme Meeting be held?

The Scheme Meeting will be held at **10.00am on 17 September 2009** at the Grand Ballroom, Hilton Sydney, 488 George Street, Sydney.

Am I entitled to vote at the Scheme Meeting?

If you are registered as a Shareholder on the Share Register at 7.00pm on 15 September 2009, and you are not an Excluded Shareholder, then you will be entitled to vote at the Scheme Meeting. Kirin and its Related Bodies Corporate will not vote at the Scheme Meeting.

What vote is required to approve the Scheme?

For the Scheme to proceed, votes 'in favour' of the resolution to approve the Scheme at the Scheme Meeting must be received from a Requisite Majority of Non-Kirin Shareholders, being:

- unless the Court orders otherwise, a majority in number (more than 50%) of Non-Kirin Shareholders, who are present and voting, either in person or by proxy, attorney, or in the case of a corporation its duly appointed corporate representative; and

- at least 75% of the total number of votes cast on the resolution to approve the Scheme.

Kirin and its Related Bodies Corporate will not vote at the Scheme Meeting.

It is also necessary for the Court to approve the Scheme before it can become Effective.

What choices do I have as a Non-Kirin Shareholder?

As a Non-Kirin Shareholder you have the following choices:

- you can vote in person or by proxy at the Scheme Meeting;
- you can elect not to vote at the Scheme Meeting; or
- you can sell your Shares on ASX or NZSX. If you sell your Shares on ASX or NZSX you may incur brokerage costs.

Should I vote?

Voting is not compulsory. However, the Independent Directors believe that the Scheme is important to all Non-Kirin Shareholders and the Independent Directors unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal.

How do I vote?

You may vote in person by attending the Scheme Meeting to be held at 10.00am on 17 September 2009. Alternatively, you may vote by completing and lodging a proxy form that is enclosed with this Scheme Booklet. The proxy form can be lodged in person, by mail, by fax, or online – see page 5 for further details.

You can also vote by appointing a body corporate representative (if you are a body corporate) or an attorney.

Full details of how to vote and how to lodge a proxy form, body corporate representative appointment or power of attorney are set out in the 'Voting Information' Section commencing on page 5.

What happens if I do not vote, or I vote against the Scheme?

The Scheme may not be approved at the Scheme Meeting. If this occurs the Scheme will not proceed, you will **not** receive the Special Dividend or the Scheme Consideration, and you will remain a Shareholder.

However, if the Scheme is approved and implemented, your Shares will be transferred to the Australian Holding Company under the Scheme and you will receive:

- the Special Dividend in relation to each Share you hold on the Special Dividend Record Date;
- the Scheme Consideration for each Share you hold on the Scheme Record Date.

This is so even if you did not vote at all or you voted against the Scheme.

What happens if the Scheme is not approved at the Scheme Meeting?

If the Scheme is not approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting:

- Lion Nathan will remain listed on ASX and NZSX;
- Shareholders will retain their Shares;
- Shareholders will **not** receive the Special Dividend; and
- Non-Kirin Shareholders will **not** receive the Scheme Consideration.

QUESTIONS AND ANSWERS *continued*

The Independent Directors believe that if the Scheme is not approved then the price of Shares may fall.

Section 2.11 provides further details on Lion Nathan's future prospects in the event that the Scheme does not proceed.

What happens if the Scheme is approved at the Scheme Meeting, but is not approved by the Court?

If the Scheme is approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting, but is **not** approved by the Court:

- Lion Nathan will remain listed on ASX and NZSX;
- Shareholders will retain their Shares;
- Shareholders will receive the Special Dividend; and
- Non-Kirin Shareholders will **not** receive the Scheme Consideration.

The Independent Directors believe that if the Scheme is not approved then the price of Shares may fall.

Section 2.11 provides further details on Lion Nathan's future prospects in the event that the Scheme does not proceed.

When will the results of the Scheme Meeting be available?

The results of the Scheme Meeting will be available shortly after the conclusion of the Scheme Meeting and will be announced to ASX and NZX once available. The results will also be published on Lion Nathan's website (www.lion-nathan.com) soon after the Scheme Meeting.

OTHER

Can I keep my shares in Lion Nathan?

If the Scheme is implemented, your Shares will be transferred to the Australian Holding Company. This is so even if you did not vote at all or you voted against the Scheme.

Can I acquire shares in Kirin?

Kirin is listed on the Tokyo, Osaka, Nagoya, Fukuoka and Sapporo stock exchanges.

Lion Nathan and Kirin make no recommendation as to whether you should purchase shares in Kirin. You should seek independent financial and taxation advice before making any investment decision.

Are any other approvals required?

The Scheme must be approved by the Court in addition to being approved by a Requisite Majority of Non-Kirin Shareholders. If the Scheme is approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting, Lion Nathan will apply to the Court for approval of the Scheme. The Court hearing for approval of the Scheme is expected to be held on 7 October 2009 (although this may change). Further details of the approval process are set out in Section 2.

Implementation of the Scheme is subject to certain regulatory approvals, as summarised in Section 2.8.

Is the Scheme subject to any conditions?

Implementation of the Scheme is subject to a number of conditions. These conditions are summarised in Section 2.8 and set out in full in the Implementation Agreement (a copy of which is included in Annexure A).

What if I have other questions?

If you have any other questions about the Scheme, please call the Lion Nathan Information Line on 1800 211 826 (within Australia), 0800 630 109 (within New Zealand) or +61 2 8986 9354 (outside Australia and New Zealand) between 9.00am and 5.00pm (Sydney time) Monday to Friday, or visit the Lion Nathan website - www.lion-nathan.com.

1. MATTERS RELEVANT TO YOUR VOTE ON THE SCHEME

1.1 REASONS TO VOTE IN FAVOUR OF THE SCHEME

1.1.1 Your Independent Directors unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal

The Independent Directors believe that the Scheme is in the best interests of Non-Kirin Shareholders and unanimously recommend that, in the absence of a Superior Proposal emerging, you vote in favour of the Scheme at the Scheme Meeting.

In reaching their recommendation, the Independent Directors have assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme, as set out in this Scheme Booklet, and Lion Nathan's current strategic plans.

The Independent Directors believe that the offer is highly attractive and provides an opportunity for you to realise cash value in the near term which may not be achieved if the Scheme does not proceed.

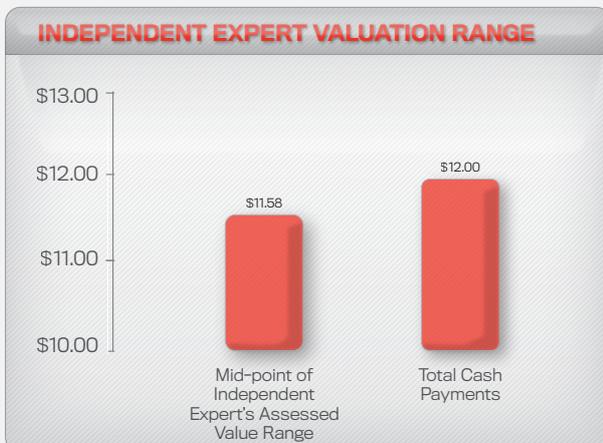
Each Independent Director intends to vote the Shares that they own or control, and will direct any Lion Nathan proxies placed at their discretion, in favour of the Scheme in the absence of a Superior Proposal emerging. The interests of the Independent Directors in Shares are set out in Section 6.6.

1.1.2 The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Non-Kirin Shareholders

The Independent Expert, Lonergan Edwards & Associates Limited, has concluded that "the acquisition of Lion Nathan shares by Kirin under the Scheme is fair and reasonable and in the best interests of Lion Nathan shareholders".

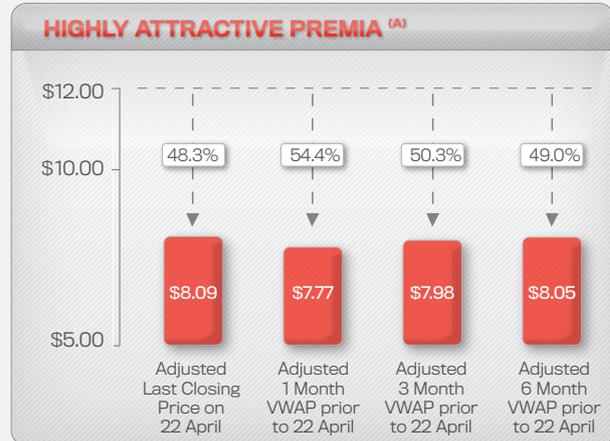
The Independent Expert has valued 100% of the shares in Lion Nathan on a controlling interest basis at between A\$10.95 to A\$12.21 per Share, which compares with the Cash Payments of A\$12.00 per Share.¹

Annexure D of this Scheme Booklet contains a copy of the Independent Expert's Report. The Independent Directors encourage that you read this report in its entirety.



1.1.3 You are being offered a substantial premium to historical trading prices

The Cash Payments of \$12.00 per Share, which will be paid to Non-Kirin Shareholders if the Scheme is approved and implemented, represent a significant premium to historical trading prices.



A. The ASX cum-dividend share prices and VWAP have been adjusted for Lion Nathan's Interim Dividend of \$0.22 per Share paid on 23 June 2009 by deducting the \$0.22 per Share from each of the reference prices calculated on 22 April 2009 (the day prior to Lion Nathan's announcement of the receipt of Kirin's proposal). The reference prices are as follows: last closing price on Wednesday 22 April 2009 of \$8.31, one month VWAP up to and including 22 April 2009 of \$7.99, 3 month VWAP up to and including 22 April 2009 of \$8.20 and 6 month VWAP up to and including 22 April 2009 of \$8.27 per Share.

The Cash Payments of \$12.00 per Share are also significantly above the all time high Lion Nathan closing share price of \$9.85² on 4 February 2008.

The Independent Expert acknowledges that "The Cash Payments represent a significant premium to the recent market prices of Lion Nathan shares prior to the announcement of the initial approach by Kirin (on 23 April 2009) and are higher than any Lion Nathan closing share price".

The Independent Expert also states that "the premium exceeds observed premiums generally paid to target company shareholders in comparable circumstances".

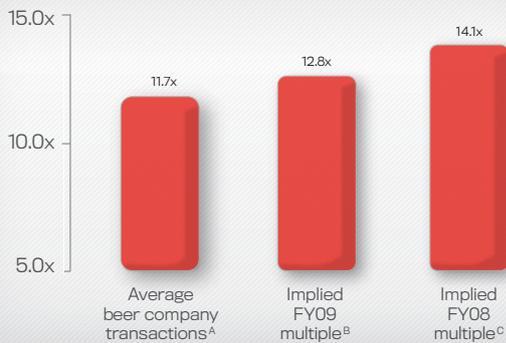
1.1.4 The Cash Payments of \$12.00 per Share compares favourably to historical precedent transactions

The Cash Payments of \$12.00 per Share represent implied multiples of earnings which are above average Australian and international historical precedent transaction multiples, as considered by the Independent Expert, Lonergan Edwards & Associates Limited, in the Independent Expert's Report. These are highlighted in the chart below and set out in full in Annexure D of this Scheme Booklet:

1. Please refer to paragraph 227 of the Independent Expert's Report (set out in Annexure D) for further details on valuation on a 100% controlling interest basis.
2. Based on trading up to and including Wednesday 22 April 2009 (the day prior to Lion Nathan's announcement of the receipt of Kirin's proposal).

1. MATTERS RELEVANT TO YOUR VOTE ON THE SCHEME continued

HISTORICAL PRECEDENT MULTIPLES



- A. Based on 35 Australasian and international beer company transactions since 1998.
- B. Based on an implied enterprise value of \$8,334.6m comprising an implied equity value of \$6,410.9m, net debt of \$1,923.2m (based on net debt as at 31 March 2009 of \$1,650.3m, the Interim Dividend of \$117.5m and capital expenditure of \$155.4m expected to be incurred from 1 April 2009 to 30 September 2009 based on the mid-point of Lion Nathan's full year FY09 capital expenditure guidance range of \$225m to \$275m and capital expenditure for the six months to 31 March 2009 of \$94.6m), minority interests of \$0.5m and broker consensus forecast FY09 EBITDA (pre significant items) of \$650.3m as at 30 July 2009.

Based on an implied enterprise value of \$8,334.6m comprising an implied equity value of \$6,410.9m, net debt of \$1,923.2m (based on net debt as at 31 March 2009 of \$1,650.3m, the Interim Dividend of \$117.5m and capital expenditure of \$155.4m expected to be incurred from 1 April 2009 to 30 September 2009 based on the mid-point of Lion Nathan's full year FY09 capital expenditure guidance range of \$225m to \$275m and capital expenditure for the six months to 31 March 2009 of \$94.6m), minority interests of \$0.5m and FY08 actual EBITDA (pre significant items) of \$592m.

1.1.5 The Special Dividend will be fully franked with Australian franking credits and partly imputed utilising available New Zealand imputation credits which may have incremental value for certain Shareholders

If the Scheme is approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting, Shareholders will receive a Special Dividend of \$0.50 in relation to each Share they hold as at the Special Dividend Record Date (whether or not the Scheme is approved by the Court).

The Special Dividend will be fully franked with Australian franking credits and partly imputed utilising available New Zealand imputation credits which may have incremental value for certain Shareholders. If the Special Dividend is paid within three months of being determined, as is intended, NZDO.29 imputation credits will be attached to the \$0.50 Special Dividend (which itself will be converted to NZD in accordance with Section 2.7). If the Special Dividend is not paid within three months of being determined, the exact amount of New Zealand imputation credits that can be attached to the Special Dividend will depend on the exchange rate between Australia and New Zealand when the Special Dividend is paid.

Shareholders should refer to Section 5 for further details and consult their own taxation adviser to determine the tax consequences relevant to their individual circumstances.

If the Scheme is not approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting, the Special Dividend will not be paid by Lion Nathan.

1.1.6 No alternative proposal has emerged as at the date of this Scheme Booklet

The Implementation Agreement does not prevent a third party from making an alternative proposal or Lion Nathan soliciting other offers, nor does it include a break-fee. Since the announcement by Lion Nathan of the Independent Directors' recommendation of Kirin's proposal on 27 April 2009, the Kirin proposal has been widely publicised, and **no alternative proposal has emerged**.

Given the time that has elapsed since the announcement of the Independent Directors' recommendation of the Kirin proposal on 27 April 2009, and the fact that Kirin currently holds 46.13% of Lion Nathan, it is the view of the Independent Directors that an alternative proposal is unlikely to emerge prior to the Scheme Meeting.

This is supported by the Independent Expert: "there is no realistic likelihood that a competing offer for Lion Nathan shares will be received prior to the Scheme meeting".

1.1.7 The Lion Nathan share price may fall if the Scheme is not approved

The Cash Payments represent a premium of approximately 54.4% to the 1 month adjusted VWAP of Shares prior to the proposal being announced.

LION NATHAN ASX SHARE PRICE



- A. The ASX adjusted one-month VWAP of \$7.77 per Share has been adjusted for Lion Nathan's Interim Dividend of \$0.22 per Share paid on 23 June 2009 by deducting the \$0.22 per Share from the cum-dividend one month VWAP of \$7.99 per Share calculated on 22 April 2009 (the day prior to Lion Nathan's announcement of the receipt of Kirin's proposal). Note that the Lion Nathan ASX share price in the graph has not been adjusted to reflect dividend payments during the period from 23 April 2007 to 22 April 2009.

Lion Nathan's share price rose significantly following the announcement by Lion Nathan of the Independent Directors' recommendation of Kirin's offer on 27 April 2009.

The Independent Directors believe that if the Scheme is not approved and no Superior Proposal emerges, the Lion Nathan share price may trade at levels below the price at which it has traded since 27 April 2009 (although this is difficult to predict with any degree of certainty).

The Independent Expert agrees with this conclusion, stating the following: "If the Scheme does not proceed, and in the absence of an alternative offer or proposal, the price of Lion Nathan shares is likely to trade at a significant discount to our valuation and the Cash Payments".

1.1.8 If implemented, the Scheme provides you with the value and certainty of cash in this uncertain environment

If implemented, the Cash Payments of \$12.00 per Share offered to relevant Shareholders provide certainty of value and timing.

Specifically, if all conditions and approvals for the Scheme are satisfied or waived, as applicable, relevant Shareholders will receive \$12.00 per Share in cash, in the form of:

- a Special Dividend of \$0.50 in relation to each Share held by a Shareholder as at the Special Dividend Record Date, expected to be paid on or about 6 October 2009; and
- the Scheme Consideration of \$11.50 for each Share held by a Non-Kirin Shareholder as at the Scheme Record Date, expected to be paid on or about 21 October 2009.

In contrast, if the Kirin proposal does not proceed, the amount which Non-Kirin Shareholders will be able to realise for their Shares (in terms of price) and from their Shares (by way of future dividends), will necessarily be uncertain. Among other things, this will be subject to the performance of Lion Nathan's business from time to time, general economic conditions and movements in the share market, which has been highly volatile in recent times. The Kirin proposal removes this uncertainty for Non-Kirin Shareholders.

1.1.9 No brokerage or stamp duty will be payable by you on the transfer of your Shares

You will not incur any brokerage or stamp duty on the transfer of your Shares to the Australian Holding Company pursuant to the Scheme.

1.2 POSSIBLE REASONS NOT TO VOTE IN FAVOUR OF THE SCHEME

1.2.1 You may disagree with the Independent Directors and the Independent Expert and believe that the Scheme is not in your best interests

You may disagree with the Independent Directors and the findings of the Independent Expert which have concluded that the Scheme is fair and reasonable and in the best interests of Non-Kirin Shareholders.

In particular, you may believe that Lion Nathan will deliver greater returns over the long term by remaining an independent company.

1.2.2 If the Scheme proceeds you will no longer be a shareholder of Lion Nathan and you will not participate in any potential upside that may result from being a shareholder of Lion Nathan

If the Scheme is approved and implemented, you will cease to hold an interest in Lion Nathan and as such you will no longer be able to participate in Lion Nathan's future financial performance or the future prospects of its ongoing business. As with all investments in securities, there can be no guarantee as to Lion Nathan's future performance.

If the Scheme is approved and implemented, Lion Nathan will be removed from the official list of ASX and will cease to be listed on NZSX. Following delisting, investors will no longer be able to acquire or trade Shares on the ASX or NZSX.

1.2.3 If the Scheme proceeds, Non-Kirin Shareholders will not participate in future dividends of Lion Nathan (other than the Special Dividend)

Some Non-Kirin Shareholders may prefer Lion Nathan to remain independently listed on ASX and NZSX and continue to receive dividends from their Shares.

As with all investments in securities, there can be no guarantee as to Lion Nathan's future financial performance or the level of dividends that Non-Kirin Shareholders may receive.

If the Scheme is not approved by a Requisite Majority of Non-Kirin Shareholders, the Special Dividend will not be paid.

1.2.4 The tax consequences of the Scheme for you may not be optimal for your financial position

Implementation of the Scheme may trigger taxation implications for Non-Kirin Shareholders. Non-Kirin Shareholders should read the taxation considerations outlined in Section 5 and seek professional taxation advice with respect to their individual tax situations.

Non-Kirin Shareholders should take into account that they may sell their Shares on ASX or NZSX at any time prior to the Effective Date if they do not wish to hold them and participate in the Scheme (although normally brokerage expenses on sale will be incurred). Certain Non-Kirin Shareholders' individual financial or taxation circumstances may make it preferable for them to do so. You should seek your own professional advice regarding any decision with respect to your Shares.

1.3 OTHER CONSIDERATIONS

1.3.1 Shareholders may sell their Shares on ASX or NZSX at any time prior to the suspension of Shares from trading

Shareholders should take into account that they may sell their Shares on ASX or NZSX at any time prior to the suspension of Shares from trading if they do not wish to hold them and participate in the Scheme (although normal brokerage expenses on sale will be incurred). The Shares are expected to be suspended from trading on ASX and NZSX from close of trading on the Effective Date. Certain Shareholders' individual financial or taxation circumstances may make it preferable for them to do so. Shareholders should seek their own professional advice regarding any decision with respect to their Shares.

1.4 EFFECT OF THE SCHEME

Details of the effect of the Scheme on Shareholders are set out in Section 2 of this Scheme Booklet.

2. DETAILS OF THE SCHEME

2.1 Acquisition of Shares by Scheme of Arrangement

On 27 April 2009, Lion Nathan and Kirin announced the key commercial terms under which Kirin proposed to acquire all of the remaining issued share capital of Lion Nathan for an offer consideration of \$12.22 per Share.

Under the agreed terms, the offer consideration would comprise:

- (a) Scheme Consideration of \$11.50 per Share; and
- (b) fully franked dividends of \$0.72 per Share, comprising:
 - (i) an Interim Dividend of \$0.22 per Share; and
 - (ii) a Special Dividend of \$0.50 per Share.

The Interim Dividend of \$0.22 was paid on 23 June 2009 and as such the total Cash Payments to be paid to relevant Shareholders if the Scheme is approved and implemented will be, in aggregate, \$12.00 per Share.

The Scheme Consideration of \$11.50 will be reduced by the amount of any dividends or distributions declared or announced by Lion Nathan prior to the Implementation Date, other than the Special Dividend and the Interim Dividend. There is no current intention to declare, announce or pay any dividend or distribution other than the Special Dividend.

Lion Nathan and Kirin entered into an Implementation Agreement on 10 May 2009, a copy of which is included in Annexure A. Under the Implementation Agreement, the acquisition is proposed to be implemented under a scheme of arrangement.

2.2 Approvals required from Non-Kirin Shareholders and the Court

For the Scheme to take effect, section 411(4) of the Corporations Act requires a meeting of Shareholders to be held, at which the Scheme must be agreed to by a resolution passed by a majority in number of Non-Kirin Shareholders present and voting (either in person or by proxy) at the Scheme Meeting and representing in aggregate not less than 75% of the votes cast on the resolution at the Scheme Meeting. Kirin and its Related Bodies Corporate will not vote at the Scheme Meeting. The result of the Scheme Meeting must then be provided to the Court, which will consider whether or not to approve the Scheme.

On 5 August 2009, the Court made the requisite orders that the Scheme Meeting be convened and that this Scheme Booklet be despatched to Shareholders. The orders made by the Court convening the Scheme Meeting do not constitute an endorsement of, or any other expression of opinion on, the Scheme or this Scheme Booklet.

2.3 What will happen under the Scheme?

If the Scheme is approved by Non-Kirin Shareholders and the Court (as discussed in Section 2.2), and subject to the satisfaction or waiver of the conditions set out in Section 2.8, all Non-Kirin Shareholders who hold Shares as at the Scheme Record Date will participate in the Scheme, whether or not they voted for the Scheme (and even if they voted against the Scheme).

If the Scheme is approved and implemented:

- (a) each Shareholder will receive the Special Dividend in relation to each Share held by them as at the Special Dividend Record Date;
- (b) each Non-Kirin Shareholder will receive the Scheme Consideration in exchange for each Share held by them as at the Scheme Record Date;

- (c) the Non-Kirin Shares will be transferred to the Australian Holding Company;
- (d) Lion Nathan will become a wholly-owned subsidiary of the Australian Holding Company; and
- (e) Lion Nathan will be removed from the official list of ASX and will cease to be listed on NZSX.

The detailed terms of the Scheme are set out in Annexure B. In support of its obligations to pay the Scheme Consideration under the Implementation Agreement, Kirin has executed the Deed Poll in favour of Non-Kirin Shareholders (see Annexure C).

2.4 Payment of Special Dividend

If the Scheme is approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting, all Shareholders (including Kirin or the Australian Holding Company) will be paid the Special Dividend in respect of each Share held by them as at the Special Dividend Record Date, which will be paid no later than the Business Day before the Second Court Date.

If the Scheme is not approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting, the Special Dividend will not be paid.

Lion Nathan has, through the Independent Directors, determined that the payment of the Interim Dividend and the Special Dividend does not materially prejudice the interests of Lion Nathan or its Shareholders, or Lion Nathan's ability to pay its creditors. Please refer to Section 6.2.

2.5 Payment of Scheme Consideration

If the Scheme becomes Effective, all Non-Kirin Shareholders will be paid the Scheme Consideration in respect of each Share held by them as at the Scheme Record Date, which will be paid as follows:

- (a) no later than 2 Business Days before the Implementation Date, the Australian Holding Company will pay the total Scheme Consideration into a special purpose trust account; and
- (b) within 5 Business Days after the Implementation Date, Lion Nathan will pay the Scheme Consideration to Non-Kirin Shareholders.

If the Scheme does not proceed to implementation, the Scheme Consideration will not be paid.

2.6 Method of payment

Subject to Section 2.7, the Special Dividend and (unless otherwise directed by the Scheme Participant before the Scheme Record Date) the Scheme Consideration will be paid:

- (a) if a Shareholder has a payment direction for an Australian or New Zealand bank account recorded with the Share Registry as at the relevant record date for that payment, by direct credit to that account; or
- (b) otherwise, by cheque drawn in Australian currency sent to the Shareholder by pre-paid post to their address as recorded in the Share Register as at the relevant record date for that payment.

2.7 Payments to New Zealand Shareholders

If you have a payment direction for a New Zealand bank account recorded with the Share Registry as at the Special Dividend Record Date, you will be paid your Special Dividend in New Zealand currency. If you have a payment direction for a New Zealand bank account recorded with the Share Registry as at the Scheme Record Date, you will be paid your Scheme

Consideration in New Zealand currency. All other Shareholders will receive the Special Dividend and Scheme Consideration in Australian currency.

Payments in New Zealand currency will involve conversion from Australian currency into New Zealand currency. For the Special Dividend, the exchange rate for conversion will be established within two Business Days after the Special Dividend Record Date - which is expected to be 7.00pm on 25 September 2009, which is approximately 11 days before the scheduled date for payment of the Special Dividend. For the Scheme Consideration, the exchange rate for conversion will be established within two Business Days after the Scheme Record Date - which is expected to be 7.00pm on 14 October 2009, which is approximately 7 days before the estimated date for payment of the Scheme Consideration.

New Zealand Shareholders will carry full exchange rate risk relating to any changes in the Australian dollar-New Zealand dollar exchange rate following the time the exchange rate for conversion of the Special Dividend and Scheme Consideration is established. When the Special Dividend and the Scheme Consideration are actually paid in New Zealand currency those amounts may be worth less (or more) than the Australian dollar amount at the time the exchange rate for conversion was established.

2.8 What conditions must be satisfied before the Scheme can proceed?

The implementation of the Scheme is subject to a number of conditions which are set out in clause 3.1 of the Implementation Agreement (contained in Annexure A). As at the date of this Scheme Booklet, implementation of the Scheme remains conditional on:

- (a) NZCC not having commenced or threatened to commence proceedings in relation to Kirin's acquisition of the Non-Kirin Shares, or having given clearance or granting authorisation to the acquisition;
- (b) ASIC and ASX issuing or providing such consents, waivers, modifications, and/or approvals or doing such other acts which are necessary or which Lion Nathan and Kirin agree are reasonably desirable to implement the Scheme;
- (c) no order, injunction, decree, ruling or other action restraining or otherwise imposing a legal restraint or prohibition having been issued by the Court or other regulatory authority (such as the ACCC and NZCC) preventing the implementation of any material aspect of the Scheme or payment of the Special Dividend;
- (d) approvals from all relevant Australian regulatory authorities (other than a tax authority) which Kirin and Lion Nathan agree, acting reasonably, are necessary to implement any material aspect of the Scheme or payment of the Special Dividend;
- (e) approval of the Scheme by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting;
- (f) approval of the Scheme by the Court in accordance with section 411(4)(b) of the Corporations Act;
- (g) the representations and warranties given respectively by Lion Nathan and Kirin as set out in the Implementation Agreement remaining true and correct in all material respects as at the date of the Implementation Agreement (being 10 May 2009) and 8.00am on the Second Court Date; and

(h) no Lion Nathan "Material Adverse Event" having occurred, meaning events which individually, or when aggregated with other events, have resulted in, or could reasonably be expected to result in:

- (i) the value of the consolidated net assets of the Lion Nathan group being reduced by \$90 million or more; or
- (ii) the value of consolidated annual NPAT of the Lion Nathan group being reduced by \$30 million or more.

In this context, the type of "event" which can give rise to a Lion Nathan Material Adverse Event includes an event, occurrence or matter that:

- (iii) has occurred or fails to occur after the date of the Implementation Agreement (being 10 May 2009);
- (iv) has occurred or fails to occur before the date of the Implementation Agreement, but is only publicly announced or disclosed to Kirin after the date of the Implementation Agreement; or
- (v) will or is likely to occur after the date of the Implementation Agreement, and has not been publicly announced or disclosed to Kirin before the date of the Implementation Agreement;

but excludes:

- (vi) any announcement, decision, determination, proposed change to legislation or regulations, or ruling issuing by a regulatory authority (including in relation to tax) which does not specifically relate to Lion Nathan's business;
- (vii) any declaration or determination relating to, or payment of, the Interim Dividend or Special Dividend; or
- (viii) the de-recognition of any tax losses that arise from the acquisition of the Non-Kirin Shares by Kirin.

On 18 June 2009, Kirin received confirmation from FIRB that it had no objections to Kirin's proposed acquisition of the remaining Shares that it does not already hold.

On 26 June 2009, Kirin received confirmation from ACCC that it did not propose to intervene in Kirin's proposed acquisition of the remaining Shares that it does not already hold.

On 13 July 2009, Kirin received confirmation from the New Zealand OIO that consent had been granted to Kirin's proposed acquisition of the remaining Shares that it does not already hold.

On 5 August 2009, the Independent Expert, Lonergan Edwards & Associates Limited, issued the Independent Expert's Report (set out in Annexure D) which concluded that the Scheme is in best interests of Non-Kirin Shareholders.

Other than as set out above and in Section 6.17, no other regulatory approvals are required.

The Scheme will become binding on Lion Nathan and each Non-Kirin Shareholder upon the Court making an order under section 411(4)(b) of the Corporations Act and that order being lodged with ASIC and becoming effective under section 411(10) (that is, on the Effective Date).

2.9 What will happen if the Scheme is not approved at the Scheme Meeting?

If the Scheme is not approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting:

- Lion Nathan will remain listed on ASX and NZSX;

2. DETAILS OF THE SCHEME *continued*

- Shareholders will retain their Shares;
- Shareholders will not receive the Special Dividend; and
- Non-Kirin Shareholders will not receive the Scheme Consideration.

The Independent Directors believe that if the Scheme is not approved, then the price of Shares may fall.

2.10 What will happen if the Scheme is approved at the Scheme Meeting, but the Scheme is not approved by Court?

- Lion Nathan will remain listed on ASX and NZSX;
- Shareholders will retain their Shares;
- Shareholders will receive the Special Dividend; and
- Non-Kirin Shareholders will not receive the Scheme Consideration.

The Independent Directors believe that if the Scheme is not approved, then the price of Shares may fall.

2.11 If the Scheme does not proceed

If the Scheme does not proceed, the Directors intend to continue to operate Lion Nathan as a listed public company carrying on the business of producing, marketing and distributing alcoholic beverages under the leadership of the current senior management of Lion Nathan. Accordingly, Lion Nathan will continue to pursue its operational and strategic growth objectives focused on the creation of value for all Lion Nathan Shareholders. The Board has not formed any plans to make any significant changes to the business of Lion Nathan, redeploy any of its operating assets, or change or affect the future employment of the present employees of Lion Nathan.

The Independent Directors have confidence in Lion Nathan's future as an independent entity, and its ability to maintain sound earnings and balance sheet growth in the current economic circumstances.

Despite the confidence of the Independent Directors in the future of Lion Nathan as an independent entity if the Scheme does not proceed, they nonetheless believe that the Scheme is in the best interests of Non-Kirin Shareholders, in the absence of a Superior Proposal. As at the date of this Scheme Booklet, no Superior Proposal has emerged. Given the time that has elapsed since the announcement of the Independent Directors' recommendation of the Kirin proposal on 27 April 2009, and the fact that Kirin currently holds 46.13% of Lion Nathan, it is the view of the Independent Directors that a Superior Proposal is unlikely to emerge prior to the Scheme Meeting.

In the event that the Scheme is not approved by Non-Kirin Shareholders at the Scheme Meeting, it is currently expected that the Board will follow its normal dividend policy in relation to the determination of a final dividend for 2009. If the Special Dividend is paid, but the Scheme is not approved by Court, no final dividend for 2009 will be paid.

The Independent Directors believe that if the Scheme is not approved, then the price of Shares may fall.

For further details, please refer to paragraph 173 of the Independent Expert's Report (set out in Annexure D).

2.12 Deemed warranty on transfer of Shares to the Australian Holding Company

Non-Kirin Shareholders' attention is drawn to the warranties that Non-Kirin Shareholders will be deemed to have given if the Scheme takes effect, in clause 8.4 of the Scheme (see Annexure

B). Pursuant to clause 8.4 of the Scheme, each Non-Kirin Shareholder will be deemed to have warranted that:

- all of their Shares (including any rights and entitlements attaching to those shares excluding any entitlement to receive the Special Dividend or the Interim Dividend) transferred will, on the date of the transfer of them to the Australian Holding Company under the Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and
- they have the full power and capacity to sell and transfer their Shares (including any rights and entitlements attaching to those shares).

2.13 No encumbrances on transfer of Shares to the Australian Holding Company

Non-Kirin Shareholders' attention is drawn to clause 8.5 of the Scheme (see Annexure B) which provides that, to the extent permitted by law, all Shares (including any rights and entitlements attaching to those Shares excluding any entitlement to receive the Special Dividend or the Interim Dividend) which are transferred to the Australian Holding Company under the Scheme will, at the date of the transfer of them to the Australian Holding Company, vest in the Australian Holding Company free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind not referred to in the Scheme.

3. INFORMATION ON LION NATHAN

3.1 Lion Nathan Group

Lion Nathan is a premium alcoholic beverages company with operations in Australia and New Zealand. Lion Nathan is listed on both ASX and NZSX.

For the six months to 31 March 2009, Lion Nathan reported sales revenue of \$1,185.3 million and EBIT of \$307.0 million and NPAT of \$176.0 million.

3.2 Operations

3.2.1 Australia

Lion Nathan's Australian business (**Lion Nathan Australia**) produces, markets, sells and distributes a leading range of beers from five major breweries (one in each of Sydney, Brisbane, Adelaide, Perth and Launceston), as well as a smaller craft brewery in Sydney.

As at 31 March 2009 Lion Nathan Australia:

- accounted for 74% of Lion Nathan's total assets (excluding corporate and unallocated assets);
- accounted for 85% of Lion Nathan's EBIT (excluding corporate); and
- employed the equivalent of approximately 1,400 people full time.

Lion Nathan's national volume share of the beer market in Australia is approximately 43%. Major brands include Tooheys, XXXX, Hahn, James Squire, James Boag's, West End Draught, Emu Bitter and key international agency brands including Heineken and Beck's.

Lion Nathan Australia participates in the spirits and 'ready to drink' (RTD) market through its McKenna and Inner Circle brands and its 50% share in the Bacardi Lion joint venture which distributes a range of Bacardi and Lion Nathan brands. As part of the joint venture agreement, Lion Nathan Australia provides manufacturing and back office support to the joint venture.

3.2.2 New Zealand

Lion Nathan's New Zealand business (**Lion Nathan New Zealand**) produces, markets, sells and distributes a leading range of alcoholic beverages including beer from three major breweries (Auckland, Christchurch and Dunedin) as well as two smaller breweries, plus a contract packing company bottling international and local spirits and RTD brands. In addition, Lion Nathan New Zealand distributes a range of owned and agency fine wine brands led by the Wither Hills brand.

As at 31 March 2009 Lion Nathan New Zealand:

- accounted for 15% of Lion Nathan's total assets (excluding corporate and unallocated assets);
- accounted for 14% of Lion Nathan's EBIT (excluding corporate); and
- employed the equivalent of approximately 1,000 people full time.

3.2.3 Wine

The Lion Nathan wine business (**Lion Nathan Wine**) produces some of Australasia's finest wines from South Australia, Victoria, Western Australia and the Marlborough region in New Zealand. It also owns the Argyle winery in Oregon, USA. The Lion Nathan Group also distributes a portfolio of fine wines from a wider Australian and New Zealand geography as well as from renowned wine regions in France, Italy and South Africa.

As at 31 March 2009 Lion Nathan Wine:

- accounted for 11% of Lion Nathan's total assets (excluding corporate and unallocated assets);
- accounted for 1% of Lion Nathan's EBIT (excluding corporate); and
- employed the equivalent of approximately 500 people full time.

3.3 Directors and senior management

The current directors of Lion Nathan are:

- Mr Geoff Ricketts – Chairman
- Mr Glenn Barnes
- Mr Peter Bush
- Mr Hirotake Kobayashi – Kirin Nominee Director
- Mr Senji Miyake – Kirin Nominee Director
- Mr Fumio Miki – Kirin Nominee Director
- Mr Robert (Rob) Murray – Chief Executive Officer
- Mr Andrew Reeves – Managing Director, Lion Nathan Australia
- Mr Gavin Walker
- Ms Barbara Ward

The current senior managers of Lion Nathan are:

- Mr Robert Murray – Chief Executive Officer
- Mr Bob Barbour – People and Culture Director
- Mr Peter Kean – Managing Director, Lion Nathan New Zealand
- Mr Duncan Makeig – General Counsel and Company Secretary
- Mr Rob McKenzie – Group Technical and Operations Director
- Mr Andrew Reeves – Managing Director, Lion Nathan Australia
- Mr Anthony Roberts – Managing Director, Lion Nathan Wine
- Mr Jamie Tomlinson – Chief Financial Officer

If the Scheme does not proceed, the current senior management of Lion Nathan will remain. If the Scheme is approved, the intentions of Kirin in relation to employees generally is set out in Section 4.5.6 below.

3.4 Availability of documents relating to Lion Nathan

The full statutory interim results for the 6 months ended 31 March 2009 were provided to ASX on 20 May 2009. Shareholders who would like to receive a copy of the interim results may request one by calling +61 2 9290 6640. This document is also available on Lion Nathan's website (www.lion-nathan.com).

As an ASX listed company and a 'disclosing entity' under the Corporations Act, Lion Nathan is subject to regular reporting and disclosure obligations. Broadly, these require Lion Nathan to announce price sensitive information to ASX as soon as it becomes aware of the information, subject to exceptions for certain confidential information. A list of the announcements made to ASX in relation to Lion Nathan since 31 March 2009 and before the lodgement for registration of this Scheme Booklet by ASIC is included in Annexure E. A copy of these announcements can be accessed on Lion Nathan's website (www.lion-nathan.com) or obtained by calling +61 2 9290 6640.

Additionally, copies of documents lodged with ASIC in relation to Lion Nathan may be obtained from, or inspected at, an ASIC Service Centre. Please note that ASIC may charge a fee in respect of such services.

3.5 Capital structure

As at 30 July 2009 there were 534,240,495 Shares on issue.

In addition, as at 30 July 2009 Lion Nathan has 1,481,649 Achievement Rights on issue under the Achievement Rights Plan. If the Scheme is approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting then, prior to the Special

Dividend Record Date, Lion Nathan intends to grant additional Achievement Rights under the Achievement Rights Plan in relation to the Achievement Period ending 30 September 2009, subject to an assessment of performance for the Achievement Period ending 30 September 2009 against the applicable Achievement Targets for the relevant participants at that time.

It is the current intention of the Board to satisfy any obligation to allocate Shares in relation to the exercise of Achievement Rights through the transfer of Shares.

Please refer to Section 6.12.2.

RANGE OF LION NATHAN SHAREHOLDERS

SIZE OF HOLDING	NO. OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED CAPITAL
0 - 1,000	7,096	3,426,639	0.640
1,001 - 5,000	6,023	14,547,323	2.720
5,001 - 10,000	1,022	7,521,388	1.410
10,001 - 100,000	617	14,932,937	2.800
100,001 - and over	68	493,812,208	92.430
Total	14,826	534,240,495	100.00

3.6 Credit rating

Lion Nathan currently has a BBB rating assigned by Standard & Poor's, Baa2 by Moody's and BBB+ by Fitch. The ratings were all placed on positive watch following Lion Nathan's announcement of the receipt of Kirin's proposal on 23 April 2009. Standard & Poor's subsequently announced on 1 July 2009 that Lion Nathan's ratings could be raised to 'A-' if Kirin receives all necessary approvals to acquire 100% of Lion Nathan.

3.7 Recent share price history

The latest recorded price of Shares on ASX before the public announcement of key commercial terms on 27 April 2009 was \$8.31. The latest recorded price of Shares on ASX on 30 July 2009 was \$11.71.

The VWAPs of Shares on ASX for the one, three and six month periods prior to 22 April 2009 were \$7.99, \$8.20 and \$8.27 respectively.

Since the time of the prices referred to above, Lion Nathan has paid an Interim Dividend of \$0.22 per Share. The Interim Dividend was paid on 23 June 2009.

The current price of Shares on ASX can be obtained from the ASX website (www.asx.com.au) or Lion Nathan's website (www.lion-nathan.com). Lion Nathan's current share price on NZSX can be obtained from the NZX website (www.nzx.com) or Lion Nathan's website (www.lion-nathan.com).

4. INFORMATION ON KIRIN

4.1 Kirin Group

4.1.1 Kirin Holdings Company, Limited (Kirin)

Kirin is a Japanese-listed company and is one of the leading food and beverage manufacturers in Asia and Oceania. Kirin, through its various group companies, operates in an extensive range of businesses from alcoholic beverages and soft drinks to dairy foods, health foods and pharmaceuticals.

Kirin is listed on the Tokyo, Osaka, Nagoya, Fukuoka and Sapporo stock exchanges, and has a market capitalisation of approximately \$17.7 billion³. Kirin's head office is located in Tokyo, Japan. It has an extensive overseas network of subsidiaries and affiliates. As at 31 December 2008, Kirin had 371 consolidated subsidiaries, 1 unconsolidated subsidiary and 26 affiliate companies (**Kirin Group**). The Kirin Group currently employs approximately 36,500 people worldwide.

In the financial year ended 31 December 2008, the consolidated Kirin Group generated total sales of approximately JPY2,304 billion (\$29.4 billion) and gross profit of JPY910.7 billion (\$11.6 billion).

As at 31 December 2008, the consolidated Kirin Group had total assets of JPY2,620 billion (\$33.4 billion) and net assets of JPY1,150 billion (\$14.7 billion).

4.1.2 History of Kirin's relationship with Lion Nathan

Kirin first acquired shares in Lion Nathan in April 1998 when it purchased a 45% stake. At the time of the acquisition, Lion Nathan was a company incorporated in New Zealand with businesses operating in New Zealand and Australia.

In 1999 and 2000, Lion Nathan conducted a share buy-back in which Kirin did not participate. As a result of the share buy-back, Kirin's shareholding increased to its current level of 46.13%.

Kirin currently has 3 nominee directors on the Board of Lion Nathan, Senji Miyake, Hirotake Kobayashi and Fumio Miki.

4.1.3 Kirin's business overview

The main business of Kirin is strategic management and oversight of its group companies, and provision of specialised services to those companies. The main business segments in which the Kirin Group operates are as follows:

- **Alcohol:** Alcohol accounted for 51.3% of Kirin's total sales in the 2008 financial year and is the core business of Kirin. Kirin currently sells more than 37% of all beer, happo-shu and new genre products consumed in Japan. Kirin also has a 50.1% interest in Mercian Corporation, a leading Japanese wine merchant. Overseas, Kirin has interests in Asia and Oceania through its 48.3% investment in San Miguel Brewery, Inc. (Philippines), 46.13% shareholding in Lion Nathan and wholly-owned subsidiary, Kirin (China) Investment Co., Ltd. Kirin's initiatives in China include construction of a new beer brewery in Zhuhai City in the Pearl River Delta region, and alliances with leading local breweries in the Yangtze River Delta area and Northeast China.
- **Soft Drinks:** Soft Drinks accounted for 31.1% of Kirin's total sales in the 2008 financial year. Kirin operates in this segment through its Japanese subsidiary company, Kirin Beverage Company, Limited (**Kirin Beverage**). Kirin Beverage is Japan's third-largest soft drinks company.
- **Pharmaceuticals:** Pharmaceuticals accounted for 7.4% of Kirin's total sales in the 2008 financial year. Kirin operates in the pharmaceuticals business through its 50.1% share in the Japanese company Kyowa Hakko Kirin Co., Ltd. (**Kyowa Hakko Kirin**). Kyowa Hakko Kirin is engaged in the manufacturing and marketing of medical products and pharmaceuticals. As the parent company of the Kyowa Hakko Kirin group, Kyowa Hakko Kirin manages the group's business activities in the bio-chemicals and chemicals segments, with the pharmaceuticals segment being its core business.
- **Seasonings:** Through Kirin Kyowa Foods Company, Kirin develops and provides seasonings and food ingredients by leveraging its extensive experience in fermentative production technologies. Kirin Kyowa Foods Company aims to develop new food ingredients and to play a part in Kirin's targeted business expansion, through finding advanced new uses for yeast and other means.
- **Agribio:** Kirin operates in the agribio industry through its wholly owned subsidiary, Kirin Agribio Company, Limited (**Kirin Agribio**). Kirin Agribio develops superior flowers, potatoes and seedlings, using breeding skills, product development capabilities and seedling production technologies.
- **Food services and other businesses:** Kirin operates in the food services industry through its share in Nagano Tomato Co., Ltd (Nagano Tomato) which produces a range of products including tomato juice, soft drinks and tomato ketchup for sale in Japan. Kirin has a 99.4% (indirect and direct) shareholding in Nagano Tomato.

Further information about Kirin can be found on the Kirin Group's website (www.kirinholdings.co.jp/english/index.html).

In addition to Kirin's shareholding in Lion Nathan, Kirin has the following interests in Australia:

- **National Foods Group:** National Foods Limited and its subsidiaries (**NF Group**) are wholly owned by Kirin through the Australian Holding Company.

The NF Group is one of Australia's largest food and beverage groups, with core activities in milk, fresh dairy foods, juice, soy beverages and specialty cheese. The NF Group has production facilities and sales offices in every Australian state as well as New Zealand, Singapore, Malaysia (ice-cream) and Indonesia (juice) and employs approximately 5,000 people. The NF Group's key brands include PURA, Dairy Farmers, Moove, Yoplait, Berri, Daily Juice and King Island Dairy.

- **Kirin Australia:** Kirin Australia Pty Ltd (Kirin Australia) is a wholly owned subsidiary of Kirin. Kirin Australia is independent from Kirin's other business operations in Australia. Kirin Australia's main business is the manufacture and sale of barley and malts, primarily to Japan and South East Asia.

3. Based on Kirin's market capitalisation of JPY1388 bn, translated at an exchange rate of A\$:JPY78.44 as at 30 July 2009. The \$ amounts in this Section 4 have been stated on the basis of a \$A/JPY exchange rate of 78.44 and they are accurate as of 30 July 2009.

4. INFORMATION ON KIRIN *continued*

4.1.4 Directors of Kirin

The current directors of Kirin are:

- Kazuyasu Kato – President and CEO
- Kazuhiro Sato – Executive Vice President
- Senji Miyake – Executive Vice President
- Etsuji Tawada – Managing Director
- Yoshiharu Furumoto – Managing Director
- Yuji Owada – Managing Director
- Yuzuru Matsuda – Director
- Satoru Kishi – Director
- Akira Genma – Director

4.2 Rationale for Kirin's proposed acquisition of Lion Nathan

Full ownership of Lion Nathan is consistent with Kirin's long term growth strategy of becoming a leading company in the areas of beverages, food and health across Asia and Oceania. It is also consistent with Kirin's desire to strengthen its existing operations in Oceania and will provide a platform for growth in Kirin's operations in Australasia.

4.3 Acquiring entity

If the Scheme is approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting, Kirin intends to transfer its existing 46.13% interest in Lion Nathan to the Australian Holding Company.

If the Scheme is approved by a Requisite Majority of Non-Kirin Shareholders and approved by the Court, on the Implementation Date, the Australian Holding Company will acquire all the Shares held by Non-Kirin Shareholders so that following implementation of the Scheme, the Australian Holding Company will own 100% of the issued shares in Lion Nathan.

4.4 Funding arrangements for Scheme Consideration

4.4.1 Kirin's internal borrowing arrangements

Kirin has agreed to provide the Australian Holding Company with all amounts the Australian Holding Company is required to pay for the acquisition of the Non-Kirin Shares pursuant to the Scheme (as and when those payments are required to be made).

4.4.2 Overview of funding arrangements

Based on the number of Shares on issue as at the date of this Scheme Booklet, the maximum amount of cash payable by Kirin in connection with the Scheme will be approximately \$3,309.5 million. This amount represents the Scheme Consideration of \$11.50 per Share multiplied by the number of Shares which Kirin does not currently own. As described in Section 6.12.2, the Board does not have any current intention to issue new Shares to satisfy requirements under the Achievement Rights Plan.

The necessary funds to pay the Scheme Consideration and related transaction costs will be met through Kirin's cash reserves, supplemented, as required, by funds drawn down under a facility with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTM-UFJ), which will be effective from 7 August 2009 (Facility). The Facility is further described in Section 4.4.4.

In aggregate, the funds available from Kirin's existing cash reserves and undrawn amount under the Facility are sufficient to fund the Scheme Consideration and all associated transaction costs.

As at the date of this Scheme Booklet, Kirin has not determined the actual proportion in which funds will be drawn from its cash reserves and the Facility.

The Australian Holding Company is of the opinion that it has a reasonable basis for forming the view, and it holds the view, that it will have sufficient funds to meet its payment obligations under the Scheme.

Lion Nathan Shareholders may have seen some recent media speculation in relation to a potential merger between Kirin and Suntory Holdings Limited. Kirin and Suntory Holdings Limited are at a very preliminary stage of business merger discussions and no agreement has been reached. Kirin is confident that if any agreement was reached in relation to a merger between Kirin and Suntory Holdings Limited, this would not give rise to any impact on Kirin's ability to pay the Scheme Consideration to Non-Kirin Shareholders.

Kirin will not be funding any payments associated with the Special Dividend. Any such payments will be made by Lion Nathan.

4.4.3 Particulars of the cash reserves

The Scheme Consideration and related transaction costs may be partly funded through Kirin's current cash reserves.

As at 30 July 2009, Kirin has cash reserves in excess of JPY15.9 billion (\$204 million) held with BTM-UFJ and in excess of JPY0.2 billion (\$2.6 million) held with other financial institutions. These cash reserves are not subject to security interests, rights of set off or other arrangements that might materially affect Kirin's ability to use them to pay the Scheme Consideration.

4.4.4 Particulars of the Facility

To the extent that Kirin needs or decides to utilise external third party funds to pay part of the Scheme Consideration and related transaction costs, such funds will be drawn from the Facility.

From 7 August 2009, the available undrawn amount under the Facility is JPY258.9 billion (\$3,300 million). The Facility permits Kirin to draw down funds to finance the Scheme Consideration and related transaction costs. The Facility will mature on 2 June 2010, or earlier if the funding commitment is cancelled in accordance with its terms.

(a) Conditions precedent and terms of the Facility

Various conditions precedent apply to the drawdown by Kirin under the Facility. These are generally procedural in nature and customary for a facility of this kind. These conditions precedent include:

- BTM-UFJ, as agent for the Facility, having received a drawdown notice no later than 12.00 pm on the day that is 3 Business Days prior to the proposed drawdown (**Drawdown Notice**);
- the representations and warranties given by Kirin under the Facility being true as at the date of the Drawdown Notice; and
- as at the date of the Drawdown Notice, Kirin not being in breach of, or at risk of breaching, any provision of the Facility.

It is expected that these conditions will be satisfied before the Second Court Date. As at the date of this Scheme Booklet, Kirin is not aware of any reason why any of the conditions precedent to the drawdown under the Facility will not be satisfied in time to allow payment in full of the Scheme Consideration as and when it is due under the terms of the Scheme.

(b) Representations and warranties in the Facility

The representations and warranties to be given by Kirin in relation to the Facility are customary for facilities of this kind. As at the date of this Scheme Booklet, Kirin is not aware of any breach of a representation or warranty nor any circumstance that would lead to a breach of a representation or warranty.

(c) Undertakings and events of default in the Facility

The Facility contains events of default and undertakings usual for a facility of this nature.

As at the date of this Scheme Booklet, Kirin is not aware of any breach of an undertaking nor any circumstance that would lead to a breach of an undertaking. Kirin has no reason to believe that any of the events of default will occur such that a drawdown will not be able to be made or which would give rise to a right for BTM-UFG to terminate the Facility.

4.4.5 Statement of amounts

The \$ amounts in this Section 4 have been stated on the basis of a \$A/JPY exchange rate of 78.44 and they are accurate as of 30 July 2009.

4.5 Kirin's intentions if the Scheme is implemented**4.5.1 Introduction**

The intentions set out in this Section 4.5 have been formed on the basis of facts and information concerning Kirin and the general business environment which is known to Kirin as at the time of preparing this Scheme Booklet. Final decisions on these matters will only be made by Kirin in light of all material facts and circumstances at the relevant time. Accordingly, the statements set out in this Section 4.5 are statements of current intention only, which may change as new information becomes available or as circumstances change, and the statements in this Section 4.5 should be read in that context.

This Section 4.5 sets out the intentions of Kirin in relation to:

- (a) the continuation of the business of Lion Nathan;
- (b) any major changes to be made to the business of Lion Nathan, including any redeployment of the fixed assets of Lion Nathan; and
- (c) the future employment of the present employees of Lion Nathan,

in circumstances where the Scheme is implemented.

4.5.2 Lion Nathan to be delisted

If the Scheme is implemented, Lion Nathan will request ASX to remove Lion Nathan from its official list and will request NZX to cancel Lion Nathan's listing on NZSX.

4.5.3 Kirin's Australasian operations

The overall objective of Kirin is to combine all of its Australasian operations (other than Kirin Australia) into a single unified business structure, under a unified board structure and senior management team.

The holding company for Lion Nathan and the NF Group will be the Australian Holding Company. Following implementation of the Scheme, the Australian Holding Company is expected to be renamed Lion Nathan National Foods Pty Ltd.

The acquisition of 100% of Lion Nathan is consistent with Kirin's desire to strengthen its existing operations in Oceania and is intended to provide a platform for growth in Kirin's operations in Australasia.

Kirin will conduct a general review of the operations, assets and employees of all of its Australasian operations (including Lion Nathan) with a view to achieving the objectives referred to above. Final decisions on operations, assets and employment will only be reached after that review and in light of all material facts, information and circumstances at that time. The statements in this Section 4.5 should be read in that context.

4.5.4 Senior Management Team and Board

Following the implementation of the Scheme, it is intended that the existing Lion Nathan senior management team will become the senior management team for Kirin's Australasian operations, with Robert Murray, the current Chief Executive Officer and Managing Director of Lion Nathan, as the Chief Executive Officer of the Australasian operations. It is intended that the managing director of the NF Group will be a member of the senior management team and report to the Chief Executive Officer.

Kirin intends that the senior management team will continue on a remuneration structure similar to that now prevailing, possibly with some incentives referable to the merged group or to expanded responsibilities in respect of other Kirin operations in Australia. Except as set out in Section 6.9, it is not expected that arrangements with the relevant executives will be agreed until after implementation of the Scheme.

It is proposed that Kirin's Australasian operations will be conducted out of Lion Nathan's current head office in Sydney and the NF Group's current head office in Melbourne. Subject to the outcome of the general review referred to above, it is expected that over time certain corporate functions will be centralised across the Australasian businesses. Kirin expects to achieve synergy benefits in these general areas over time. Kirin does not believe it has a reasonable basis to speculate as to what the value of these synergies is likely to be.

Following the implementation of the Scheme, it is intended that Lion Nathan will convert to a proprietary company.

Kirin intends that the board of the Australian Holding Company will comprise one executive director and two non-executive directors who are executives of Kirin, three non-executive directors who are not executives of Kirin, and one executive director (Robert Murray). No final decision has been made as to who the Kirin nominee directors or independent directors will be. However Kirin has made inquiries as to whether Geoff Ricketts, Gavin Walker and Glenn Barnes would consider making themselves available to be appointed as directors of the Australian Holding Company following the implementation of the Scheme. At this stage, Kirin has been advised by those directors that they do not regard it as appropriate to respond to Kirin's inquiries until the Non-Kirin Shareholders have met and voted on the Scheme at the Scheme Meeting.

4.5.5 Business continuity / major changes

Kirin has no current intention to make major changes to, or dispose of any parts of, the Lion Nathan business, redeploy any of Lion Nathan's fixed assets or transfer any of Kirin's current businesses or material assets to Lion Nathan. It is intended to keep the current Lion Nathan business structure within the context of Kirin's Australasian operations as described in Section 4.5.3 above.

Lion Nathan and Kirin's existing Australian businesses share some common requirements in terms of raw material procurement and suppliers. Those businesses also share common customers. Through the integration of these businesses Kirin expects to achieve synergy benefits in

4. INFORMATION ON KIRIN *continued*

these general areas over time. Kirin does not believe it has a reasonable basis to speculate as to what the value of these synergies is likely to be.

4.5.6 Future employment

As a general matter, it is Kirin's present intention to continue the employment of Lion Nathan's current employees.

The general review as outlined in Section 4.5.3 may lead to some redeployment of resources at Lion Nathan's current head office in Sydney and/or the NF Group's current head office in Melbourne, as well as some limited redundancies to take account of the consolidation of roles across Kirin's Australasian operations. However, a final decision will not be made on those matters until completion of the general review referred to in Section 4.5.3 above.

Kirin believes that the acquisition of 100% of Lion Nathan should offer benefits for Lion Nathan employees generally in that the bringing together of Lion Nathan and Kirin's current Australasian businesses has the potential to create exciting employment opportunities for existing management and staff across the enlarged group.

Kirin intends that the remuneration arrangements for employees following implementation of the Scheme will equate to their current arrangements except that the Employee Share Acquisition Plan, the Share Scheme Section, the Employee Share Benefit Section and the Achievement Rights Plan will no longer operate but may be replaced with other appropriate incentive structures. The remuneration arrangements of employees, the terms of the possible replacement incentive arrangements, and the employees who will be eligible to participate in those arrangements will be determined by the board of the Australian Holding Company after implementation of the Scheme. Except as set out in Section 6.9, as at the date of this Scheme Booklet no offers have been made to any of the employees of Lion Nathan in respect of these matters.

4.6 Kirin's interests in Shares

As at the date of this Scheme Booklet, Kirin has voting power in approximately 46.13% of the Shares.

4.6.1 No dealings in Shares in previous four months

Except for the consideration to be provided under the Scheme, during the period of four months before the date of this Scheme Booklet, neither Kirin nor any of its Associates have provided or agreed to provide consideration for any Shares under a purchase or an agreement.

4.6.2 Benefits to holders of Shares

During the four months before the date of this Scheme Booklet, neither Kirin nor any of its Associates have given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person, or an Associate, to:

- vote in favour of the Scheme; or
- dispose of Shares,

and where the benefit was not offered to all Shareholders.

4.6.3 Benefits to Directors

Other than any retirement benefits payable by Lion Nathan to Directors as detailed in Section 6.8, Kirin will not be making any payment or giving any benefit to any current member of the Board as compensation or consideration for, or otherwise in connection with, their resignation from the Board, if the Scheme becomes Effective and the Board is accordingly reconstituted.

5. TAXATION IMPLICATIONS FOR SHAREHOLDERS

5.1 Introduction

This Section provides a general outline of the Australian and New Zealand income tax, capital gains tax, GST and stamp duty consequences for Non-Kirin Shareholders who:

- receive the Special Dividend; and/or
- dispose of their Shares to the Australian Holding Company in accordance with the Scheme

(collectively the **Transaction**).

This Section reflects the tax law in effect in Australia and New Zealand as at the date of the Scheme Booklet. It does not take into account or anticipate any changes in the tax law, nor does it take into account the tax law of countries other than Australia and New Zealand.

This Section does not cover all possible Australian and New Zealand tax considerations that could apply to Non-Kirin Shareholders with respect to the Transaction. In particular, the following discussion is relevant only to Non-Kirin Shareholders who hold their Shares on capital account and not as revenue assets or as trading stock (unless otherwise specified below). Nor does it deal with Non-Kirin Shareholders who are Residents (as defined below) and acquired their Shares before 20 September 1985.

This Section does not deal with Non-Kirin Shareholders who may be subject to special tax rules, such as banks, insurance companies, tax exempt organisations, dealers in securities or Non-Kirin Shareholders who acquired their Shares in connection with an employee share plan.

For the purpose of the discussion below:

- a **Resident** means a resident of Australia for Australian income tax purposes;
- a **Non-Resident** means a Shareholder who is not a Resident and who does not hold their Shares through a permanent establishment in Australia;
- a **PE Resident** means a Shareholder who is not a Resident and who holds their Shares through a permanent establishment in Australia; and
- a **New Zealand Resident** means a resident of New Zealand for New Zealand income tax purposes.

The following discussion does not constitute tax advice. Each Non-Kirin Shareholder should obtain their own tax advice regarding the tax consequences that may arise in connection with the Transaction.

5.2 Australian Tax Implications

5.2.1 Class Ruling

Lion Nathan has lodged a Class Ruling application with the ATO requesting the Commissioner's views on the Australian income tax implications for certain Non-Kirin Shareholders who participate in the Transaction. The Class Ruling has not been finalised as at the date of the Scheme Booklet. Lion Nathan anticipates that the Class Ruling will be published by the ATO in August 2009 and should be consistent with Section 5 of this Scheme Booklet. When published, the Class Ruling will be available on the ATO website at www.ato.gov.au.

5.2.2 Australian Tax Implications: Residents and PE Residents

(a) Receipt of Special Dividend

If you are a Resident or PE Resident, you must include the amount of the Special Dividend in your assessable income in the income year it is received. As the Special Dividend will be fully franked, you will also be required to include in your assessable income an amount equal to the franking credits attached to the Special Dividend if you are a "qualified person" (see below).

The franking credits attached to the Special Dividend may be used to offset the amount of tax that you are required to pay. In order to obtain this tax offset, you must be a "qualified person", which means you must hold your Shares "at-risk" for a certain period of time. You should satisfy this test if you continuously hold your Shares "at-risk" for at least 45 days during a prescribed period.

The Class Ruling will outline in further detail the Commissioner's views as to when a Shareholder will satisfy the relevant "holding period" tests with respect to the Special Dividend.

If you are an individual or complying superannuation fund and your tax liability for the income year is less than the amount of the franking credits attached to the Special Dividend, you may be entitled to a refund for the excess franking credits. This does not extend to companies.

(b) Disposal of Shares

If you are a Resident or PE Resident, a capital gains tax (CGT) event will occur when you dispose of your Shares in accordance with the Scheme. You will realise a capital gain in connection with this CGT event if the amount you receive in connection with this disposal (called the "capital proceeds") is more than your cost base in the Shares. You will realise a capital loss to the extent that the capital proceeds received in connection with this disposal is less than your reduced cost base in the Shares. Capital losses can generally be offset only against capital gains you realise in the same income year or in later income years.

Capital proceeds

The Class Ruling will provide details as to the calculation of capital proceeds received in connection with the disposal of your Shares.

Cost base/reduced cost base

You should obtain tax advice to confirm the cost base or reduced cost base of your Shares. The cost base of your Shares will generally be the sum of the amount you paid for your Shares, your acquisition costs and other costs relating to the holding and disposal of your Shares, but only to the extent you have not claimed a deduction for such costs. The reduced cost base is usually determined in a similar, but not identical manner. There are a number of circumstances which may result in your cost base or reduced cost base being calculated in a different manner to that outlined above.

If you acquired your Shares at or before 11.45am on 21 September 1999, you may choose to index the cost base of your Shares. The effect of indexation is to increase your cost base by reference to movements in the consumer price index. You may only elect to index your cost base up to the period ended

5. TAXATION IMPLICATIONS FOR SHAREHOLDERS *continued*

30 September 1999. If you make this election, you will not qualify for the discount CGT concession which is discussed below.

Discount CGT concession

You may qualify for discount CGT treatment on the disposal of your Shares if you acquired your Shares more than 12 months prior to disposal and you are an individual, trust or complying superannuation fund. Individuals and trusts are entitled to reduce any capital gain remaining after the application of any capital losses by 50% and complying superannuation funds are entitled to reduce any capital gain remaining after the application of any capital losses by 33⅓%. Companies are not eligible for discount CGT treatment.

As noted above, you are not entitled to discount CGT treatment if you elect to index your cost base.

PE Shareholder

If you are a PE Shareholder, you may be entitled to disregard that portion of your capital gain that relates to a period when you did not hold your Shares through a permanent establishment in Australia. We recommend that you contact your tax adviser to obtain further advice in this regard.

5.2.3 Australian Income Tax implications: Non-Residents

(a) Receipt of Special Dividend

If you are a Non-Resident, no Australian withholding tax will be deducted from the Special Dividend when paid to you, as it will be fully franked. You will not be liable for any Australian income tax in respect of the receipt of the Special Dividend.

(b) Disposal of Shares

If you are a Non-Resident, you will not have to pay Australian income tax on any capital gain that arises when you dispose of your Shares in accordance with the Scheme, unless both of the following requirements are satisfied:

- you hold a "non-portfolio interest" in Lion Nathan; and
- Lion Nathan passes the "principal asset test".

Broadly, you will hold a "non-portfolio interest" in Lion Nathan if you (together with your associates) own, or owned, throughout a 12 month period during the 2 years preceding the sale of your Shares, 10% or more of all the shares in Lion Nathan.

If you do not hold such an interest in Lion Nathan, you should not be subject to CGT on disposal of your Shares. If you do hold such an interest, you should consult your tax adviser in relation to the second requirement.

5.3 New Zealand Tax Implications

5.3.1 Receipt of Special Dividend

New Zealand imputation credits will be attached to the Special Dividend. If the Special Dividend is paid within three months of being determined, as is intended, NZD0.29 imputation credits will be attached to the \$0.50 Special Dividend (which itself will be converted to NZD in accordance with Section 2.7). If the Special Dividend is not paid within three months of being determined, the exact amount of New Zealand imputation credits that can be attached to the Special Dividend will depend on the exchange rate between Australia and New Zealand when the Special Dividend is paid.

If you are a non-corporate Shareholder and you are a New Zealand Resident (**NZ Non-corporate Shareholder**) you must include the gross dividend (being the amount of the Special Dividend and the attached imputation credits) in your assessable income for New Zealand tax purposes. However, the amount of

New Zealand tax payable will be reduced by the amount of the imputation credits attached to the Special Dividend.

Under current law, if you are a corporate Shareholder and a New Zealand Resident (**NZ Corporate Shareholder**) the Special Dividend will be exempt from New Zealand tax. However, you will be required to make a foreign dividend payment to the New Zealand Inland Revenue in the amount of 30% of the gross dividend (being the amount of the Special Dividend and the attached imputation credits) less imputation credits attached to the Special Dividend. The imputation credits attached to the Special Dividend will be credited to your imputation credit account.

If the proposed *Taxation (International Taxation, Life Insurance, and Remedial Matters) Bill 2008* is enacted in its current form and Ministerial recommendations are accepted, and you are a NZ Corporate Shareholder that has a 2009-2010 income year which begins after 30 June 2009, you should be taxed on the receipt of the Special Dividend in the same manner as an NZ Non-corporate Shareholder.

5.3.2 Disposal of Shares

There is no general capital gains tax in New Zealand. If you are a New Zealand Resident and hold your Shares as capital assets, you will not be taxed in New Zealand on the disposal of your Shares.

However, in certain situations the Shares will be treated as being held on revenue account for New Zealand tax purposes and in such circumstances the proceeds will be subject to New Zealand income tax. Such situations would include if the New Zealand Resident acquired the Shares for the purpose of disposal, if the Shares formed part of a share dealing business of the New Zealand Resident, or if gains were derived from the carrying on or carrying out of an undertaking or scheme entered into or devised for the purpose of making a profit.

If you are a New Zealand resident and hold the Shares on revenue account, the amount derived from the disposal of the Shares will be assessable income in New Zealand. However, you will be able to deduct expenditure incurred as the cost of the Shares. Such expenditure will usually include the amount paid for the Shares, acquisition costs and other costs relating to the holding and disposal of the Shares, but only to the extent deductions have not been previously claimed for such costs.

5.4 Stamp duty and GST

No Australian or New Zealand stamp duty or GST will be payable by a Non-Kirin Shareholder on the disposal of their Shares in accordance with the Scheme.

6. ADDITIONAL INFORMATION

This Section sets out the additional information required by section 412(1) of the Corporations Act and Part 3 of Schedule 8 of the Corporations Regulations, as well as some additional information that may be of interest to Shareholders.

6.1 Management of potential conflict issues

On 23 April 2009, Lion Nathan announced the receipt of Kirin's proposal to acquire all of the outstanding Shares in Lion Nathan not owned by Kirin.

The Board recognised the potential for conflict to arise in relation to the position of the Kirin Nominee Directors as nominee directors of Kirin. To manage such conflicts, the Board established:

- (a) an Independent Board Committee (IBC) comprising the Independent Directors to consider the proposal – the IBC did not include the Kirin Nominee Directors; and
- (b) protocols and procedures to manage potential conflicts arising during normal Board meetings.

The Kirin Nominee Directors have chosen not to make a recommendation to Non-Kirin Shareholders in respect of the Scheme, due to the potential conflict which arises as a result of their position as nominee directors of Kirin and their relationship with Kirin.

6.2 Interim Dividend and Special Dividend

Section 260A of the Corporations Act enables a company to financially assist a person to acquire shares in the company or a holding company only if certain conditions are satisfied. Financial assistance of this kind would be permitted if the giving of assistance does not materially prejudice:

- (a) the interests of the company;
- (b) the interests of its shareholders; or
- (c) the company's ability to pay its creditors.

The Corporations Act specifically contemplates that financial assistance (of the kind that is regulated under Section 260A) may take the form of paying a dividend and may be given before the acquisition of shares.

The Interim Dividend was paid to Shareholders on 23 June 2009. Further, the Board has determined, subject to the Scheme being approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting, that Lion Nathan will pay a Special Dividend of \$0.50 in relation to each Share held on the Special Dividend Record Date. Kirin (or the Australian Holding Company) will be a Shareholder as at the Special Dividend Record Date, so will be entitled to receive the Special Dividend. Provided that the Scheme is approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting, the Special Dividend is expected to be paid on 6 October 2009.

Lion Nathan does not consider that the payment of the Interim Dividend and the Special Dividend will materially prejudice the interests of Lion Nathan or its Shareholders, or materially prejudice Lion Nathan's ability to pay its creditors. This conclusion has been reached after taking into account the financial position of Lion Nathan, including the funding facilities available to Lion Nathan and its estimated forecast cash flows.

Lion Nathan intends to fund the Special Dividend out of existing cash and committed funding facilities. Lion Nathan forecasts debt facility headroom (committed, undrawn debt facilities) in excess of \$500m as at 30 September 2009 which is sufficient to pay the Special Dividend of \$267m.

6.3 Dealings in Shares

To enable the Scheme to be implemented, Lion Nathan will apply to ASX and NZX for suspension from trading as from the close of trading on the Effective Date. Shares will not be able to be traded beyond the close of trading on the Effective Date.

For the purposes of implementation of the Scheme, Lion Nathan will, between the Effective Date and the Scheme Record Date, determine who are the Non-Kirin Shareholders as at the Scheme Record Date, being those entitled to the Scheme Consideration.

Any dealing in Shares received by Computershare before 5.00pm on the Scheme Record Date will be recognised, but no dealing in Shares (whenever effected) will be recognised if received by Computershare after 5.00pm on the Scheme Record Date.

6.4 Removal of Lion Nathan from the official list

Following the implementation of the Scheme, Lion Nathan will apply to ASX for removal of Lion Nathan's securities from the official list of ASX and to NZX for cancellation of Lion Nathan's listing on NZSX.

6.5 No relevant restrictions in the Constitution of Lion Nathan

There are no restrictions on the right to transfer Shares in Lion Nathan's Constitution.

6.6 Marketable Securities of Lion Nathan held by or on behalf of Directors

DIRECTOR	LION NATHAN SHARES	LION NATHAN ACHIEVEMENT RIGHTS
Geoff Ricketts	25,000	0
Glenn Barnes	10,000	0
Peter Bush	0	0
Hirotake Kobayashi	0	0
Fumio Miki	0	0
Senji Miyake	0	0
Robert Murray	363,556	168,478
Andrew Reeves	34,994	164,717
Gavin Walker	0	0
Barbara Ward	0	0

It is currently anticipated that Robert Murray and Andrew Reeves will be granted Achievement Rights in relation to the Achievement Period ending 30 September 2009 as described in Section 6.12.2.

6. ADDITIONAL INFORMATION *continued*

6.7 Marketable Securities of Kirin held by or on behalf of Directors

DIRECTOR	SHARES	OPTIONS
Geoff Ricketts	0	0
Glenn Barnes	0	0
Peter Bush	0	0
Hirotake Kobayashi	5,800	0
Fumio Miki	2,870	0
Senji Miyake	49,000	0
Robert Murray	0	0
Andrew Reeves	0	0
Gavin Walker	0	0
Barbara Ward	0	0

6.8 Payments or other benefits to Directors, secretaries or executive officers of Lion Nathan

Following the implementation of the Scheme, the existing non-executive Directors will retire from the Board, and the Board will thereafter comprise management nominees. On their retirement from the Board, independent non-executive Directors who joined the Board prior to 1 October 2003 will be eligible to receive from Lion Nathan retirement benefits (excluding superannuation payments, if relevant) pursuant to arrangements agreed in 2004. The retirement benefits are capped at three times the relevant director's fees for 2004, being a total payment of \$750,000 for Geoff Ricketts, and \$300,000 for each of Glenn Barnes, Gavin Walker and Barbara Ward.

Lion Nathan pays premiums in respect of a directors and officers (D&O) insurance policy for the benefit of its Directors' and executive officers.

Except as set out above, there is no payment or other benefit that is proposed to be made or given to any director, secretary or executive officer of Lion Nathan or of any Related Body Corporate as compensation for loss of, or as consideration for or in connection with their retirement from, office as a director, secretary or executive officer of Lion Nathan or of a Related Body Corporate, as the case may be, as a result of the Scheme.

6.9 Agreements or arrangements with Directors

Following implementation of the Scheme, Robert Murray will become the Chief Executive Officer of Kirin's Australasian operations. Mr Murray has agreed revised remuneration arrangements which will take effect immediately after the Implementation Date. Mr Murray's total remuneration will remain unchanged, but the components will be structured as follows:

- fixed remuneration of \$1,900,000; and
- on target incentive-based remuneration of \$1,900,000 (comprising short term incentive-based remuneration of \$1,140,000 and long-term incentive-based remuneration of \$760,000). The arrangements for the incentive-based component have yet to be concluded, but are expected to

provide incentive benefits comparable to Mr Murray's existing arrangements, including under the Achievement Rights Plan. As Mr Murray's Achievement Rights Plan currently runs through to 30 September 2010, this component will include an incentive benefit in respect of the financial year ended 30 September 2010 contingent on Mr Murray meeting his performance targets for that year. Further details are set out in Sections 4.5.6 and 6.12.2.

Under the revised remuneration arrangements Mr Murray's fixed and short-term on target incentive-based remuneration will increase by 18.75%, while long-term on target incentive based remuneration will decrease by 38.7%.

Mr Murray's revised remuneration arrangements will include additional events where redundancy benefits will be payable.

Following implementation of the Scheme, Andrew Reeves will continue as a senior executive within the merged group. Subject to confirmation of Andrew's role within the merged group, it is expected that Andrew's total remuneration will remain unchanged, as will the relative proportions of the fixed and incentive-based components. As with Mr Murray, the arrangements for Mr Reeves' on target incentive-based remuneration have yet to be concluded, but are expected to provide incentive benefits comparable to Mr Reeves' existing arrangements under the Achievement Rights Plan.

Except as detailed elsewhere in this Scheme Booklet, there are no other agreements or arrangements made between a Director and another person in connection with or conditional on the outcome of the Scheme.

6.10 Directors' interests in contracts entered into by Kirin

No Director has any interest in any contract entered into by Kirin or any of its Related Bodies Corporate, other than the interests set out elsewhere in this Scheme Booklet.

6.11 Interests of Directors in the Scheme

No Director has any interest in the Scheme, other than the interests set out elsewhere in this Scheme Booklet.

6.12 Lion Nathan employee incentive plans

6.12.1 Australian Employee Share Acquisition Plan

(a) Overview

The Employee Share Acquisition Plan is a general employee share plan pursuant to which Shares may be offered to relevant Australian resident employees of Lion Nathan. The ESAP allows eligible employees who have not participated in the previous offers made under the ESAP to receive \$1,000 worth of Shares for no cash consideration. Employees who have participated in prior offers made under the ESAP are provided the opportunity to obtain \$1,000 worth of Shares through salary sacrifice.

Shares granted under the ESAP are held on trust for three years from the date of grant and cannot be dealt with until the earlier of three years passing from the date the Shares are allocated or until termination of employment, or otherwise in accordance with the ESAP Trust Deed.

(b) Dealing with the ESAP in relation to the Scheme

Each participant in the ESAP who is entitled to Shares held by the trustee of the ESAP:

- may give the trustee of the ESAP a written notice for the trustee to exercise the voting rights attached to Shares at the Scheme Meeting in accordance with the notice; and

- is entitled to receive the Special Dividend payable on the Shares held by that participant (if the Scheme is approved by a Requisite Majority of Non-Kirin Shareholders),

in accordance with the ESAP Trust Deed.

In the event that the trustee of the ESAP does not receive a written notice from a participant in respect of the exercise of voting rights attached to that participant's Shares, the trustee may exercise the voting rights attaching to that participant's Shares as it thinks fit. As at the date of this Scheme Booklet, Lion Nathan understands that the trustee of the ESAP will vote in favour of the Scheme at the Scheme Meeting.

The trustee of the ESAP will distribute the Special Dividend to participants entitled to Shares held in the ESAP trust on the Special Dividend Record Date in accordance with the ESAP Trust Deed.

If the Scheme is approved by the Court on the Second Court Date and the Scheme becomes Effective, Shares held by the trustee of the ESAP will be transferred to the Australian Holding Company on the Implementation Date in accordance with the Scheme.

It is proposed that the trustee of the ESAP will direct Lion Nathan to pay the Scheme Consideration in accordance with the Scheme to Participants who are beneficially entitled to Shares in the ESAP on the Scheme Record Date.

6.12.2 Achievement Rights Plan

(a) Overview

The Achievement Rights Plan is a leadership incentive plan which is designed to encourage superior achievement and long-term commitment to the Lion Nathan Group by the executives and other leaders of the Lion Nathan Group who are invited to participate in the ARP.

The ARP operates by giving participants in the ARP the opportunity to acquire Achievement Rights if their Achievement Target is met in respect of the relevant Achievement Period. An Achievement Right is a right to acquire one Share (whether by way of issue or transfer, at Lion Nathan's election (although see below in respect of the New Zealand ARP)), subject to the participant being employed with the Lion Nathan Group at the time the Achievement Right becomes a Qualifying Achievement Right. Lion Nathan's preferred practice is to purchase Shares on-market, which is non-dilutive. When an Achievement Right held by a participant becomes a Qualifying Achievement Right, the participant may exercise the Qualifying Achievement Right during the applicable exercise period.

In New Zealand the ARP is operated through the LNEBP and upon exercise of Qualifying Achievement Rights, the trustee of the LNEBP will transfer the relevant number of Shares to the participant. Alternatively the participant may elect to receive a cash benefit instead of Shares.

Each participant's plan under the ARP runs for three consecutive Achievement Periods.

As at 30 July 2009, there were 1,371,009 Achievement Rights on issue under the Australian ARP and 110,640 Achievement Rights on issue under the New Zealand ARP.

(b) Directors' participation

Two Lion Nathan directors currently participate in the ARP.

Robert Murray's participation was approved by Shareholders at the 2008 Annual General Meeting for 3 financial years from 1 October 2007. Mr Murray completed his first Achievement

Period in his current plan for the year ended 30 September 2008 and was granted 168,478 Achievement Rights. Mr Murray currently holds 168,478 Achievement Rights. Mr Murray is eligible to participate in the ARP for the years ending 30 September 2009 and 30 September 2010.

Andrew Reeves' participation was approved by Shareholders at the 2007 Annual General Meeting for 3 financial years from 1 October 2006. Mr Reeves completed his second Achievement Period in his current plan for the year ended 30 September 2008 and was granted 76,766 Achievement Rights. Mr Reeves currently holds 164,717 Achievement Rights. Mr Reeves is eligible to participate in the ARP for the year ending 30 September 2009.

(c) Dealing with Achievement Rights in relation to the Scheme

The Board intends, subject to the Scheme being approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting and prior to the Special Dividend Record Date, to exercise its discretion under the ARP Rules to accelerate the grant and vesting of Achievement Rights and, in Australia, to allocate Shares in relation to those Achievement Rights in relation to the Achievement Period ending 30 September 2009, subject to an assessment of performance for the Achievement Period ending 30 September 2009 against the applicable Achievement Targets for the relevant participants at that time. The Board also intends to exercise its discretion under the ARP Rules to accelerate the vesting of all outstanding Achievement Rights into Qualifying Achievement Rights and, in Australia, to allocate Shares in relation to those Achievement Rights conditional on the approval of the Scheme on the Second Court Date.

New Zealand participants' Achievement Rights for the Achievement Period ending 30 September 2009 will be granted as described above, all outstanding Achievement Rights held by the participants prior to the Special Dividend Record Date will convert into Qualifying Achievement Rights, and participants will receive a cash payment equal to the Special Dividend plus the Scheme Consideration for each such Qualifying Achievement Right, subject to approval of the Scheme on the Second Court Date.

The Board does not have any current intention to issue new Shares in order to satisfy its obligations in relation to the exercise of Achievement Rights. The Lion Nathan Employee Incentive Plan Trust currently holds sufficient Shares to satisfy its obligations to relevant participants upon the exercise of Achievement Rights.

If the Scheme is approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting, relevant participants will receive the benefit of the Special Dividend.

If the Scheme is approved by Court, relevant participants will receive the benefit of the Scheme Consideration.

In relation to participants whose plans under the ARP run beyond the Achievement Period ending 30 September 2009, it is intended that these participants will be eligible to participate in replacement incentive arrangements to be determined by the board of the Australian Holding Company after the implementation of the Scheme. Please refer to section 4.5.6.

To the extent that the Scheme becomes Effective and not all of the Achievement Rights have been exercised, cancelled or otherwise acquired as at the Effective Date, Kirin intends to invoke its general power of compulsory acquisition under Part 6A.2 of the Corporations Act after the Implementation Date to compulsorily acquire those Achievement Rights and any Shares which are allocated on exercise of those Achievement Rights.

6. ADDITIONAL INFORMATION *continued*

6.12.3 Share Scheme Section (New Zealand)

Permanent New Zealand employees of Lion Nathan Group may be eligible to join the LNEBP.

The Share Scheme Section is a section of the LNEBP where benefits are calculated by reference to the Lion Nathan share price.

If the Scheme is approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting and by the Court, the Share Scheme Section will be wound up. Members of the Share Scheme Section will be given the option to transfer their benefit under the Share Scheme Section to any other open section of the LNEBP, or to receive their benefit in cash.

6.12.4 Employee Share Benefit Section (New Zealand)

The Employee Share Benefit Section is a section of the LNEBP pursuant to which Lion Nathan may offer New Zealand employees the opportunity to receive Shares. Participants are allocated a number of shares (of approximately A\$1000 value) for no cash consideration. When the member becomes eligible to receive a benefit under the terms of the Employee Share Benefit Section, the member may elect to receive from the trustee his or her benefit entitlement in the form of Shares, or a cash sum equal to the market value (as defined in the trust deed governing the LNEBP) of the Shares.

If the Scheme is approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting, the Employee Share Benefit Section will be wound up. Participants of the Employee Share Benefit Section will be given the option of receiving their benefit in shares or a cash lump sum. The benefits will be paid or transferred to participants of the Employee Share Benefit Section prior to the Special Dividend Record Date.

6.13 Material changes in the financial position of Lion Nathan

To the knowledge of the Directors the financial position of Lion Nathan has not materially changed since 31 March 2009 other than as disclosed to ASX, other than:

- (a) the declaration on 20 May 2009 of the Interim Dividend, incurring an aggregate debt of approximately \$117.5 million (paid on 23 June 2009);
- (b) the determination on 15 July 2009 of the Special Dividend – if the Scheme is approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting, this determination will result in an aggregate debt of approximately \$267 million; and
- (c) as set out in this Scheme Booklet.

Further information on Lion Nathan's ASX announcements is contained in Section 3.4 and Annexure E.

6.14 Consents

The following parties have given and have not, before the time of registration of this Scheme Booklet by ASIC, withdrawn their written consent to be named in this Scheme Booklet in the form and context in which they are named:

- Mallesons Stephen Jaques as legal adviser to Lion Nathan;
- Calburn Partnership Pty Limited as financial adviser to Lion Nathan;

- Lonergan Edwards & Associates Limited as Independent Expert engaged by the Independent Directors;
- Computershare Investor Services Pty Limited;
- Kirin; and
- the Australian Holding Company.

Lonergan Edwards & Associates Limited has also given and has not, before the time of registration of this Scheme Booklet by ASIC, withdrawn its written consent to the inclusion of its Independent Expert's Report in this Scheme Booklet in the form and context in which it is included and to all references in this Scheme Booklet to that Report in the form and context in which they appear.

Kirin has also given and has not, before the time of registration of this Scheme Booklet by ASIC, withdrawn its written consent to inclusion of the Kirin Information in the form and context in which it is included.

6.15 Disclaimers

Each person referred to in Section 6.14:

- (a) does not make, or purport to make, any statement in this Scheme Booklet other than those statements made in the capacity and to the extent the person has provided its consent, as referred to above; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet other than as described in this section with that person's consent.

6.16 Other information material to the making of a decision in relation to the Scheme

Except as set out in this Scheme Booklet, there is no information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any Director or any director of a Related Body Corporate of Lion Nathan, that has not previously been disclosed to Shareholders.

Copies of Lion Nathan's full statutory interim results may be obtained from the ASX website (www.asx.com.au) or from Lion Nathan's website (www.lion-nathan.com). Lion Nathan will provide a copy of its full statutory interim results for the 6 months ended 31 March 2009 free of charge to anyone who requests a copy before the Scheme is approved by the Court.

6.17 ASIC relief and ASX waiver

6.17.1 ASIC relief

Clause 8302(h) of Part 3 of Schedule 8 to the Corporations Regulations requires that an explanatory statement include a statement whether, within the knowledge of the directors of the company the subject of the scheme of arrangement, the financial position of the company has materially changed since the date of the last balance sheet laid before shareholders in general meeting or sent to shareholders in accordance with section 314 or 317 of the Corporations Act and, if so, full particulars of any change.

ASIC has granted Lion Nathan relief from the requirements of clause 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations on the basis that:

- (a) Lion Nathan has complied with Division 1 of Part 2M.3 of the Corporations Act in respect of the half year ended 31 March 2009;
- (b) this Scheme Booklet states that Lion Nathan will give a copy of the documents referred to in section 302 of the Corporations Act for the 6 months ended 31 March 2009 free of charge to anyone who asks for them before the Scheme is approved by order of the Court;
- (c) any material change in Lion Nathan's financial position occurring after 31 March 2009 but prior to the date of this Scheme Booklet is disclosed in this Scheme Booklet; and
- (d) this Scheme Booklet is substantially in the form given to ASIC on 4 August 2009.

6.17.2 ASX waiver

ASX has granted a waiver from Listing Rule 6.23.3 to the extent necessary to permit Lion Nathan to amend the terms of Achievement Rights granted under the Achievement Rights Plan to permit the accelerated vesting of Achievement Rights as described in Section 6.12.2, without the approval of Shareholders, on the condition that the Scheme is approved by a Requisite Majority of Non-Kirin Shareholders at the Scheme Meeting and the Court.

6.18 Supplementary information

If, between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date, Lion Nathan or Kirin becomes aware that:

- (a) a material statement in this Scheme Booklet is false or misleading;
- (b) there is a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter included in this Scheme Booklet has occurred; or
- (d) a significant new matter has arisen which would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC,

then Lion Nathan will prepare a supplementary document to this Scheme Booklet.

The form which the supplementary document may take will depend on the nature and timing of the new or changed circumstances.

6.19 Further information

Further information on Lion Nathan and Kirin can be found on each company's web-site:

- **Lion Nathan:** www.lion-nathan.com
- **Kirin:** www.kirinholdings.co.jp/english/index.html

7. GLOSSARY AND INTERPRETATION

7.1 Glossary

The following is a glossary of certain terms used in this Scheme Booklet.

Achievement Period means, in relation to the possible grant of Achievement Rights to a participant in the Achievement Rights Plan, the relevant financial year of Lion Nathan in respect of which the Board will assess the performance of the relevant participant and/or the Lion Nathan Group (as applicable) against the applicable Achievement Targets for the possible grant of Achievement Rights to the relevant participant in relation to that period.

Achievement Right means:

- (a) a right to acquire a Share (by transfer or issue at the election of Lion Nathan) granted under the ARP (Australia); or
- (b) a right to acquire a Share (from the trustee of the LNEBP) granted under the ARP (New Zealand),

as the context requires.

Achievement Rights Plan or **ARP** means the Achievement Rights Plan established by Lion Nathan and operated in Australia under the ARP Rules, and the Achievement Rights Plan established by Lion Nathan and operated in New Zealand under the ARP(NZ) Rules and the trust deed governing the LNEBP, as the context requires.

Achievement Target means, in relation to the possible grant of Achievement Rights to a participant of the Achievement Rights Plan, performance hurdles determined by the Board from time to time for the possible grant of Achievement Rights to the relevant participant in relation to specific Achievement Periods.

ACCC means the Australian Competition and Consumer Commission.

AIFRS means Australian Equivalents to International Financial Reporting Standards.

ARP Rules means the rules of the Achievement Rights Plan (Australia) dated 1 December 2008, as amended from time to time.

ARP(NZ) Rules means the rules of the Achievement Rights Plan (New Zealand) dated 1 November 2005, as amended from time to time.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to that term in section 12(2) of the Corporations Act. For the avoidance of doubt, an Associate does not include an officer of Kirin, or an officer of a Related Body Corporate of Kirin.

ASX means ASX Limited (ABN 98 008 624 691), Australian Securities Exchange or the Australian Stock Exchange as appropriate.

ATO means the Australian Taxation Office.

Australian Holding Company means Kirin Holdings (Australia) Pty Ltd (ACN 128 004 268).

Board means the board of Directors of Lion Nathan.

Business Day means a day that is not a Saturday, Sunday or public holiday in Sydney, Australia.

Cash Payments means the cash payments made in respect of the Special Dividend and the Scheme Consideration, representing an aggregate sum of \$12.00 per Share.

CGT means capital gains tax.

Commissioner means the Commissioner of Taxation.

Computershare means Computershare Investor Services Pty Limited (ACN 078 279 277).

Constitution means the constitution of Lion Nathan Limited, as amended from time to time.

Corporations Act means the Corporations Act 2001 (Cwth).

Corporations Regulations means the Corporations Regulations 2001 (Cwth).

Court means the Federal Court of Australia (New South Wales registry), or such other court of competent jurisdiction under the Corporations Act agreed in writing by Lion Nathan and Kirin.

Dairy Farmers means Australian Co-operative Foods Limited.

Deed Poll means the document executed by Kirin set out in Annexure C.

Directors means directors of Lion Nathan as at the date of this Scheme Booklet.

EBIT means earnings before interest and tax.

EBITA means earning before interest, tax and amortisation.

EBITDA means earnings before interest, tax, depreciation and amortisation.

Effective means, when used in relation to a Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under sections 411(4)(b) and 411(6) in relation to the Scheme.

Effective Date means the date upon which the Scheme becomes Effective expected to be 7 October 2009.

Employee Share Acquisition Plan or **ESAP** means the Lion Nathan Employee Share Acquisition Plan established by Lion Nathan in accordance with the ESAP Trust Deed.

Employee Share Benefit Section means the Employee Share Benefit Section of the LNEBP, as amended from time to time.

ESAP Trust Deed means the Employee Share Acquisition Plan Trust Deed dated 1 May 2003, as amended.

Excluded Shareholder means any Shareholder who is Kirin or a Related Body Corporate of Kirin.

FIRB means the Foreign Investment Review Board.

FY means the financial year ended or ending 30 September (as the context requires).

GST means goods and services tax.

Implementation Agreement means the Implementation Agreement between Lion Nathan and Kirin dated 10 May 2009, a copy of which is included in Annexure A.

Implementation Date means the fifth Business Day following the Scheme Record Date, expected to be 21 October 2009.

Independent Board Committee or **IBC** means the independent board committee formed by the Lion Nathan Board comprising the Independent Directors.

Independent Directors means the Directors, other than the Kirin Nominee Directors.

Independent Expert means Lonergan Edwards & Associates Limited (ABN 53 095 445 560), who has been engaged by the Independent Directors to opine on whether the Scheme is fair and reasonable and in the best interests of Non-Kirin Shareholders.

Independent Expert's Report means the report prepared by the Independent Expert, set out in Annexure D.

Interim Dividend means the dividend of \$0.22 paid in respect of each Share held on 5 June 2009, paid by Lion Nathan on 23 June 2009.

JPY means Japanese Yen.

Kirin means Kirin Holdings Company, Limited.

Kirin Group has the meaning given to that term in Section 4.1.

Kirin Information means the information in Section 4 of this Scheme Booklet prepared and provided by Kirin and its advisers.

Kirin Nominee Directors means Senji Miyake, Hirotake Kobayashi and Fumio Miki.

Lion Nathan means Lion Nathan Limited (ABN 34 093 160 448).

Lion Nathan Group means Lion Nathan and each of its Subsidiaries.

Lion Nathan Information means the information contained in this Scheme Booklet, other than Section 4 and the Independent Expert's Report, prepared and provided by Lion Nathan.

LNEBP means the Lion Nathan Employee Benefit Plan (New Zealand), a company sponsored registered superannuation scheme governed by the trust deed dated 2 July 2007, as subsequently amended.

Listing Rules means the Listing Rules of ASX.

Marketable Securities has the same meaning as in the Corporations Act.

NF Group has the meaning given to that term in Section 4.1.

Non-Kirin Share means a Share held by a Non-Kirin Shareholder as at the Scheme Record Date and for the avoidance of doubt includes any Shares issued on or before the Scheme Record Date including upon the exercise of any Lion Nathan Achievement Rights.

Non-Kirin Shareholder means a person who is registered in the Share Register as the holder of a Share as at the Scheme Record Date, other than an Excluded Shareholder.

NPAT means net profit after tax.

NZCC means the New Zealand Commerce Commission.

NZD means New Zealand dollars.

NZSX means the main board equity security market operated by NZX.

NZX means NZX Limited.

OIO means Overseas Investment Office.

Qualifying Achievement Right is an Achievement Right which has vested in accordance with the Board's determination and the ARP Rules or ARP(NZ) Rules, as applicable.

Related Body Corporate has the meaning given to it in the Corporations Act.

Requisite Majority means the threshold for approval of a resolution on a scheme of arrangement between a body and its members under Part 5.1 of the Corporations Act, being votes 'in favour' of the resolution received from:

- (a) unless the Court orders otherwise, a majority in number (more than 50%) of the members, who are present and voting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative; and
- (b) at least 75% of the votes cast on the resolution.

Scheme Booklet means this scheme booklet.

Scheme Consideration means a cash payment of \$11.50 for each Share held by Non-Kirin Shareholders as at the Scheme Record Date.

Scheme Meeting means the meeting of Shareholders ordered by the Court under section 411(1) of the Corporations Act, to be convened for the purposes of considering the Scheme.

Scheme of Arrangement or **Scheme** means the proposed scheme of arrangement between Lion Nathan and Non-Kirin Shareholders, as set out in Annexure B, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by Lion Nathan and Kirin.

Scheme Record Date means 7.00pm on the fifth Business Day following the Effective Date or such other date (after the Effective Date) as Lion Nathan and Kirin agree, expected to be 14 October 2009.

Second Court Date means the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme, expected to be 7 October 2009.

Share Register means the register of Shareholders in Lion Nathan maintained by Computershare, and **Share Registry** has a corresponding meaning.

Shareholder means a person who is registered in the Share Register from time to time as the holder of a Share.

Share means an issued fully paid ordinary share in the capital of Lion Nathan.

Share Scheme Section means the Share Scheme Section of the LNEBP, as amended from time to time.

Special Dividend means the dividend of \$0.50 in relation to each Share held on the Special Dividend Record Date, payable by Lion Nathan if a Requisite Majority of Non-Kirin Shareholders approve the Scheme at the Scheme Meeting.

Special Dividend Record Date means 7.00pm on the date for determining entitlements to receive the Special Dividend, expected to be 25 September 2009. (Shares will trade ex-entitlement on 21 September 2009 and Shares acquired on that date will not be entitled to the Special Dividend).

Subsidiary has the meaning given to it in the Corporations Act.

Superior Proposal has the meaning given to that term in the Implementation Agreement.

VWAP means volume weighted average price.

7.2 Interpretation

In this Scheme Booklet (other than the Appendices):

- (a) Except as otherwise provided, all words and phrases used in this Scheme Booklet have the meanings (if any) given to them by the Corporations Act.
- (b) Headings are for ease of reference only and will not affect the interpretation of this Scheme Booklet.
- (c) Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. A reference to a person includes a reference to a corporation.
- (d) All dates and times are Sydney, Australia times.
- (e) A reference to \$, A\$, AUD and cents is to Australian currency, unless otherwise stated.
- (f) A reference to a Section or Annexure is to a Section or Annexure in this Scheme Booklet, unless stated otherwise.

ANNEXURE A - IMPLEMENTATION AGREEMENT**IMPLEMENTATION AGREEMENT**

DATED 10 MAY 2009

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DETAILS**PARTIES****KIRIN AND LION NATHAN****Kirin**

Name	Kirin Holdings Company, Limited
Incorporated in	Japan
Address	c/- Blake Dawson [Ref: 02-2005-5192] 225 George Street Sydney NSW 2000
Telephone	61-2-9258-6000
Fax	61-2-9258-6999
Attention	Ian Williams / David Ryan / Carl Della-Bosca

Lion Nathan

Name	Lion Nathan Limited
ABN/ACN/ARBN	34 093 160 448
Incorporated in	Australia
Address	Level 7, 68 York Street, Sydney, NSW, 2000, Australia
Telephone	61-2-9320-2200
Fax	61-2-9320-2264
Attention	General Counsel and Company Secretary

Recitals

- A Lion Nathan and Kirin have agreed that Lion Nathan will become a wholly owned subsidiary of Kirin by means of a members' scheme of arrangement under Part 5.1 of the Corporations Act.
- B At the request of Kirin, Lion Nathan intends to propose the Scheme and issue the Scheme Booklet
- C Lion Nathan and Kirin have agreed to implement the Scheme on the terms and conditions of this agreement.

Governing law

New South Wales

Date of agreement

See Signing page

GENERAL TERMS

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

These meanings apply unless the contrary intention appears.

ACCC means the Australian Competition and Consumer Commission.

ACCC Approval means the occurrence of any of the following:

- (a) the ACCC has not commenced or threatened to commence proceedings to restrain the Transaction; or
- (b) the ACCC has advised Kirin in writing that it does not intend to oppose, intervene or seek to prevent the implementation of the Transaction under or by reference to section 50 of the Trade Practices Act 1974 (Cth), which notification is either unconditional or subject to conditions that are acceptable to Kirin.

Accounting Standards means:

- (a) accounting standards approved under the Corporations Act and its requirements about the preparation and content of accounts; and
- (b) generally accepted accounting principles, policies practices and procedures in Australia.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691), Australian Securities Exchange or the Australian Stock Exchange as appropriate.

Authorisation means:

- (a) an approval, authorisation, consent, declaration, exemption, licence, notarisation, permit or waiver, however it is described, and including any condition attaching to it; and
- (b) in relation to anything that could be prohibited or restricted by law if a Regulatory Authority acts in any way within a specified period, the expiry of that period without that action being taken,

including any renewal or amendment.

Authorised Officer means, in respect of a party, a director or secretary of the party or any other person appointed by a party to act as an Authorised Officer under this agreement.

Business Day means a business day as defined in the Listing Rules.

Competing Transaction means a transaction which, if completed, would mean a person (other than Kirin or its Related Bodies Corporate or Representatives) would:

- (a) directly or indirectly, acquire an interest, a Relevant Interest in or become the holder of:
 - (i) more than 10% of the shares in Lion Nathan or more than 10% of the shares in any of Lion Nathan's material subsidiaries; or
 - (ii) the whole or a material part of the business or property of Lion Nathan or any of its material subsidiaries;
- (b) acquire control of Lion Nathan, within the meaning of section 50AA of the Corporations Act; or
- (c) otherwise acquire or merge (including by way of a reverse takeover bid or dual listed companies structure) with Lion Nathan.

For the purposes of paragraph (a)(i) above, a subsidiary of Lion Nathan will be a material subsidiary if:

- (1) the business or property of the subsidiary contributes 50% or more of the consolidated net profit after tax of Lion Nathan; or
- (2) the business or property of the subsidiary represents 50% or more of the total consolidated assets of Lion Nathan.

For the purposes of paragraph (a)(ii) above, the acquisition of an interest in the business or property of Lion Nathan or any of its subsidiaries will be material if:

- (1) the relevant business or property contributes 50% or more of the consolidated net profit after tax of Lion Nathan; or
- (2) the business or property represents 50% or more of the total consolidated assets of Lion Nathan.

Conditions Precedent means the conditions precedent set out in schedule 1.

Confidentiality Deed means the Confidentiality Deed between Kirin and Lion Nathan dated on or about 26 April 2009.

Controller has the meaning it has in the Corporations Act.

Corporations Act means the Corporations Act 2001 (Cwlth).

Corporations Regulations means the Corporations Regulations 2001 (Cwlth).

Court means the Federal Court of Australia (New South Wales registry), or such other court of competent jurisdiction under the Corporations Act agreed in writing by the parties.

Details means the section of this agreement headed "Details".

Due Diligence Materials means the written information and documents made available to Kirin by Lion Nathan before the date of this agreement in a physical data room maintained at the offices of Mallesons Stephen Jaques, at Governor Phillip Tower, 1 Farrer Place, Sydney NSW between the dates of Saturday 25 April 2009 and Thursday 30 April 2009.

Effective, when used in relation to the Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

Effective Date in relation to the Scheme means the date on which the Scheme becomes Effective.

End Date means 31 December 2009 or such other date as Kirin and Lion Nathan agree.

Excluded Shareholder means any Lion Nathan Shareholder who is Kirin or a Related Body Corporate of Kirin.

FIRB means the Foreign Investment Review Board.

First Court Date means the first day on which an application made to the Court, in accordance with item 10 of schedule 3, for orders under section 411(1) of the Corporations Act convening the Members' Scheme Meeting to consider the Scheme is heard.

Implementation Date means the fifth Business Day following the Scheme Record Date or such other date as is agreed by Kirin and Lion Nathan.

Incoming Directors means each person nominated in writing by Kirin to Lion Nathan prior to the Second Court Date to be appointed to the Lion Nathan Board.

GENERAL TERMS *continued*

Independent Expert means any independent expert approved by Kirin and appointed by Lion Nathan under item 3 of schedule 3 to prepare the Independent Expert Report stating whether, in the expert's opinion the Scheme is in the best interest of Scheme Participants.

Independent Expert's Report means the report prepared by the Independent Expert.

A person is **Insolvent** if:

- (a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act);
- (b) it is in liquidation, in provisional liquidation, under administration or wound up or has had a Controller appointed to any part of its property;
- (c) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this agreement);
- (d) an application or order has been made (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of (a), (b) or (c) above;
- (e) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand;
- (f) it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act (or it makes a statement from which another party to this agreement reasonably deduces it is so subject);
- (g) it is otherwise unable to pay its debts when they fall due; or
- (h) something having a substantially similar effect to (a) to (g) happens in connection with that person under the law of any jurisdiction.

Interim Dividend means the amount of A\$0.22 per Lion Nathan Share referred to in clause 4.2(d).

Interim Dividend Payment Date means such date for payment of the Interim Dividend as determined by the Lion Nathan Board.

Interim Dividend Record Date means the date for determining entitlements to receive the Interim Dividend as determined by the Lion Nathan Board.

ITAA 97 means the *Income Tax Assessment Act 1997* (Cth).

Kirin has the meaning given in the Details.

Kirin Board means the board of directors of Kirin as constituted from time to time.

Kirin Deed Poll means a deed poll to be executed by Kirin Holdings Company, Limited substantially in the form set out in Annexure B of this agreement, or as otherwise agreed by Kirin and Lion Nathan.

Kirin Director means a director on the Kirin Board as constituted from time to time.

Kirin Funding Commitment means the securing of financial accommodation by Kirin pursuant to enforceable agreements, under which one or more banks or financial institutions agree to provide committed funding to finance the acquisition of the Scheme Shares pursuant to the Scheme, subject only to

standard completion conditions precedent relating to formal matters concerning the drawdown of the funding.

Kirin Indemnified Parties means Kirin, its officers, employees and advisers, its Related Bodies Corporate and the officers, employees and advisers of each of its Related Bodies Corporate.

Kirin Information means the information regarding Kirin as is required to be included in the Scheme Booklet under the Corporations Act, the Corporations Regulations, the Listing Rules or ASIC Regulatory Guide 60 or 142. For the avoidance of doubt, Kirin Information does not include information about the Lion Nathan Group except to the extent it relates to any statement of Kirin's intentions relating to the Lion Nathan Group following the Effective Date, provided that Kirin has consented in writing to the inclusion of such statements in the Scheme Booklet.

Kirin Nominee Directors means Senji Miyake, Hirotake Kobayashi, and Fumio Miki.

Kirin Payment means the amount of A\$11.50 per Lion Nathan Share, less the Kirin Payment Adjustment Amount (if any).

Kirin Payment Adjustment Amount means the amount of any dividends or distributions declared or announced by Lion Nathan prior to the Implementation Date, except for the Special Payment and the Interim Dividend.

Lion Nathan has the meaning given in the Details.

Lion Nathan Achievement Right means an Achievement Right as defined in the Lion Nathan Achievement Rights Plan or any right awarded under the Share Scheme Section of the Lion Nathan Employee Benefit Plan (New Zealand), as amended from time to time.

Lion Nathan Achievement Rights Plan means the Lion Nathan Achievement Rights Plan established by Lion Nathan, as amended from time to time.

Lion Nathan Board means the board of directors of Lion Nathan as constituted from time to time.

Lion Nathan Director means a director on the Lion Nathan Board.

Lion Nathan Employee Share Acquisition Plan means:

- (a) the employee share scheme entitled the Lion Nathan Employee Share Acquisition Plan established by Lion Nathan, under which eligible employees may be granted Lion Nathan Shares; and
- (b) the Employee Share Benefit Section of the Lion Nathan Employee Benefit Plan (New Zealand).

Lion Nathan Group means Lion Nathan and its Subsidiaries.

Lion Nathan Group Director means a director on the board of a company which is a member of the Lion Nathan Group.

Lion Nathan Indemnified Parties means Lion Nathan, its officers, employees, and advisers and its Related Bodies Corporate and the officers, employees and advisers of each of its Related Bodies Corporate.

Lion Nathan Information means all information contained in the Scheme Booklet other than the Kirin Information and the Independent Expert's Report.

Lion Nathan Register means the register of members of Lion Nathan maintained by or on behalf of Lion Nathan in accordance with section 168(1) of the Corporations Act.

Lion Nathan Share means an issued fully paid ordinary share in the capital of Lion Nathan.

Lion Nathan Shareholder means each person who is registered in the Lion Nathan Register as a holder of Lion Nathan Shares.

Listing Rules means the Listing Rules of the ASX.

Losses means all claims, demands, damages, losses, costs, expenses and liabilities.

Management Responses means the written responses provided to Kirin by Lion Nathan and its advisers in response to questions submitted by Kirin and its advisers before the date of this agreement which have been agreed and initialled by the parties for the purposes of identification.

Material means, in relation to the concept of materiality, something reasonably likely to influence the decision of a bidder for Lion Nathan Shares in the position of Kirin whether or not to proceed with the Transaction.

Material Adverse Event means Specified Events which individually, or when aggregated with all Specified Events, have resulted in, or could reasonably be expected to result in:

- (a) the value of the consolidated net assets of the Lion Nathan Group being reduced by \$90 million or more; or
- (b) the value of consolidated annual net profit after tax of the Lion Nathan Group being reduced by \$30 million or more.

Members' Scheme Meeting means the meeting to be convened by the Court at which Scheme Participants will vote on the Scheme.

Merger Payment means the aggregate of the Kirin Payment, the Special Payment and the Interim Dividend referred to in clause 4.2(a).

Nominee has the meaning given to that term in clause 2.4.

NZCC means the New Zealand Commerce Commission.

NZCC Approval means the occurrence of any of the following:

- (a) the NZCC has not commenced or threatened to commence proceedings to restrain the Transaction; or
- (b) the NZCC has given clearance, or has granted authorisation, under the Commerce Act 1986 (**Commerce Act**) to the Transaction or the transfer of the Scheme Shares to Kirin or implementation of this agreement otherwise being or becoming lawful under the Commerce Act.

NZX means NZX Limited or the securities market which it operates, as the context requires.

OIO means Overseas Investment Office.

Prescribed Event means the occurrence of any of the following:

- (a) a member of Lion Nathan Group converting all or any of its securities into a larger or smaller number of securities;
- (b) a member of Lion Nathan Group resolving to reduce its capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its securities;
- (c) a member of Lion Nathan Group declaring, paying or distributing any dividend, bonus or other share of its profits or assets by way of dividend, capital reduction or otherwise (or announcing an intention to do so);
- (d) a member of Lion Nathan Group:
 - (i) entering into a buy-back agreement; or

- (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act;

- (e) a member of Lion Nathan Group issuing securities, or granting an option (including a Lion Nathan Achievement Right or other performance right) over its securities, or agreeing to make such an issue or grant such an option (including a Lion Nathan Achievement Right or other performance right), other than any issue or grant by Lion Nathan pursuant to or consistent with arrangements entered into before the date of this agreement (including invitations or offers made, and terms of participation, under the Lion Nathan Employee Share Acquisition Plan and the Lion Nathan Achievement Rights Plan);
- (f) a member of Lion Nathan Group issuing or agreeing to issue securities or other instruments convertible into equity or debt securities;
- (g) a member of Lion Nathan Group adopting a constitution or making any change or amendment to its existing constitution;
- (h) a member of Lion Nathan Group becoming Insolvent (other than a member of the Lion Nathan Group currently in liquidation),

provided that a Prescribed Event will not include an event:

- (i) which is required to be done or procured by Lion Nathan pursuant to this agreement or the Scheme;
- (j) the occurrence of which has been approved in writing by Kirin prior to the event occurring;
- (k) that has been fully and fairly disclosed in writing by Lion Nathan to Kirin before the date of this agreement;
- (l) which involves a declaration or determination relating to, or payment of, the Special Payment or Interim Dividend; or
- (m) which relates to an inter-company transaction done or agreed to be done solely between Lion Nathan or any member of the Lion Nathan Group and another member or members of the Lion Nathan Group.

Regulator's Draft means the draft of the Scheme Booklet in a form acceptable to both parties which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act.

Regulatory Approval means any approval of a Regulatory Authority which Kirin and Lion Nathan reasonably agree is necessary to implement any material aspect of the Transaction.

Regulatory Authority includes:

- (a) ASX, ACCC, ASIC, NZCC, NZX, FIRB, OIO;
- (b) a government or governmental, semi-governmental or judicial entity or authority including a Tax Authority;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

Regulatory Review Period means the period from the date on which the Regulator's Draft is submitted to ASIC to the date on which ASIC confirms that it does not intend to make any submissions at the Court hearing on the First Court Date or otherwise object to the Scheme.

Related Body Corporate has the meaning it has in the Corporations Act.

GENERAL TERMS continued

Relevant Interest has the same meaning as given by sections 608 and 609 of the Corporations Act.

Representative means, in relation to a party:

- (a) a Related Body Corporate;
- (b) a director, officer or employee of the party or any of the party's related bodies corporate; or
- (c) an adviser to the party or any of the party's related bodies corporate, where an "adviser" means, in relation to an entity, a financier, financial adviser, corporate adviser, legal adviser, or technical or other expert adviser or consultant who provides advisory services in a professional capacity to the market in general and who has been engaged by that entity.

Resigning Director means each Lion Nathan Director nominated in writing by Kirin to the Lion Nathan Board prior to the Second Court Date as being required to resign from the Lion Nathan Board.

Scheme means the scheme of arrangement between Lion Nathan and Scheme Participants under which all the Scheme Shares will be transferred to Kirin under Part 5.1 of the Corporations Act substantially in the form set out in Annexure A to this agreement, or as otherwise agreed by Kirin and Lion Nathan, subject to any amendment or condition made pursuant to section 411(6) of the Corporations Act.

Scheme Booklet means, in respect of the Scheme, the information booklet to be approved by the Court and despatched to Scheme Participants which must:

- (a) include the Scheme, the Kirin Deed Poll, the Independent Expert's Report and the notice of meeting and proxy form; and
- (b) include an explanatory statement that complies with the Corporations Act, Corporations Regulations, ASIC Regulatory Guide 60 and 142 and the Listing Rules.

Scheme Participant means each person who is a Lion Nathan Shareholder as at the Scheme Record Date, other than an Excluded Shareholder.

Scheme Record Date means 7.00pm on the fifth Business Day following the Effective Date or such other date (after the Effective Date) as Lion Nathan and Kirin agree.

Scheme Shares means all Lion Nathan Shares held by Scheme Participants as at the Scheme Record Date and for the avoidance of doubt includes any Lion Nathan Shares issued on or before the Scheme Record Date, including upon the exercise of any Lion Nathan Achievement Rights.

Second Court Date means the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.

Special Payment means the amount of A\$0.50 per Lion Nathan Share referred to in clause 4.2(c).

Special Payment Date means such date for payment of the Special Payment as determined by the Lion Nathan Board following agreement between Lion Nathan and Kirin, pursuant to clause 4.3(d).

Special Payment Record Date means the date for determining entitlements to receive the Special Payment as determined by the Lion Nathan Board following agreement between Lion Nathan and Kirin, pursuant to clause 4.3(d).

Specified Events means an event, occurrence or matter that:

- (a) occurs or fails to occur after the date of this agreement;
- (b) occurs or fails to occur before the date of this agreement but is only disclosed to Kirin, announced or publicly disclosed after the date of this agreement; or
- (c) will or is likely to occur after the date of this agreement and which has not been publicly announced or disclosed to Kirin prior to the date of this agreement,

but excludes:

- (a) any announcement, decision, determination, proposed change to legislation or regulations, or ruling issued by a Regulatory Authority (including in relation to Tax) which does not relate specifically to Lion Nathan's business;
- (b) any declaration or determination relating to, or payment of, the Special Payment or Interim Dividend; or
- (c) the de-recognition of any tax losses that arise from the Transaction.

Standstill Period means the period commencing on the date of this agreement and ending on the earlier of:

- (a) the termination of this agreement in accordance with its terms; and
- (b) the date on which a Competing Transaction is publicly announced.

Subsidiaries has the meaning it has in the Corporations Act.

Superior Proposal means a bona fide Competing Transaction that is publicly announced after the date of this agreement and which the Lion Nathan Board (other than the Kirin Nominee Directors), acting in good faith, and acting reasonably, after taking advice from its legal and financial advisers, determines is:

- (a) reasonably capable of being completed taking into account all aspects of the Competing Transaction; and
- (b) of higher financial value and more favourable to Scheme Participants than the Scheme, taking into account all terms and conditions of the Competing Transaction.

Tax means all forms of taxes, duties, imposts, charges, withholdings, rates, levies, clawbacks or other governmental impositions of whatever nature and by whatever authority imposed, assessed or charged together with all costs, charges, interest, penalties, fines and other additional statutory charges incidental or related to the imposition, assessment or charge of those amounts.

Tax Authority means any governmental authority responsible for the imposition, collection or recovery of any Tax.

Timetable means the timetable set out in schedule 2, subject to any amendments as the parties may agree in writing.

Transaction means the acquisition by Kirin of all the issued shares in Lion Nathan that Kirin does not already own, through the implementation of the Scheme and the other transactions contemplated by this agreement, including the payment of the Special Payment and the payment of the Interim Dividend.

Treasurer means the Treasurer of the Commonwealth of Australia.

1.2 References to certain general terms

Unless the contrary intention appears, a reference in this agreement to:

- (a) **(variations or replacement)** a document (including this agreement) includes any variation or replacement of it;

- (b) **(clauses, annexures and schedules)** a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this agreement;
- (c) **(reference to statutes)** a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (d) **(law)** law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
- (e) **(singular includes plural)** the singular includes the plural and vice versa;
- (f) **(person)** the word "person" includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any Regulatory Authority;
- (g) **(executors, administrators, successors)** a particular person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (h) **(party)** a reference to a party to a document includes that party's successors and permitted assigns;
- (i) **(reference to a group of persons)** a group of persons or things is a reference to any two or more of them jointly and to each of them individually;
- (j) **(asset)** a reference to an asset includes all property of any nature, including, but not limited to, a business, and all rights, revenues and benefits;
- (k) **(dollars)** Australian dollars, dollars, A\$ or \$ is a reference to the lawful currency of Australia;
- (l) **(calculation of time)** a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (m) **(defined meaning)** where a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (n) **(reference to a day)** a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (o) **(accounting terms)** an accounting term is a reference to that term as it is used in the Accounting Standards;
- (p) **(meaning not limited)** the words "include", "including", "for example" or "such as" when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind; and
- (q) **(time of day)** time is a reference to Sydney time.

1.3 Next day

If an act under this agreement to be done by a party on or by a given day is done after 5.30 pm on that day, it is taken to be done on the next day.

1.4 Next Business Day

If an event must occur on a stipulated day which is not a Business Day then the stipulated day will be taken to be the next Business Day.

1.5 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this agreement.

2. AGREEMENT TO PROPOSE AND IMPLEMENT SCHEME

2.1 Agreement to implement Transaction

The parties agree to implement the Transaction on the terms and conditions of this agreement.

2.2 Lion Nathan to propose Scheme

Lion Nathan agrees to propose the Scheme on and subject to the terms and conditions of this agreement.

2.3 Kirin to assist with the Scheme

Kirin agrees to assist Lion Nathan to propose the Scheme on and subject to the terms and conditions of this agreement.

2.4 Kirin nominee

Despite anything else in this agreement, Kirin may by notice to Lion Nathan not later than 5 Business Days before the Regulator's Draft is submitted to ASIC, nominate a wholly owned Subsidiary of Kirin ("**Nominee**") to pay the Kirin Payment and to which the Scheme Shares will be transferred in accordance with clause 4 if the Scheme becomes Effective.

From the date of receipt by Lion Nathan of the notice ("**Notification Date**"):

- (a) the parties agree that references to Kirin in this agreement (other than references to Kirin in the Details and in clauses 4.4 and 4.5 and clause 5.3 insofar as it relates to items 1, 2 and 8 of schedule 4) will be construed as references to the Nominee (without the need for further amendment); and
- (b) Kirin must procure that the Nominee complies with this agreement as if the Nominee were a party to it in place of Kirin.

Despite the above, Kirin will continue to be bound by all of the obligations of Kirin under this agreement and will not be released from any obligations or liabilities under this agreement following the Notification Date. However, Lion Nathan agrees that Kirin will not be in breach of this agreement for failing to discharge the obligation of Kirin under this agreement if the Nominee fully discharges that obligation.

2.5 Right to proceed by takeover bid

Kirin may propose, at any time prior to the date that the Regulator's Draft is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act, that the Transaction be implemented by way of a takeover bid pursuant to Chapter 6 of the Corporations Act on the same commercial terms and conditions of the Scheme. If Kirin proposes that this alternative be pursued in that way, the parties must discuss and seek to agree in good faith an agreement to proceed in that way. If that agreement is reached, the parties must promptly amend this agreement to reflect that revised transaction structure or enter into a new agreement reflecting that transaction structure.

3. CONDITIONS PRECEDENT

3.1 Conditions precedent

Subject to this clause 3, the Scheme will not become Effective and the obligations of Kirin under clause 4.4 are not binding unless each of the Conditions Precedent contained in schedule 1 are satisfied or waived to the extent and in the manner set out in clauses 3.2, 3.3 and 3.4.

GENERAL TERMS *continued*

3.2 Benefit of certain Conditions Precedent

A Condition Precedent may only be waived in writing by a party entitled to the benefit of that Condition Precedent as noted in the table set out in schedule 1 and will be effective only to the extent specifically set out in that waiver.

A party entitled to waive the breach or non-fulfilment of a Condition Precedent under this clause 3.2 may do so in its absolute discretion.

3.3 Waiver of Conditions Precedent

If either Lion Nathan or Kirin waives the breach or non-fulfilment of a Condition Precedent in accordance with this clause, then:

- (a) subject to subclause 3.3(b), that waiver precludes that party from suing the other for any breach of this agreement arising as a result of the breach or non-fulfilment of that Condition Precedent or arising from the same event which gave rise to the breach or non-fulfilment of that Condition Precedent; but
- (b) if the waiver of the Condition Precedent is itself conditional and the other party:
 - (i) accepts the condition, the terms of that condition apply notwithstanding any inconsistency with subclause 3.3(a); or
 - (ii) does not accept the condition, the Condition Precedent has not been waived.

3.4 Reasonable endeavours

Each of Lion Nathan and Kirin agree to use reasonable endeavours to procure that:

- (a) each of the Conditions Precedent for which they are responsible, as noted in the table set out in schedule 1:
 - (i) is satisfied as soon as practicable after the date of this agreement; and
 - (ii) continues to be satisfied at all times until the last time it is to be satisfied as noted in the table set out in schedule 1 (as the case may require); and
- (b) there is no occurrence that would prevent the Conditions Precedent for which they are responsible, as noted in the table set out in schedule 1, being satisfied.

3.5 Regulatory matters

Without limiting clause 3.4, each party:

- (a) **(Regulatory Approvals)** must promptly apply for all relevant Regulatory Approvals and take all steps it is responsible for as part of the approval process for the Scheme, including responding to requests for information at the earliest practicable time; and
- (b) **(consultation)** must use its reasonable endeavours to consult with the other party in advance in relation to all material communications with any Regulatory Authority relating to any Regulatory Approval.

3.6 Notices in relation to Conditions Precedent

Each party must:

- (a) **(notice of satisfaction)** promptly notify the other of satisfaction of a Condition Precedent and must keep the other informed of any material development of which it becomes aware that may lead to the breach or non-fulfilment of a Condition Precedent;

- (b) **(notice of failure)** immediately give written notice to the other of a breach or non-fulfilment of a Condition Precedent, or of any event which will prevent a Condition Precedent being satisfied; and

- (c) **(notice of waiver)** upon receipt of a notice given under sub-clause 3.6(b), give written notice to the other party as soon as possible (and in any event before 8.00am on the Business Day before the Second Court Date) as to whether or not it waives the breach or non-fulfilment of any Condition Precedent resulting from the occurrence of that event, specifying the Condition Precedent in question.

3.7 Effect of waiver or non-fulfilment

A waiver of such breach or non-fulfilment in respect of one Condition Precedent does not constitute:

- (a) a waiver of the breach or non-fulfilment of any other Condition Precedent resulting from the same event; or
- (b) a waiver of the breach or non-fulfilment of that Condition Precedent resulting from any other event.

3.8 Consultation on failure of Condition Precedents

If:

- (a) there is a breach or non-fulfilment of a Condition Precedent which is not waived in accordance with this agreement by any time or date specified in this agreement for the satisfaction of the Condition Precedent;
- (b) there is an act, failure to act or occurrence which will prevent a Condition Precedent being satisfied by any time or date specified in this agreement for the satisfaction of the Condition Precedent (and the breach or non-fulfilment which would otherwise occur has not already been waived in accordance with this agreement); or
- (c) if the Scheme has not become Effective by the End Date, then the parties must consult in good faith with a view to determining whether:
- (d) the Scheme may proceed by way of alternative means or methods;
- (e) to extend the relevant time for satisfaction of the Condition Precedent or to adjourn or change the date of an application to the Court; or
- (f) to extend the End Date.

3.9 Failure to agree

If the parties are unable to reach agreement under clause 3.8 within 5 Business Days (or any shorter period ending at 8.00am on the Business Day before the Second Court Date):

- (a) subject to subclause 3.9(b), either party may terminate this agreement (and such termination will be in accordance with clause 10.1(e)(i)); or
- (b) if a Condition Precedent may be waived and exists for the benefit of one party only, that party only may waive that Condition Precedent or terminate this agreement (and such termination will be in accordance with clause 10.1(e)(ii));

in each case before 8.00am on the Second Court Date. A party will not be entitled to terminate this agreement pursuant to this clause 3.9 if the relevant Condition Precedent has not been satisfied or agreement cannot be reached as a result of:

- (c) a breach of this agreement by that party; or
- (d) a deliberate act or omission of that party.

3.10 Regulatory Approval

A Regulatory Approval will be regarded as having been obtained notwithstanding that a condition or conditions may have been attached to that Regulatory Approval if that condition is reasonably satisfactory to Kirin.

4. SCHEME

4.1 Scheme

Subject to the terms and conditions of this agreement, Lion Nathan agrees to propose the Scheme to Scheme Participants under which:

- (a) all of the Scheme Shares will be transferred to Kirin; and
- (b) Scheme Participants will receive the Kirin Payment as set out in clause 4.2(b).

4.2 Payments

- (a) The Merger Payment payable pursuant to the Transaction will be A\$12.22 per Lion Nathan Share as set out below. The parties agree that Kirin is not responsible for paying the Interim Dividend or the Special Payment.
- (b) Pursuant to the Scheme, Scheme Participants will receive the Kirin Payment for each Lion Nathan Share held by them at the Scheme Record Date in accordance with the Scheme and the Kirin Deed Poll.
- (c) Subject to clause 4.3, Lion Nathan will pay holders of Lion Nathan Shares as at the Special Payment Record Date an amount of A\$0.50 per Lion Nathan Share as a special payment on the Special Payment Date.
- (d) Lion Nathan will pay each holder of Lion Nathan Shares as at the Interim Dividend Record Date an amount of A\$0.22 per Lion Nathan Share as an interim dividend on the Interim Dividend Payment Date.

4.3 Tax Rulings and Franking of Special Payment and Interim Dividend

- (a) Subject to paragraph 4.3(b), 4.3(c) and 4.3(d), the parties intend that the amount of the franking credit allocated to the Special Payment and the Interim Dividend will be the maximum franking credit worked out using the formula in section 202-60(2) of the ITAA 97.
- (b) Lion Nathan will frank the Interim Dividend and Special Payment only to the extent that it does not cause Lion Nathan's franking account to be in deficit (as defined in section 205-40(2) of the ITAA 97) at the times set out in sections 205-45 and 709-60(3) of the ITAA 97.
- (c) Lion Nathan must provide Kirin with franking account information that is reasonably requested by Kirin.
- (d) The parties acknowledge and agree that matters in relation to the Special Payment are subject to further consultation and agreement between the parties. The parties must discuss and co-operate in good faith with each other in reaching agreement with respect to these matters. These matters include, but are not limited to, the form and manner of the Special Payment. Lion Nathan undertakes and agrees that it will not make the Special Payment otherwise than in accordance with the agreement of Kirin.
- (e) The parties must discuss and co-operate in good faith in relation to any applications for any rulings to a Tax Authority in connection with the Transaction and in the conduct of any such ruling application and determination (including, without limitation, by allowing Kirin and/or its legal advisers to review

and comment on any ruling applications and to attend and participate in any meetings with any Tax Authorities), provided this does not result in any unreasonable delay having regard to the priority ruling process.

- (f) Lion Nathan will impute the Special Payment only to the extent of available New Zealand imputation credits. Lion Nathan must discuss and co-operate in good faith with Kirin with respect to any decisions that relevantly affect the New Zealand imputation credit position of the Lion Nathan Group, in relation to the current New Zealand imputation year ending 31 March 2010.

4.4 Kirin Payment

Kirin covenants in favour of Lion Nathan (in its own right and on behalf of each Scheme Participant) that in consideration of the transfer to Kirin of each Lion Nathan Share held by a Scheme Participant, Kirin will, on the date being two Business Days before the Implementation Date, pay to a trust account operated by Lion Nathan (as agent for each Scheme Participant) an amount equal to the aggregate of the Kirin Payment payable for all the Scheme Shares in accordance with the Scheme.

4.5 Undertakings held as agent

Lion Nathan acknowledges that the undertaking by Kirin in clause 4.4 is given to Lion Nathan in its capacity as agent for each Scheme Participant.

4.6 Payment to Scheme Participants

Lion Nathan must:

- (a) receive in a trust account in accordance with the Scheme and as agent for each Scheme Participant, the amount paid in accordance with clause 4.4 ;
- (b) pay to each Scheme Participant such moneys as each Scheme Participant is entitled to receive in accordance with the Scheme; and
- (c) otherwise comply with its obligations under the Scheme.

5. CO-OPERATION AND TIMING

5.1 General obligations

Lion Nathan and Kirin must each:

- (a) use all reasonable endeavours and commit necessary resources (including management and corporate relations resources and the resources of external advisers); and
- (b) procure that its officers and advisers work in good faith and in a timely and co-operative fashion with the other party (including by attending meetings and by providing information),

to produce the Scheme Booklet and implement the Scheme as soon as reasonably practicable and in accordance with the Timetable.

5.2 Lion Nathan's obligations

Lion Nathan must comply with the obligations of Lion Nathan set out in schedule 3 and take all reasonable steps that are necessary or reasonably requested by Kirin to implement the Scheme as soon as is reasonably practicable and in the most efficient manner for Scheme Participants and in any event prior to the End Date.

5.3 Kirin's obligations

Kirin must comply with the obligations of Kirin set out in schedule 4 and take all reasonable steps that are necessary or reasonably requested by Lion Nathan to assist Lion Nathan

GENERAL TERMS *continued*

to implement the Scheme as soon as is reasonably practicable and in the most efficient manner for Scheme Participants and in any event prior to the End Date.

5.4 Access to people and Lion Nathan information

Between the date of this agreement and the earlier of Implementation Date and the date this agreement is terminated, Lion Nathan must:

- (a) as soon as reasonably practicable provide Kirin and its officers and advisers with any documents, records, and other information (subject to any existing confidentiality obligations owed to third parties, or applicable privacy laws) reasonably requested by them;
- (b) provide Kirin and its officers and advisers with reasonable access to Lion Nathan's officers and advisers which Kirin reasonably requires, including for the purposes of:
 - (i) implementing the Scheme;
 - (ii) preparing for carrying on the business of Lion Nathan following implementation of the Scheme, including any changes in ownership structure or any restructuring of the business following implementation of the Scheme in accordance with Kirin's plans;
 - (iii) determining the ownership, tax and financing structure of Kirin or its Related Bodies Corporate in respect of the Transaction; and
 - (iv) any other purpose which is agreed in writing between the parties,

provided that such access does not place an unreasonable burden on the ability of Lion Nathan to run its business.

- (c) continue to provide Kirin with all financial, commercial and risk information, documents, records and reports consistent with its normal practice over the 12 month period prior to the date of this agreement, including but not limited to, Lion Nathan interim and quarterly reports, information provided to Lion Nathan's Finance and Risk Committee and other information required by Kirin for it to comply with Japanese accounting standards and rules.

5.5 Lion Nathan Achievement Rights

The parties must discuss in good faith and co-operate with each other to ensure that all outstanding Lion Nathan Achievement Rights are either acquired by Kirin, or otherwise dealt with to Kirin's satisfaction, before the Scheme Record Date.

The parties acknowledge and agree that they will work together in good faith so that as a consequence of the Transaction participants in the Lion Nathan Achievement Rights Plan will receive an aggregate sum equal to the sum of the Kirin Payment and the Special Payment for each Lion Nathan Achievement Right granted to the relevant participants prior to the Scheme Record Date that has not lapsed.

5.6 Third party approvals and consents

The parties agree to use their best endeavours and to work in good faith and in a timely and cooperative fashion to ensure that all Authorisations and consents from third parties which Kirin reasonably considers necessary or desirable to implement the Transaction or any material part of the Transaction, or to facilitate Kirin carrying on the business of Lion Nathan following implementation of the Scheme, are obtained prior to the Implementation Date of the Scheme.

5.7 Cooperation and consultation

Lion Nathan must use its best endeavours to involve Kirin in meetings or discussions with third parties relating to the obtaining of any Authorisation or third party consent required by Kirin under clause 5.6 and without limitation must:

- (a) keep Kirin informed of progress in obtaining any such Authorisation or third party consent;
- (b) provide Kirin with drafts of any material written communications to be sent to any person in relation to the Authorisation or third party consent and make such amendments as Kirin reasonably requires; and
- (c) provide copies of any written communications sent to or received from a third party in relation to an Authorisation or third party consent promptly upon despatch or receipt (as the case may be),

in each case to the extent it is reasonable to do so.

5.8 Kirin's right to separate representation

Kirin is entitled to separate representation at all Court proceedings relating to the Scheme. Nothing in this agreement is to be taken to give Lion Nathan any right or power to make or give undertakings to the Court for or on behalf of Kirin.

5.9 Scheme Booklet responsibility statements

The responsibility statement to appear in the Scheme Booklet, in a form to be agreed by the parties will contain words to the effect of:

- (a) Lion Nathan has provided, and is responsible for, the Lion Nathan Information in the Scheme Booklet, and that Kirin and its directors and officers (including the Kirin Nominee Directors) do not assume any responsibility for the accuracy or completeness of that Lion Nathan Information;
- (b) Kirin has provided, and is responsible for, the Kirin Information in the Scheme Booklet, and that Lion Nathan and its directors and officers do not assume any responsibility for the accuracy or completeness of that Kirin Information except to the extent that Lion Nathan has provided Kirin with information for the purpose of Kirin preparing information on the merged entity following implementation of the Scheme; and
- (c) the Independent Expert has provided and is responsible for the Independent Expert's Report and:
 - (i) Kirin and its directors and officers do not assume any responsibility for the accuracy or completeness of the Independent Expert's Report; and
 - (ii) Lion Nathan and its directors and officers do not assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

6. SCHEME BOOKLET

6.1 Preparation

Without limiting clauses 5.2 or 5.3:

- (a) **(preparation):** Lion Nathan is generally responsible for the preparation of the Scheme Booklet but will provide drafts to and consult with Kirin in accordance with clause 6.2;
- (b) **(compliance - Lion Nathan)** Lion Nathan must take all necessary steps to endeavour to ensure that the Lion Nathan Information included in the Scheme Booklet:
 - (i) complies with the requirements of:

- (A) the Corporations Act;
 - (B) the Corporations Regulations;
 - (C) ASIC Regulatory Guide 60;
 - (D) ASIC Regulatory Guide 142; and
 - (E) the Listing Rules; and
- (ii) is not, having regard to applicable disclosure requirements, misleading or deceptive in any material respect (including because of any material omission);
- (c) for the avoidance of doubt, the Kirin Nominee Directors have no obligations in relation to the preparation of the Scheme Booklet or the Lion Nathan Information;
- (d) **(compliance – Kirin)** Kirin must take all necessary steps to endeavour to ensure that the Kirin Information included in the Scheme Booklet:
- (i) complies with the requirements of:
 - (A) the Corporations Act;
 - (B) the Corporations Regulations;
 - (C) ASIC Regulatory Guide 60;
 - (D) ASIC Regulatory Guide 142; and
 - (E) the Listing Rules; and
 - (ii) is not, having regard to applicable disclosure requirements, misleading or deceptive in any material respect (including because of any material omission).

6.2 Consultation on Scheme Booklet

Without limiting clause 5.2, Lion Nathan must:

- (a) **(consult Kirin):**
 - (i) as soon as reasonably practicable after the date of this agreement, provide to Kirin an initial draft of the Scheme Booklet for the purpose of enabling Kirin to review and comment on that draft document;
 - (ii) provide to Kirin amended drafts of the Scheme Booklet as reasonably agreed for the purpose of enabling Kirin to review and comment on those draft documents;
 - (iii) take the comments made by Kirin into account in good faith when producing revised drafts of the Scheme Booklet; and
 - (iv) provide to Kirin a revised penultimate draft of the Scheme Booklet within a reasonable time before the Regulator's Draft is finalised and to enable Kirin to review the Regulator's Draft at least 5 Business Days before its submission;
- (b) **(amend Scheme Booklet)** implement such changes to those parts of the Scheme Booklet relating to Kirin which are provided in accordance with clause 6.2(a) as reasonably requested by Kirin and prior to finalising the Regulator's Draft;
- (c) **(approval of Regulators Draft)** as soon as reasonably practicable after finalisation of an advanced draft of the Regulator's Draft suitable for review by ASIC, procure that a meeting of the Lion Nathan Directors (other than the Kirin Nominee Directors) is convened to consider approving the Regulator's Draft as being in a form appropriate for provision to ASIC for review;
- (d) **(Regulatory Review Period)** during the Regulatory Review Period:

- (i) promptly provide to Kirin, and include in a revised draft of the Scheme Booklet, any new information not included in the Regulator's Draft which is required by the Corporations Act, the Corporations Regulations, ASIC Regulatory Guide 60 or 142 or the Listing Rules to be included in the Scheme Booklet; and
 - (ii) keep Kirin informed of any matters raised by ASIC in relation to the Scheme Booklet and use all reasonable endeavours, in co-operation with Kirin, to resolve any such matters; and
- (e) **(Kirin Information)** obtain approval from Kirin for the form and context in which the Kirin Information appears in the Scheme Booklet which approval must not be unreasonably delayed or withheld.

6.3 Kirin information

Without limiting clause 5.3, Kirin:

- (a) consents to the inclusion of the Kirin Information in the Scheme Booklet; and
- (b) acknowledges that:
 - (i) it is responsible only for ensuring that the Kirin Information is not misleading or deceptive in any material respect (whether by omission or otherwise) and that Lion Nathan will not verify or edit the final form of that information in the Scheme Booklet; and
 - (ii) the Scheme Booklet will state that Kirin is responsible for the Kirin Information, in accordance with clause 5.9.

6.4 Disagreement on content

If Kirin and Lion Nathan disagree on the form or content of the Scheme Booklet, they must consult in good faith to try to settle an agreed form of the Scheme Booklet. If complete agreement is not reached after reasonable consultation, then:

- (a) if the disagreement relates to the form or content of the Kirin Information contained in the Scheme Booklet, Lion Nathan will make such amendments as Kirin reasonably requires; and
- (b) if the disagreement relates to the form or content of any other part of the Scheme Booklet, the Lion Nathan Board (other than the Kirin Nominee Directors) will, acting in good faith, decide the final form or content of the disputed part of the Scheme Booklet.

6.5 Verification

Each party must undertake appropriate verification processes for the information supplied by that party for the Scheme Booklet and must provide each other with full and free access to, and on request (acting reasonably), copies of all materials and documents used or created in connection with their respective verification processes, and must maintain those materials and documents for at least 7 years from the date of this document for that purpose.

7. CONDUCT OF BUSINESS

7.1 Overview

From the date of this agreement up to and including the Implementation Date, Lion Nathan must conduct its business in the ordinary and proper course consistent with business plans and budgets approved by the Lion Nathan Board from time to time and must regularly consult with Kirin on the manner of conduct of the business.

GENERAL TERMS continued**7.2 Prohibited actions**

Other than with the prior approval of Kirin or as required by this agreement Lion Nathan must not, during the period referred to in clause 7.1:

- (a) **(Prescribed Event)** take any action which would be reasonably expected to give rise to a Prescribed Event; or
- (b) **(agreement)** agree to do anything which would be reasonably expected to give rise to a Prescribed Event.

7.3 Deeds of access, indemnity and insurance

- (a) From the Implementation Date, Kirin must procure that Lion Nathan and each member of the Lion Nathan Group preserve the indemnities and other rights under the deeds of indemnity access and insurance made by them in favour of their respective directors and officers from time to time and, in particular, must not take any action which would prejudice or adversely affect any directors' and officers run-off insurance cover taken out prior to the Implementation Date.
- (b) The undertakings contained in this clause 7.3 are subject to any restriction under the Corporations Act or any other applicable legislation and will be read down accordingly. Lion Nathan receives and holds the benefit of this clause 7.3, to the extent it relates to the directors and officers of Lion Nathan and other members of the Lion Nathan Group, as trustee for them.

7.4 Appointment of Incoming Directors

As soon as practicable after the Second Court Date, Lion Nathan must use its reasonable endeavours to cause the appointment of each Incoming Director to the Lion Nathan Board.

7.5 Resignation of Lion Nathan Directors

As soon as practicable after the Second Court Date, Lion Nathan must use its reasonable endeavours to cause the resignation of each Resigning Director from the Lion Nathan Board.

8. REPRESENTATIONS AND WARRANTIES**8.1 Lion Nathan's representations and warranties**

Subject to clause 8.7, Lion Nathan represents and warrants to Kirin (on its own behalf and separately as trustee or nominee for each of the Kirin Directors) that each of the statements set out in schedule 5 is true and correct in all material respects as at the date of this agreement and as at 8.00am on the Second Court Date.

8.2 Lion Nathan's indemnity

Lion Nathan indemnifies the Kirin Indemnified Parties against all Losses incurred directly or indirectly as a result of any of the representations and warranties in clause 8.1 not being true and correct.

8.3 Lion Nathan warranty certificate

Lion Nathan must provide to Kirin by 8.00am on the Second Court Date a certificate signed by a director of Lion Nathan and made in accordance with a resolution of the Lion Nathan Board stating, as at that date, that the representations or warranties given by Lion Nathan in clause 8.1 remain true and accurate or, if any such representation or warranty is not true and accurate as at that date, providing complete particulars of the facts and matters which make the representation or warranty untrue or inaccurate.

8.4 Kirin's representations and warranties

Kirin represents and warrants to Lion Nathan (on its own behalf and separately as trustee or nominee for each of the Lion Nathan Directors) that each of the statements set out in schedule 6 is true and correct in all material respects as at the date of this agreement and as at 8.00am on the Second Court Date.

8.5 Kirin's indemnity

Kirin indemnifies the Lion Nathan Indemnified Parties against all Losses incurred directly or indirectly as a result of any of the representations and warranties in clause 8.4 not being true and correct.

8.6 Kirin warranty certificate

Kirin must provide to Lion Nathan by 8.00am on the Second Court Date a certificate signed by a director of Kirin and made in accordance with a resolution of the Kirin Board stating, as at that date, that the representations and warranties given by Kirin in clause 8.4 remain true and accurate or, if any such representation or warranty is not true and accurate as at that date, providing complete particulars of the facts and matters which make the representation or warranty untrue or inaccurate.

8.7 Matters disclosed

Each of the representations or warranties given by Lion Nathan in clause 8.1 is to be read down and qualified by any information which is within the actual knowledge of Kirin (including information within the actual knowledge of the Kirin Nominee Directors, obtained in their capacity as Lion Nathan Directors).

9. COURT PROCEEDINGS**9.1 Appeal process**

If the Court refuses to make orders convening the Members' Scheme Meeting or approving the Scheme, Kirin and Lion Nathan must appeal the Court's decision to the fullest extent possible except to the extent that:

- (a) the parties agree otherwise; or
- (b) Queen's Counsel or Senior Counsel representing that party in relation to the Scheme indicates that, in their opinion, an appeal would likely have less than a 50% prospect of success,

in which case either party may terminate this agreement in accordance with clause 10.1(e)(iii).

9.2 Defence of proceedings

Each of Kirin and Lion Nathan must vigorously defend, or must cause to be vigorously defended, any lawsuits or other legal proceeding brought against it (or any of its Subsidiaries) challenging this agreement or the completion of the Transaction. Neither Kirin nor Lion Nathan will settle or compromise (or permit any of its Subsidiaries to settle or compromise) any claim brought in connection with this agreement without the prior written consent of the other, such consent not to be unreasonably withheld.

9.3 Costs

Any costs incurred as a result of the operation of this clause 9 will be borne equally by each party.

10. TERMINATION

10.1 Termination events

Without limiting any other provision of this agreement (including clauses 3.9 and 9.1), this agreement may be terminated:

- (a) **(End Date)** by either party, if the Scheme has not become Effective by the End Date; or
- (b) **(lack of support or breach)** at any time prior to 8.00am on the Second Court Date:
 - (i) by Kirin if the Lion Nathan Board (other than the Kirin Nominee Directors) changes its recommendation to the Scheme Participants that they vote in favour of the resolution to approve the Scheme, including any adverse modification to its recommendation, or otherwise makes a public statement indicating that it no longer supports the Scheme; or
 - (ii) by either Kirin or Lion Nathan if the other is in material breach of any clause of this agreement (excluding a representation or warranty set out in schedule 5 or schedule 6), taken in the context of the Transaction as a whole, provided that either Kirin or Lion Nathan, as the case may be, has, if practicable, given notice to the other setting out the relevant circumstances and stating an intention to terminate and, the relevant circumstances continue to exist 5 Business Days (or any shorter period ending at 8:00am on the Second Court Date) after the time such notice is given; or
- (c) **(not approved)** by either party if the resolution submitted to the Members' Scheme Meeting is not approved by the requisite majorities;
- (d) **(restraint)** by either party if a Court or other Regulatory Authority has issued a final and non-appealable order, decree or ruling or taken other action which permanently restrains or prohibits the Scheme;
- (e) **(consultation or appeal failure)** in accordance with and pursuant to:
 - (i) clause 3.9(a);
 - (ii) clause 3.9(b); or
 - (iii) clause 9.1;
- (f) **(agreement)** if agreed to in writing by Kirin and Lion Nathan.

10.2 Termination

Where a party has a right to terminate this agreement, that right for all purposes will be validly exercised if the party delivers a notice in writing to the other party stating that it terminates this agreement.

10.3 Effect of Termination

In the event that a party terminates this agreement, or if this agreement otherwise terminates in accordance with its terms, then in either case all further obligations of the parties under this agreement, other than the obligations set out in clauses 9.1, 11, 13, 14, 15 and 16 will immediately cease to be of further force and effect without further liability of any party to the other, provided that nothing in this clause releases any party from liability for any pre-termination breach of this agreement.

10.4 Damages

In addition to the right of termination under clause 10.1 where there is no appropriate remedy for the breach in the agreement (other than termination), the non-defaulting party is entitled to

damages for Losses suffered by it and expenses incurred by it as a result of the breach of the terms of this agreement.

11. STANDSTILL

During the Standstill Period Kirin must not, and must procure that none of its directors or Related Bodies Corporate:

- (a) acquire, agree to acquire or make any offer to acquire a Relevant Interest or other economic interest in the shares of the other party or (other than in the ordinary course of business) any assets of the other party or any Related Body Corporate of the other party; or
- (b) advise, assist or encourage any other person to do any of the things referred to in sub-clause (a),

unless such action is taken with the prior written consent of Lion Nathan.

For the avoidance of doubt, this clause does not apply to any action taken or required to be taken by Kirin, Related Bodies Corporate of Kirin or directors of Kirin under the Scheme.

12. PUBLIC ANNOUNCEMENTS

12.1 Required disclosure

Where a party is required by law, the Listing Rules or a memorandum of understanding with a Regulatory Authority to make any announcement or make any disclosure relating to a matter the subject of the Transaction, it may do so only after it has given the other party as much notice as possible and has consulted to the fullest extent possible in the circumstances with the other party and its legal advisers.

12.2 Other announcements

Subject to clause 12.1, no party may make any public announcement in connection with the Transaction other than in a form approved by each party (acting reasonably). Each party will use all reasonable endeavours to provide such approval as soon as practicable.

13. CONFIDENTIAL INFORMATION

Each party acknowledges and agrees that it continues to be bound by the Confidentiality Deed (for so long as that document remains in force) in respect of all information received by it from the other party on, before or after the date of this agreement.

14. NOTICES AND OTHER COMMUNICATIONS

14.1 Form - all communications

Unless expressly stated otherwise in this agreement, all notices, certificates, consents, approvals, waivers and other communications in connection with this agreement must be:

- (a) in writing;
- (b) in English or accompanied by a certified translation into English;
- (c) signed by the sender (if an individual) or an Authorised Officer of the sender; and
- (d) marked for the attention of the person identified in the Details or, if the recipient has notified otherwise, then marked for attention in the way last notified.

14.2 Form - communications sent by email

Communications sent by email need not be marked for attention in the way stated in clause 14.1. However, the email must state the first and last name of the sender.

GENERAL TERMS *continued*

Communications sent by email are taken to be signed by the named sender.

14.3 Delivery

Communications must be:

- (a) left at the address set out or referred to in the Details;
- (b) sent by prepaid ordinary post (airmail if appropriate) to the address set out or referred to in the Details;
- (c) sent by fax to the fax number set out or referred to in the Details;
- (d) sent by email to the address set out or referred to in the Details; or
- (e) given in any other way permitted by law.

However, if the intended recipient has notified a changed address, fax number or email address, then communications must be to that address, fax number or email address.

14.4 When effective

Communications take effect from the time they are received or taken to be received under clause 14.5 (whichever happens first) unless a later time is specified.

14.5 When taken to be received

Communications are taken to be received:

- (a) if sent by post, three days after posting (or seven days after posting if sent from one country to another);
- (b) if sent by fax, at the time shown in the transmission report as the time that the whole fax was sent; or
- (c) if sent by email:
 - (i) when the sender receives an automated message confirming delivery; or
 - (ii) four hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered,

whichever happens first.

14.6 Receipt outside business hours

Despite clauses 14.4 and 14.5, if communications are received or taken to be received under clause 14.5 after 5.00pm in the place of receipt or on a non-Business Day, they are taken to be received at 9.00am on the next Business Day and take effect from that time unless a later time is specified.

15. GOODS AND SERVICES TAX (GST)**15.1 Consideration does not include GST**

The consideration specified in this agreement does not include any amount for GST.

15.2 Recovery of GST

If GST is payable on any supply made under this agreement, for which the consideration is not expressly stated to include GST, the recipient agrees to pay to the supplier an additional amount equal to the GST at the same time that the consideration for the supply is to be provided. However:

- (a) the recipient need not pay the additional amount until the supplier gives the recipient a tax invoice or an adjustment note; and

- (b) if an adjustment event arises in respect of the supply, the additional amount will be adjusted to reflect the adjustment event and the recipient or the supplier (as the case may be) must make any payments necessary to reflect the adjustment.

15.3 Reimbursements

If a party is required under this agreement to indemnify another party or pay or reimburse costs of another party, that party agrees to pay:

- (a) the relevant amount less any input tax credits to which the other party (or to which the representative member for a GST group of which the other party is a member) is entitled; and
- (b) if the indemnity or payment or reimbursement is subject to GST, an amount equal to that GST, in accordance with clause 15.2.

15.4 Interpretation

All expressions used in this clause 15 which are defined in the GST Law have the meanings given to them in the GST Law. GST Law has the same meaning it has in the *A New Tax System (Goods and Services Tax) Act 1999 (Cwth)*.

15.5 Survival

This clause will survive termination of this agreement.

16. MISCELLANEOUS**16.1 Discretion in exercising rights**

A party may exercise a right or remedy or give or refuse its consent in any way it considers appropriate (including by imposing conditions), unless this agreement expressly states otherwise.

16.2 Partial exercising of rights

If a party does not exercise a right or remedy fully or at a given time, the party may still exercise it later.

16.3 No liability for loss

A party is not liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising a right or remedy under this agreement.

16.4 Approvals and consents

By giving its approval or consent a party does not make or give any warranty or representation as to any circumstance relating to the subject matter of the consent or approval.

16.5 Conflict of interest

The parties' rights and remedies under this agreement may be exercised even if it involves a conflict of duty or a party has a personal interest in their exercise.

16.6 Remedies cumulative

The rights and remedies in this agreement are in addition to other rights and remedies given by law independently of this agreement.

16.7 Variation and waiver

A provision of this agreement or a right created under it, may not be waived or varied except in writing, signed by the party or parties to be bound.

16.8 No merger

The warranties, undertakings and indemnities in this agreement do not merge on the Implementation Date.

16.9 Indemnities

The indemnities in this agreement are continuing obligations, independent from the other obligations of the parties under this agreement and continue after this agreement ends. It is not necessary for a party to incur expense or make payment before enforcing a right of indemnity under this agreement.

16.10 Enforceability

For the purpose of this agreement:

- (a) Lion Nathan is taken to be acting as agent and trustee on behalf of and for the benefit of all Lion Nathan Indemnified Parties; and
- (b) Kirin is taken to be acting as agent and trustee on behalf of and for the benefit of all Kirin Indemnified Parties,

and all of those persons are to this extent taken to be parties to this agreement.

16.11 Further steps

Each party agrees, at its own expense, to do anything the other party reasonably requests (such as obtaining consents, signing and producing documents and getting documents completed and signed):

- (a) to bind the party and any other person intended to be bound under this agreement; or
- (b) to show whether the party is complying with this agreement.

16.12 Construction

No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of, or seeks to rely on, this agreement or any part of it.

16.13 Costs

The parties agree to pay their own legal and other costs and expenses in connection with the preparation, execution and completion of this agreement and other related documentation except for stamp duty.

16.14 Stamp duty

- (a) Kirin agrees to pay all stamp duty (including fines and penalties) payable and assessed by legislation or by any revenue office on this agreement or the Scheme and in respect of a transaction contemplated by or related to this agreement or the Scheme.
- (b) Before and after the Implementation Date, Lion Nathan must provide to Kirin in a timely manner any assistance and any information or record in the Lion Nathan Group's possession or control which Kirin reasonably requests to:
 - (i) apply to any Tax Authority for any corporate reconstruction stamp duty relief, stamp duty rulings or stamp duty pre-determinations which Kirin determines are necessary or desirable in connection with the Transaction or any restructuring of Kirin or its Related Bodies Corporate in connection with the Transaction; or
 - (ii) satisfy the requirements of any Tax Authority for assessment of any duty referred to in clause 16.14(a) (for example, information for identifying and valuing land and other property held by the Lion Nathan Group in particular States and Territories of Australia).

Kirin agrees to pay all of Lion Nathan's reasonable third party costs in complying with these requests.

16.15 Disclosure

Each party may disclose information relating to the Transaction to a Tax Authority for the purpose of obtaining any Tax relief, pre-determinations, exemptions, approvals or rulings from a Tax Authority.

16.16 Entire agreement

Except for the Confidentiality Deed, this agreement constitutes the entire agreement of the parties about its subject matter and supersedes all previous agreements, understandings and negotiations on that subject matter.

16.17 Assignment

A party may not assign or otherwise deal with its rights under this agreement or allow any interest in them to arise or be varied in each case, without the consent of the other party.

16.18 No representation or reliance

Each party acknowledges that:

- (a) no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this agreement, except for representations or inducements expressly set out in this agreement;
- (b) it does not enter into this agreement in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this agreement; and
- (c) sub-clauses 16.18(a) and 16.18(b) above do not prejudice any rights a party may have in relation to information which had been filed by the other party with any Regulatory Authority.

16.19 Governing law

This agreement is governed by the law in force in the place specified in the Details. Each party submits to the non-exclusive jurisdiction of the courts of that place.

16.20 Counterparts

This agreement may be executed in counterparts. All counterparts when taken together are to be taken to constitute one instrument.

EXECUTED as an agreement

SCHEDULE 1 - CONDITIONS PRECEDENT (CLAUSE 3.1)

CONDITION	PARTY ENTITLED TO BENEFIT	PARTY RESPONSIBLE
1. Regulatory Approvals		
Before 8.00am on the Second Court Date:		
(a) (ASIC and ASX) ASIC and ASX have issued or provided (and not withdrawn, revoked or varied) such consents, waivers, modifications, and/or approvals or have done such other acts which are necessary or the parties agree are reasonably desirable to implement the Scheme. If such consents, waivers, modifications, and/or approvals are subject to conditions those conditions must be acceptable to Kirin and Lion Nathan.	Both	Both
(b) (FIRB approval) prior to the Second Court Date, either:	Cannot be waived	Kirin
(i) the Treasurer (or his delegate) has provided written advice that there are no objections under Australia's foreign investment policy to the proposed Transaction and that advice is unconditional or subject to conditions that are acceptable to Kirin; or		
(ii) following notice of the proposed Transaction having been given by Kirin to the Treasurer under the Foreign Acquisitions and Takeovers Act 1975 (Cwlth), the Treasurer has ceased to be empowered to make any order under Part II of that Act because of lapse of time.		
(c) (OIO consent) consent is given to and received by Kirin under the <i>Overseas Investment Act 2005 (NZ)</i> and the <i>Overseas Investment Regulations 2005 (NZ)</i> to the Transaction, and such consent is not withdrawn.	Cannot be waived	Kirin
(d) (ACCC) ACCC Approval is received.	Both	Both
(e) (NZCC) NZCC Approval is received.	Both	Both
(f) (Regulatory Authority) all other approvals of a Regulatory Authority (other than any ruling issued by a Tax Authority) which Kirin and Lion Nathan agree, acting reasonably, are necessary to implement any material aspect of the Transaction are obtained, on an unconditional basis or subject to conditions that are acceptable to Kirin.	Both	Both
(g) (Court orders) no Court or Regulatory Authority has issued or taken steps to issue an order, temporary restraining order, preliminary or permanent injunction, decree or ruling or taken any action enjoining, restraining or otherwise imposing a legal restraint or prohibition preventing the implementation of any material aspect of the Transaction and no such order, decree, ruling, other action or refusal is in effect.	Both	Both
2. Scheme approvals	Cannot be waived	Lion Nathan
(Scheme) Scheme Participants approve the Scheme by the requisite majorities in accordance with the Corporations Act.		
3. Court approvals	Cannot be waived	Lion Nathan
The Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.		
4. Lion Nathan matters	Kirin	Lion Nathan
(a) (Lion Nathan's representations and warranties) Lion Nathan's representations and warranties as set out in schedule 5 are true and correct, in all Material respects, in each case as at the date of this agreement and as at 8.00am on the Second Court Date.		
(b) (No Material Adverse Event) no Material Adverse Event occurs between the date of this agreement and 8.00am on the Second Court Date.	Kirin	Lion Nathan
5. Kirin events	Lion Nathan	Kirin
(Kirin's representations and warranties) Kirin's representations and warranties as set out in schedule 6 are true and correct, in all material respects, in each case as at the date of this agreement and as at 8.00am on the Second Court Date.		
6. No termination	Both	Both
This agreement has not been terminated in accordance with clause 10.		
7. Independent Expert Report	Lion Nathan	Lion Nathan
The Independent Expert issues a report which concludes that the Scheme is in the best interest of Scheme Participants before the date on which the Scheme Booklet is lodged with ASIC.		

SCHEDULE 2 - TIMETABLE (CLAUSE 5.1)

Dates are indicative only

EVENT	DATE
Lodge Scheme Booklet with ASIC	July / August 2009
Application in respect of the Court hearing to be held on the First Court Date, filed with the Court, served on ASIC and delivered to ASX	July / August 2009
First Court Date	August / September 2009
Printing of Scheme Booklet	August / September 2009
Despatch of Scheme Booklet	August / September 2009
Members' Scheme Meeting held	September / October 2009
Second Court Date	October 2009
Lodge Court order with ASIC (Effective Date)	October 2009
Scheme Record Date	October 2009
Implementation Date	October 2009

SCHEDULE 3 - LION NATHAN'S OBLIGATIONS (CLAUSE 5.2)

1. **(Lion Nathan Information)** ensure that the Lion Nathan Information included in the Scheme Booklet complies with the Corporations Act, the Corporations Regulations, the Listing Rules and ASIC Regulatory Guides 60 and 142.
2. **(Further Lion Nathan Information)** provide to Kirin and Scheme Participants such further or new Lion Nathan Information as may arise after the Scheme Booklet has been sent until the date of the Members' Scheme Meeting as may be necessary to ensure that the Lion Nathan Information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission).
3. **(Independent Expert)** promptly appoint the Independent Expert and provide any assistance and information reasonably requested by the Independent Expert to enable it to prepare the Independent Expert's Report for the Scheme Booklet.
4. **(Provide a copy of the Independent Expert's Report)** on receipt, provide Kirin with a copy of the final draft Independent Expert's Report received from the Independent Expert for review for factual accuracy.
5. **(Directors' recommendation)** state in the Scheme Booklet and the public announcement issued after execution of this agreement (on the basis of statements made to Lion Nathan by each member of the Lion Nathan Board (other than the Kirin Nominee Directors)) that each of the directors of the Lion Nathan Board (other than the Kirin Nominee Directors) recommends to Scheme Participants that the Scheme be approved in the absence of a Superior Proposal and subject to the Independent Expert expressing an opinion that the Scheme is in the best interest of the Scheme Participants.
6. **(Directors' voting)** use its reasonable endeavours to procure that:
 - (a) each member of the Lion Nathan Board (other than the Kirin Nominee Directors) votes any Scheme Shares in which they have a Relevant Interest in favour of the Scheme and any other resolution submitted to Scheme Participants for their approval in connection with the Scheme; and
 - (b) each member of the Lion Nathan Board (other than the Kirin Nominee Directors) does not change that voting intention,
 unless the Directors recommendation is withdrawn or modified.
7. **(Section 411(17)(b) statement)** apply to ASIC for the production of a statement pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme.
8. **(Court application and representation)** apply to the Court for an order under section 411(1) of the Corporations Act directing Lion Nathan to convene the Members' Scheme Meeting and engage suitable senior counsel to represent Lion Nathan in all Court proceedings related to the Scheme and consult with Kirin in relation to the content of the document required for the purpose of the Scheme (including originating process, affidavits, submissions and draft minutes of Court orders) and take into account all reasonable comments provided for and on behalf of Kirin in relation to such documents.
9. **(Registration of explanatory statement)** request ASIC to register the explanatory statement included in the Scheme Booklet in relation to the Scheme in accordance with section 412(6) of the Corporations Act.
10. **(Send Scheme Booklet)** send the Scheme Booklet to Scheme Participants as soon as practicable after the Court orders Lion Nathan to convene the Members' Scheme Meeting.
11. **(Members' Scheme Meeting)** convene the Members' Scheme Meeting in accordance with any such orders made by the Court and seek the approval of Scheme Participants for the Scheme and, for this purpose, the directors of Lion Nathan must participate in reasonable efforts to promote the merits of the Scheme, including meeting with key Scheme Participants at the reasonable request of Kirin.
12. **(Court order)** apply to the Court for an order approving the Scheme in accordance with sections 411(4)(b) and 411(6) of the Corporations Act.
13. **(Certificate)** provide the Court on the Second Court Date with a certificate confirming (in respect of matters within its knowledge) whether all the conditions precedent as set out in schedule 1 (other than the condition relating to Court approval of the Scheme - item 3) have been satisfied or waived in accordance with the terms of this agreement.
14. **(Lodge)** lodge with ASIC an office copy of any such Court order approving the Scheme as approved by the Scheme Participants at the Members' Scheme Meeting in accordance with section 411(10) of the Corporations Act.
15. **(Lion Nathan Register information)** close the Lion Nathan Register as at 5.00pm on the Scheme Record Date.
16. **(Registration)** register all transfers of Scheme Shares to Kirin on the Implementation Date.
17. **(Listing)** take all reasonable steps to maintain Lion Nathan's listing on ASX and NZX, notwithstanding any suspension of the quotation of Lion Nathan Shares, up to and including the Implementation Date, including making appropriate applications to ASX, ASIC and NZX.
18. **(Compliance with laws)** use its reasonable endeavours to do everything reasonably within its power to ensure that the Scheme are effected in accordance with all laws and regulations applicable in relation to the Scheme.
19. **(Incentive plans)** subject to Court approval of the Scheme, but with effect from the Implementation Date or such later date agreed by the parties acting reasonably, terminate all of its executive and employee incentive plans that will or could result in securities in Lion Nathan being issued to Lion Nathan Group Directors or employees.
20. **(Achievement Rights)** ensure that no Lion Nathan Achievement Rights are issued or granted after the Scheme Record Date.
21. **(Other steps)** do all other things necessary to give effect to the Scheme and the orders of the Court approving the Scheme.

SCHEDULE 4 - KIRIN'S OBLIGATIONS (CLAUSE 5.3)

1. **(Committed Funding)** secure the Kirin Funding Commitment by 8.00am on the Second Court Date, or any earlier time required by the Court or ASIC.
2. **(Funding requirements from Court or ASIC)** do everything required by ASIC or the Court in relation to confirming funding for the proposed acquisition of the Scheme Shares under the Scheme.
3. **(Kirin Information)** provide to Lion Nathan for inclusion in the Scheme Booklet such Kirin Information as Lion Nathan reasonably requires to prepare and issue the Scheme Booklet (including any information required under the Corporations Act, the Corporations Regulations, the Listing Rules or ASIC Regulatory Guide 60 or 142).
4. **(Further Kirin Information)** provide to Lion Nathan such further or new Kirin Information as may arise after the Scheme Booklet has been sent until the date of the Members' Scheme Meeting as may be necessary to ensure that the Kirin Information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission).
5. **(Independent Expert information)** provide any assistance or information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report to be included in the Scheme Booklet.
6. **(Representation)** procure that it is represented by counsel at the court hearings convened for the purposes of section 411(4)(b) of the Corporations Act, at which, through it's counsel Kirin must undertake (if requested by the court) to do all such things and take all such steps within its power as may be necessary in order to ensure the fulfilment of its obligations under this agreement and the Scheme.
7. **(Certificate)** provide the Court on the Second Court Date with a certificate confirming (in respect of matters within its knowledge) whether all the conditions precedent as set out in schedule 1 (other than the condition relating to Court approval of the Scheme - item 3) have been satisfied or waived in accordance with the terms of this agreement.
8. **(Kirin Deed Poll)** prior to the Scheme Booklet being sent to Scheme Participants, sign and deliver the Kirin Deed Poll.
9. **(Other steps)** do all other things necessary to give effect to the Scheme and the orders of the Court approving the Scheme.

SCHEDULE 5 - LION NATHAN'S REPRESENTATIONS AND WARRANTIES (CLAUSE 8.1)

1. **(Incorporation)** it is a valid existing corporation registered under the laws of its place of incorporation.
2. **(Execution)** the execution and delivery of this agreement has been properly authorised by all necessary corporate action of Lion Nathan.
3. **(Corporate power)** it has full corporate power and lawful authority to execute and deliver this agreement and to consummate and perform or cause to be performed its obligations under this agreement in accordance with its terms.
4. **(Binding obligations)** (subject to laws generally affecting creditors' rights and the principles of equity) this agreement constitutes legal, valid and binding obligations on it.
5. **(Lion Nathan Information)** the Lion Nathan Information provided in accordance with this agreement and included in the Scheme Booklet, as at the date of the Scheme Booklet, will not contain any material statement which is misleading or deceptive nor contain any material omission having regard to applicable disclosure requirements and will comply in all material respects with the requirements of the Corporations Act, the Corporations Regulations, the Listing Rules and ASIC Regulatory Guides 60 and 142.
6. **(Further information)** Lion Nathan will, as a continuing obligation, provide to Kirin all such further or new information which may arise after the date of the Scheme Booklet until the date of the Members' Scheme Meeting which may be necessary to ensure that there would be no breach of clause 5 of this schedule if it applied as at the date upon which that information arose.
7. **(Periodic disclosure)** the periodic financial disclosures made by Lion Nathan in its annual financial report and half-yearly financial report were not misleading or deceptive when made and are prepared in accordance with the Corporations Act and with all relevant Accounting Standards and give a true and fair view of the financial position and performance of the Lion Nathan Group as at the date they were made.
8. **(Continuous disclosure)** Lion Nathan is not in breach of its continuous disclosure obligations under the Corporations Act and the Listing Rules.
9. **(Information)** to the best of the knowledge of the Lion Nathan executives who provided the Management Responses as at the date of this agreement, all the Due Diligence Materials and Management Responses were prepared in good faith with due care, skill and diligence and are true and accurate in all material respects when considered in aggregate, as at the date of this agreement.
10. **(Compliance)** as at the date of this agreement and to the best of the knowledge of the Lion Nathan executives who provided the Management Responses, Lion Nathan and its Subsidiaries have complied in all material respects with all laws applicable to them and orders of Australian and foreign governmental agencies having jurisdiction over them and have all material licenses, permits and franchises necessary for them to conduct their respective businesses as presently being conducted.
11. **(Insolvency)** no member of the Lion Nathan Group is Insolvent (other than a member of the Lion Nathan Group currently in liquidation).
12. **(Securities)** Lion Nathan's issued securities as at the date of this agreement are:
 - (a) 534,240,495 ordinary shares quoted on ASX; and
 - (b) 1,538,351 Lion Nathan Achievement Rights not quoted on ASX,
and the Lion Nathan Group has not issued, or agreed to issue, any other securities or instruments which are still in force and may convert into Lion Nathan Shares or any other securities in Lion Nathan other than:
 - (c) Lion Nathan Achievement Rights issued pursuant to or consistent with arrangements entered into before the date of this agreement (including invitations or offers made, and terms of participation, under the Lion Nathan Achievement Rights Plan); and
 - (d) Lion Nathan Shares to be issued on the exercise of:
 - (i) Lion Nathan Achievement Rights; or
 - (ii) Lion Nathan Achievement Rights to be issued pursuant to arrangements referred to in paragraph (c).

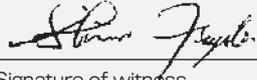
SCHEDULE 6 - KIRIN'S REPRESENTATIONS AND WARRANTIES (CLAUSE 8.4)

1. **(Incorporation)** it is a valid existing corporation registered under the laws of its place of incorporation.
2. **(Execution)** the execution and delivery of this agreement has been properly authorised by all necessary corporate action of Kirin.
3. **(Corporate power)** it has full corporate power and lawful authority to execute and deliver this agreement and to consummate and perform or cause to be performed its obligations under this agreement in accordance with its terms.
4. **(Binding obligations)** (subject to laws generally affecting creditors' rights and the principles of equity) this agreement constitutes legal, valid and binding obligations on it.
5. **(Kirin Information)** the Kirin Information provided in accordance with this agreement and included in the Scheme Booklet, as at the date of the Scheme Booklet, will not contain any material statement which is misleading or deceptive nor contain any material omission having regard to applicable disclosure requirements and will comply in all material respects with the requirements of the Corporations Act, the Corporations Regulations, the Listing Rules and ASIC Regulatory Guide 60 and 142.
6. **(Further information)** Kirin will, as a continuing obligation, provide to Lion Nathan all such further or new information which may arise after the date of the Scheme Booklet until the date of the Members' Scheme Meeting which may be necessary to ensure that there would be no breach of clause 6 if it applied as at the date on which that information arose.

SIGNING PAGE

DATED 10 MAY 2009

SIGNED on behalf of KIRIN HOLDINGS COMPANY, LIMITED, a corporation incorporated in Japan, by KAZUYASU KATO
 (a person who, in accordance with the laws of that place is authorised to sign this document for that corporation) and sealed and delivered as a deed by that corporation in the presence of:



Signature of witness



Signature of authorised signatory

SHINRO FUJITA

Name of witness

KAZUYASU KATO

Name of authorised signatory

EXECUTED by LION NATHAN LIMITED in accordance with section 127(1) of the Corporations Act 2001 (Cwlth) by authority of its directors:



Signature of director



Signature of director/company secretary*

*delete whichever is not applicable

ROBERT ANDREW MURRAY

Name of director (block letters)

DUNCAN MAKEIG

Name of director/company secretary*

(block letters)

*delete whichever is not applicable

ANNEXURE B - SCHEME OF ARRANGEMENT**SCHEME OF ARRANGEMENT**

DATED 7 OCTOBER 2009

Lion Nathan Limited (ACN 093 160 448) ("Lion Nathan")

Scheme Participants

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DETAILS**PARTIES****LION NATHAN AND SCHEME PARTICIPANTS**

Lion Nathan	Name	Lion Nathan Limited
	ACN	093 160 448
	Address	Level 7, 68 York Street Sydney, NSW, 2000, Australia
	Telephone	61-2-9320-2200
	Fax	61-2-9320-2264
	Attention	General Counsel and Company Secretary

SCHEME PARTICIPANTS**NAME****LION NATHAN SHAREHOLDERS AS AT THE SCHEME RECORD DATE, OTHER THAN AN EXCLUDED SHAREHOLDER.**

Governing law	New South Wales
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GENERAL TERMS

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Scheme, unless the context requires otherwise:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691), Australian Securities Exchange or the Australian Stock Exchange as appropriate.

Business Day means a business day as defined in the Listing Rules.

CHES means the clearing house electronic sub-register system for the electronic transfer of securities operated by ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).

Corporations Act means the Corporations Act 2001 (Cwlth).

Court means the Federal Court of Australia (New South Wales registry), or such other court of competent jurisdiction under the Corporations Act agreed in writing by Lion Nathan and Kirin.

Deed Poll means the deed poll executed by Kirin substantially in the form of Annexure B of the Implementation Agreement or as otherwise agreed by Kirin and Lion Nathan under which Kirin covenants in favour of each Scheme Participant to perform its obligations under this Scheme.

Details means the section of this agreement headed "Details".

Effective, when used in relation to this Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

Effective Date in relation to this Scheme means the date on which the Scheme becomes Effective.

End Date means 31 December 2009 or such other date as Kirin and Lion Nathan agree.

Excluded Shareholder means any Lion Nathan Shareholder who is Kirin or a Related Body Corporate of Kirin.

FASTER means NZX's Fully Automated Screen Trading and Electronic Registration system.

Immediately Available Funds means a bank cheque or other form of cleared funds acceptable to Lion Nathan.

Implementation Agreement means the Implementation Agreement between Kirin and Lion Nathan dated 10 May 2009 under which, amongst other things, Lion Nathan has agreed to propose this Scheme to Lion Nathan Shareholders (other than an Excluded Shareholder), and each of Kirin and Lion Nathan has agreed to take certain steps to give effect to this Scheme.

Implementation Date means the fifth Business Day following the Scheme Record Date, or such other date as is agreed by Kirin and Lion Nathan.

Interim Dividend means the interim dividend of A\$0.22 per Lion Nathan Share, paid by Lion Nathan on 23 June 2009.

Kirin means Kirin Holdings Company, Limited, a company incorporated in Japan, with its address at 10-1 Shinkawa 2-chome, Cho-ku, Tokyo, 104-8288, Japan.

Lion Nathan has the meaning given in the Details.

Lion Nathan Achievement Right means an Achievement Right as defined in the Lion Nathan Achievement Rights Plan or any right awarded under the Share Scheme Section of the Lion Nathan Employee Benefit Plan (New Zealand), as amended from time to time.

Lion Nathan Achievement Rights Plan means the Lion Nathan Achievement Rights Plan established by Lion Nathan, as amended from time to time.

Lion Nathan Board means the board of directors of Lion Nathan as constituted from time to time.

Lion Nathan Register means the register of members of Lion Nathan maintained by or on behalf of Lion Nathan in accordance with section 168(1) of the Corporations Act and **Lion Nathan Registry** has a corresponding meaning.

Lion Nathan Share means an issued fully paid ordinary share in the capital of Lion Nathan.

Lion Nathan Shareholder means each person who is registered in the Lion Nathan Register as a holder of Lion Nathan Shares.

Listing Rules means the Listing Rules of the ASX.

Nominee has the meaning given to that term in clause 2.3 of this Scheme.

NZX means NZX Limited or the securities market which it operates, as the context requires.

Related Body Corporate has the meaning it has in the Corporations Act.

Scheme means this scheme of arrangement between Lion Nathan and Scheme Participants under which all the Scheme Shares will be transferred to Kirin (or if applicable, the Nominee) under Part 5.1 of the Corporations Act as described in clause 5, in consideration for the Scheme Consideration, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act to the extent they are approved in writing by Lion Nathan and Kirin in accordance with clause 8.8 of this Scheme.

Scheme Consideration means the amount of A\$11.50 per Lion Nathan Share held by a Scheme Participant as at the Scheme Record Date, less the Scheme Consideration Adjustment Amount (if any).

Scheme Consideration Adjustment Amount means the amount of any dividends or distributions declared or announced by Lion Nathan prior to the Implementation Date, except for the Special Dividend or the Interim Dividend.

Scheme Meeting means the meeting of Lion Nathan Shareholders (other than an Excluded Shareholder), ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act to consider this Scheme.

Scheme Participant means each person who is a Lion Nathan Shareholder as at the Scheme Record Date, other than an Excluded Shareholder.

Scheme Record Date means 7.00pm on the fifth Business Day following the Effective Date or such other date (after the Effective Date) as Lion Nathan and Kirin agree.

Scheme Shares means all Lion Nathan Shares held by Scheme Participants as at the Scheme Record Date and for the avoidance of doubt includes any Lion Nathan Shares issued on or before the Scheme Record Date including upon the exercise of any Lion Nathan Achievement Rights.

Second Court Date means the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.

Share Scheme Transfer means, for each Scheme Participant, a duly completed and executed proper instrument of transfer of the Scheme Shares held by that Scheme Participant for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Scheme Shares.

Special Dividend means the dividend of A\$0.50 per Lion Nathan Share that Lion Nathan will pay holders of Lion Nathan Shares in accordance with the Implementation Agreement.

Subsidiaries has the meaning it has in the Corporations Act.

Trust Account means the trust account operated by Lion Nathan to hold the aggregate Scheme Consideration on trust for the purpose of paying the Scheme Consideration to the Scheme Participants in accordance with clause 6.4.

1.2 Interpretation

In this Scheme, unless the context requires otherwise:

- (a) a reference:
 - (i) to the singular includes the plural and vice versa;
 - (ii) to a gender includes all genders;
 - (iii) to an agreement, document or instrument is a reference to that agreement, document or instrument as amended, consolidated, supplemented, novated or replaced;
 - (iv) to a party means a party to this Scheme;
 - (v) to a clause, paragraph, Schedule or Annexure is to a clause, paragraph, Schedule or Annexure of or to this Scheme;
 - (vi) to a person (including a party) includes:
 - (A) an individual, company, other body corporate, association, partnership, firm, joint venture, trust or government agency; and
 - (B) the person's successors, permitted assigns, substitutes, executors and administrators;
 - (vii) to a law includes any legislation, judgment, rule of common law or equity or rule of any applicable stock exchange, and is a reference to that law as amended, consolidated, supplemented or replaced and includes a reference to any regulation, by-law or other subordinate legislation;
 - (viii) to any time is to Sydney time;
 - (ix) to "\$" is to the lawful currency of Australia; and
- (b) the word "includes" in any form is not a word of limitation;
- (c) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (d) headings are for convenience only and do not affect interpretation;
- (e) if a payment or other act must (but for this clause) be made or done on a day that is not a Business Day, then it must be made or done on the next Business Day; and
- (f) if a period must be calculated from, after or before a day or the day of an act or event, it must be calculated excluding that day.

2. PRELIMINARY

2.1 Lion Nathan

Lion Nathan is:

- (a) a public company limited by shares incorporated in Australia;
- (b) registered in the state of New South Wales; and
- (c) admitted to the official list of ASX and NZX.

2.2 Kirin

Kirin is a company incorporated in Japan.

2.3 Nominee

Pursuant to clause 2.4 of the Implementation Agreement, Kirin may nominate a wholly owned Subsidiary of Kirin ("Nominee") to pay the Scheme Consideration and to which the Scheme Shares are to be transferred in accordance with clause 5 of this Scheme.

If Kirin nominates a Nominee, then clause 2.4(b) of the Implementation Agreement provides that Kirin must procure that the Nominee complies with the Implementation Agreement as if the Nominee were a party to it in place of Kirin.

2.4 Deed Poll

Kirin has entered into the Deed Poll for the purpose of covenanting in favour of Scheme Participants to perform (or procure the performance of) the obligations contemplated of it (or if applicable, the Nominee) under this Scheme.

3. CONDITIONS PRECEDENT

3.1 Conditions precedent to Scheme

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent, and the provisions of this Scheme will not come into effect unless and until each of these conditions have been satisfied:

- (a) as at 8.00 am on the Second Court Date, the Deed Poll not having been terminated;
- (b) as at 8.00 am on the Second Court Date, all of the conditions precedent set out in Schedule 1 of the Implementation Agreement (other than the condition precedent set out in item 3 of Schedule 1) having been satisfied or waived in accordance with the terms of that agreement;
- (c) the Court having approved this Scheme, with or without modification, pursuant to section 411(4)(b) of the Corporations Act, and if applicable, Lion Nathan and Kirin having accepted in writing any modification or condition made or required by the Court under section 411(6) of the Corporations Act; and
- (d) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to this Scheme.

3.2 Certificate in relation to conditions precedent

On the Second Court Date, Lion Nathan and Kirin will each provide to the Court a certificate confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent set out in clause 3.1 of this Scheme (other than the conditions precedent in clauses 3.1(c) and 3.1(d) of this Scheme) have been satisfied or waived as at 8.00 am on the Second Court Date.

GENERAL TERMS continued**3.3 Certificate**

The certificates referred to in clause 3.2 will constitute conclusive evidence of whether the conditions precedent referred to in clause 3.1 (other than the conditions precedent in clauses 3.1(c) and 3.1(d) of this Scheme) have been satisfied or waived.

4. SCHEME**4.1 Effective Date of this Scheme**

Subject to clause 4.2, this Scheme will come into effect pursuant to section 411(10) of the Corporations Act on and from the Effective Date.

4.2 End Date

This Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before the End Date.

5. IMPLEMENTATION OF SCHEME**5.1 Lodgement of Court order**

If the conditions precedent set out in clause 3.1 of this Scheme (other than the condition precedent in clause 3.1(d) of this Scheme) are satisfied, Lion Nathan must lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Court order approving this Scheme as soon as possible after, and in any event by no later than 4.00 pm on the Business Day following, the date on which the Court approves this Scheme or such later time as Kirin and Lion Nathan agree in writing.

5.2 Transfer of Scheme Shares

On the Implementation Date, but subject to Kirin making (or procuring) the payment of the aggregate Scheme Consideration for the Scheme Shares in the manner contemplated by clause 6, and Kirin having provided Lion Nathan with written confirmation thereof:

- (a) all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date (excluding any entitlement to receive the Special Dividend or the Interim Dividend), will be transferred to Kirin (or if applicable, the Nominee) without the need for any further act by any Scheme Participant (other than acts performed by Lion Nathan as attorney and agent for Scheme Participants under this Scheme) by:
 - (i) Lion Nathan delivering to Kirin (or if applicable, the Nominee) a duly completed Share Scheme Transfer executed on behalf of the Scheme Participants for execution by Kirin (or if applicable, the Nominee); and
 - (ii) Kirin (or if applicable, the Nominee) duly executing the Share Scheme Transfer and delivering it to Lion Nathan for registration; and
- (b) Lion Nathan will enter the name and address of Kirin (or if applicable, the Nominee) in the Lion Nathan Register as the holder of all of the Scheme Shares as soon as practicable following receipt of the duly executed Share Scheme Transfer from Kirin (or if applicable, the Nominee) under clause 5.2(a)(ii).

5.3 Entitlement to Scheme Consideration

On the Implementation Date, in consideration for the transfer to Kirin (or if applicable, the Nominee) of the Scheme Shares, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with clause 6.

6. PROVISION OF SCHEME CONSIDERATION**6.1 Consideration under this Scheme**

No later than two Business Days before the Implementation Date, Lion Nathan must procure Kirin to pay (or procure the payment of) the aggregate Scheme Consideration to the Trust Account in accordance with clauses 6.3.

6.2 Joint holders

In the case of Scheme Shares held in joint names, the aggregate Scheme Consideration is payable to, and must be paid to, the holder whose name appears first in the Lion Nathan Register as at the Scheme Record Date.

6.3 Satisfaction of obligations

The obligation of Lion Nathan to procure payment of the aggregate Scheme Consideration pursuant to clause 6.1 will be satisfied by Lion Nathan procuring Kirin, no later than two Business Days before the Implementation Date, to deposit (or procure the deposit of) the aggregate amount of the Scheme Consideration payable to all Scheme Participants in Immediately Available Funds into the Trust Account (provided that the amount of any interest on the amount deposited in the Trust Account (less bank fees and other charges) will be credited to Kirin's account).

6.4 Payment of Scheme Consideration

- (a) Subject to clause 6.5, within 5 Business Days after the Implementation Date, subject to receipt of the aggregate Scheme Consideration in accordance with clause 6.3, Lion Nathan must pay to each Scheme Participant an amount equal to the Scheme Consideration in consideration for each Scheme Share transferred to Kirin (or if applicable, the Nominee) on the Implementation Date by that Scheme Participant in accordance with clause 5.2.
- (b) Subject to clause 6.5, and unless otherwise directed by the Scheme Participant before the Implementation Date, the amounts referred to in clause 6.4(a) must be paid:
 - (i) if the Scheme Participant has a payment direction for an Australian or New Zealand bank account recorded in the Lion Nathan Register as at the Scheme Record Date, by direct credit to that account; or
 - (ii) otherwise, by cheque drawn in Australian currency to the Scheme Participant by pre-paid post to their address as recorded in the Lion Nathan Register as at the Scheme Record Date.

6.5 New Zealand Shareholders

- (a) If the Scheme Participant has a payment direction for a New Zealand bank account recorded in the Lion Nathan Register as at the Scheme Record Date, the amounts referred to in clause 6.4 will be paid to the Scheme Participant in New Zealand currency.
- (b) To the extent that the Scheme Consideration is paid in New Zealand currency, the exchange rate for conversion of the Scheme Consideration from Australian currency into New Zealand currency will be established by Lion Nathan within two Business Days after the Scheme Record Date.

6.6 Unclaimed monies

Lion Nathan may cancel a cheque issued under clause 6.4 or clause 6.5 if the cheque:

- (a) is returned to Lion Nathan; or

- (b) has not been presented for payment within six months after the date on which the cheque was sent.

During the period of one year commencing on the Implementation Date, on request from a Scheme Participant, Lion Nathan must reissue a cheque that was previously cancelled under this clause.

6.7 Orders of a court

In the case of notice having been given to Lion Nathan (or the Lion Nathan Registry) of an order made by a court of competent jurisdiction:

- (a) which requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Participant, which would otherwise be payable to that Scheme Participant in accordance with clause 6.4, then Lion Nathan shall procure that payment is made in accordance with that order; or
- (b) which would prevent Lion Nathan from despatching payment to any particular Scheme Participant in accordance with clause 6.4, Lion Nathan will retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Participant multiplied by the Scheme Consideration until such time as payment in accordance with clause 6.4 is permitted by law.

7. DEALINGS IN LION NATHAN SHARES

7.1 Dealings in Lion Nathan Shares by Scheme Participants

For the purpose of determining the persons that are Scheme Participants, dealings in Lion Nathan Shares will be recognised by Lion Nathan provided that:

- (a) in the case of dealings to be effected on CHESS or through FASTER, the transferee is registered in the Lion Nathan Register as the holder of the relevant Lion Nathan Shares on or by the Scheme Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the place where the Lion Nathan Register is kept by 5.00pm on the day which is the Scheme Record Date (in which case Lion Nathan must register such transfers by the Scheme Record Date),

and Lion Nathan will not accept for registration, or recognise for the purpose of establishing who are Scheme Participants, any transmission application or transfer in respect of Lion Nathan Shares received after such times on the Scheme Record Date.

7.2 No disposals after Effective Date

If this Scheme becomes Effective, a Scheme Participant (and any person claiming through that holder) must not dispose of, or purport to agree to dispose of, any Lion Nathan Shares or any interest in them after the Effective Date in any way except as set out in this Scheme and any such disposal will be void and of no legal effect whatsoever.

7.3 Maintenance of Lion Nathan Register

For the purpose of determining entitlements to the Scheme Consideration, Lion Nathan will, until the Scheme Consideration has been provided to Scheme Participants and Kirin (or if applicable, the Nominee) has been entered in the Lion Nathan Register as the holder of all of the Scheme Shares, maintain or procure the maintenance of the Lion Nathan Register in accordance with this clause 7.3. The Lion Nathan Register in this

form will solely determine entitlements to the Scheme Consideration.

7.4 Effect of certificates and holding statements

Subject to provision of the Scheme Consideration and registration of the transfer to Kirin (or if applicable, the Nominee) contemplated in clauses 5.2 and 6.3, after the Scheme Record Date:

- (a) other than statements of holding in favour of Kirin (or if applicable, the Nominee) and its successors in title after the Implementation Date, all certificates and holding statements for the Scheme Shares will cease to have effect as documents of title; and
- (b) other than entries on the Lion Nathan Register in respect of Kirin (or if applicable, the Nominee) and its successors in title, each entry on the Lion Nathan Register at the Scheme Record Date will cease to have any effect other than as evidence of an entitlement to the Scheme Consideration.

8. GENERAL PROVISIONS

8.1 Appointment of Lion Nathan as agent and attorney

Each Scheme Participant, without the need for any further act, irrevocably appoints Lion Nathan as its agent and attorney for the purpose of:

- (a) executing any document or doing any other act necessary or desirable to give full effect to this Scheme and the transactions contemplated by it, including executing a Share Scheme Transfer; and
- (b) enforcing the Deed Poll against Kirin,
- and Lion Nathan accepts such appointment. Lion Nathan, as agent of each Scheme Participant, may sub-delegate its functions, authorities or powers under this clause 8.1 to all or any of its directors and officers (jointly, severally or jointly and severally).

8.2 Scheme Participants' consent

Each Scheme Participant irrevocably consents to Lion Nathan and Kirin (or if applicable, the Nominee) doing all things and executing all deeds, instruments, transfers and other documents as may be necessary or desirable to give full effect to this Scheme and the transactions contemplated by it.

8.3 Scheme Participant's agreements

Under this Scheme each Scheme Participant agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares (excluding any entitlement to receive the Special Dividend or the Interim Dividend), to Kirin (or if applicable, the Nominee) in accordance with the terms of this Scheme.

8.4 Warranty by Scheme Participants

Each Scheme Participant is deemed to have warranted to Kirin (and, if applicable, the Nominee), and is deemed to have authorised Lion Nathan to warrant to Kirin (and, if applicable, the Nominee) as agent and attorney for the Scheme Participant by virtue of this clause, that:

- (a) all of their Scheme Shares (including any rights and entitlements attaching to those shares excluding any entitlement to receive the Special Dividend or the Interim Dividend) transferred will, on the date of the transfer of them to Kirin (or if applicable, the Nominee) under this Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other

GENERAL TERMS continued

interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and

- (b) they have the full power and capacity to sell and transfer their Scheme Shares (including any rights and entitlements attaching to those shares).

8.5 Transfer free of encumbrances

To the extent permitted by law, all Lion Nathan Shares (including any rights and entitlements attaching to those shares excluding any entitlement to receive the Special Dividend or the Interim Dividend) which are transferred to Kirin (or if applicable, the Nominee) under this Scheme will, at the date of the transfer of them to Kirin (or if applicable, the Nominee), vest in Kirin free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind not referred to in this Scheme.

8.6 Title to Scheme Shares

Subject to provision of the Scheme Consideration for the Scheme Shares as contemplated by clauses 5.3 and 6, on and from the Implementation Date and pending registration by Lion Nathan of Kirin (or if applicable, the Nominee) in the Lion Nathan Register as the holder of all of the Scheme Shares, Kirin (or if applicable, the Nominee) will be beneficially entitled to all of the Scheme Shares transferred to it under this Scheme.

8.7 Appointment of Kirin as sole proxy

Subject to provision of the Scheme Consideration for the Scheme Shares as contemplated by clauses 5.3 and 6, on and from the Implementation Date and pending registration by Lion Nathan of Kirin (or if applicable, the Nominee) in the Lion Nathan Register as the holder of all of the Scheme Shares, each Scheme Participant:

- (a) is deemed to have irrevocably appointed the President of Kirin as their sole proxy and, where applicable, corporate representative, to attend shareholders' meetings of Lion Nathan, exercise the votes attached to the Scheme Shares registered in their name and sign any shareholders' resolutions, whether in person, by proxy or by corporate representative;
- (b) must not attend or vote at any shareholders' meetings of Lion Nathan, or sign any resolutions, whether in person, by proxy or by corporate representative, other than in accordance with this clause 8.7; and
- (c) must take all other actions in the capacity of the registered holder of Scheme Shares as Kirin directs.

Lion Nathan undertakes in favour of each Scheme Participant that it will appoint the President of Kirin as that Scheme Participant's proxy or, where applicable, corporate representative, in accordance with this clause 8.7.

8.8 Scheme alterations and conditions

If the Court proposes to approve this Scheme subject to any alterations or conditions, Lion Nathan may, by its counsel or solicitors, and with the consent of Kirin, consent to those alterations or conditions on behalf of all persons concerned, including, for the avoidance of doubt, all Scheme Participants, provided that in no circumstances will Lion Nathan be obliged to do so.

8.9 Effect of Scheme

This Scheme binds Lion Nathan and all Scheme Participants (including those who do not attend the Scheme Meeting, do not

vote at that meeting or vote against this Scheme) and, to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of Lion Nathan.

8.10 Enforcement of Deed Poll

Lion Nathan undertakes in favour of each Scheme Participant to enforce the Deed Poll against Kirin on behalf of and as agent and attorney for the Scheme Participants.

8.11 No liability when acting in good faith

Neither Lion Nathan nor Kirin, nor any of their respective officers, will be liable for anything done or omitted to be done in the performance of this Scheme in good faith.

8.12 Notices

- (a) Where a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Lion Nathan, it will not be deemed to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Lion Nathan's registered office.
- (b) The accidental omission to give notice of the Scheme Meeting to, or the non-receipt of such notice by, any Lion Nathan Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

8.13 Further assurances

Lion Nathan will execute all documents and do all acts and things (on its own behalf and on behalf of each Scheme Participant) as may be necessary or desirable to give full effect to this Scheme and the transactions contemplated by it.

8.14 Stamp duty

Kirin will pay all stamp duty (including any fines, penalties and interest) payable on the transfer by Scheme Participants of the Scheme Shares to Kirin (or if applicable, the Nominee).

9. GOVERNING LAW AND JURISDICTION**9.1 Governing law**

This Scheme is governed by the laws of New South Wales.

9.2 Jurisdiction

Each party irrevocably and unconditionally:

- (a) submits to the non-exclusive jurisdiction of the courts of New South Wales; and
- (b) waives, without limitation, any claim or objection based on absence of jurisdiction or inconvenient forum.

ANNEXURE C - DEED POLL**DEED POLL**

By Kirin Holdings Company, Limited ("Kirin") in favour of each Scheme Participant

DATED 29 JULY 2009

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2	Conditions precedent and termination	66	6	Continuing obligations	66
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DETAILS**PARTIES****KIRIN****Kirin**

Name	Kirin Holdings Company, Limited
Incorporated in	Japan
Address	c/- Blake Dawson [Ref: 02-2005-5192] 225 George Street Sydney NSW 2000
Fax	61 2 9258 6999
Attention	Ian Williams / Carl Della-Bosca / David Ryan

In favour of

Each person who is registered as the holder of fully paid ordinary shares in the capital of Lion Nathan Limited (ACN 093 160 448) of Level 7, 68 York Street, Sydney, NSW, 2000, Australia ("Lion Nathan") as at the Scheme Record Date, other than an Excluded Shareholder ("Scheme Participants").

Recitals

- A** Kirin and Lion Nathan have entered into the Implementation Agreement.
- B** Kirin is entering into this Deed Poll for the purpose of covenanting in favour of Scheme Participants to perform its obligations in relation to the Scheme.

GOVERNING LAW**NEW SOUTH WALES****Date of agreement**

See Signing page

GENERAL TERMS

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Deed Poll:

- (a) **Authorised Officer** means, in respect of a party, a director or secretary of the party or any other person appointed by a party to act as an Authorised Officer under this deed;
- (b) **Implementation Agreement** means the Implementation Agreement between Kirin and Lion Nathan dated 10 May 2009 under which, amongst other things, Lion Nathan has agreed to propose the Scheme to Lion Nathan Shareholders (other than an Excluded Shareholder), and each of Kirin and Lion Nathan has agreed to take certain steps to give effect to the Scheme;
- (c) **Scheme** means the scheme of arrangement between Lion Nathan and Scheme Participants under which all the Scheme Shares will be transferred to Kirin (or if applicable, the Nominee) under Part 5.1 of the Corporations Act substantially in the form set out in Annexure A of the Implementation Agreement, or as otherwise agreed by Kirin and Lion Nathan, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act to the extent they are approved by Lion Nathan and Kirin in accordance with clause 8.8 of the Scheme; and
- (d) unless the context requires otherwise, all other words and phrases defined in the Scheme have the same meaning in this Deed Poll.

1.2 Interpretation

Clause 1.2 of the Scheme applies to the interpretation of this Deed Poll except that references to "this Scheme" in that clause are to be read as references to "this Deed Poll".

1.3 Nature of Deed Poll

Kirin acknowledges that this Deed Poll may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not party to it.

2. CONDITIONS PRECEDENT AND TERMINATION

2.1 Conditions precedent

Kirin's obligations under clause 4 are subject to the Scheme becoming Effective.

2.2 Termination

Kirin's obligations under this Deed Poll will automatically terminate and the terms of this Deed Poll will be of no further force or effect if:

- (a) the Implementation Agreement is terminated in accordance with its terms; or
- (b) the Scheme does not become Effective by the End Date.

2.3 Consequences of termination

If this Deed Poll is terminated under clause 2.2, then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Participants:

- (a) Kirin is released from its obligations to further perform this Deed Poll except those obligations contained in clause 8.1 and any other obligations which by their nature survive termination; and

- (b) each Scheme Participant retains the rights, powers or remedies the Scheme Participant has against Kirin in respect of any breach of this Deed Poll which occurs before it is terminated.

3. PERFORMANCE OF OBLIGATIONS GENERALLY

Kirin will comply with its obligations under the Implementation Agreement to do all acts and things as may be necessary or desirable on its part to give full effect to the Scheme.

4. PROVISION OF SCHEME CONSIDERATION

4.1 Scheme Consideration

Subject to clause 2, Kirin undertakes in favour of each Scheme Participant to pay, or procure payment of, the aggregate Scheme Consideration to the Trust Account in accordance with the Scheme.

4.2 Manner of payment

Kirin's obligation to pay, or procure payment of, the aggregate Scheme Consideration pursuant to clause 4.1 will be satisfied by Kirin, no later than two Business Days before the Implementation Date, depositing (or procuring the deposit of) the aggregate amount of the Scheme Consideration payable to all Scheme Participants in Immediately Available Funds into the Trust Account (provided that the amount of any interest on the amount deposited in the Trust Account (less bank fees and other charges) will be credited to Kirin's account).

5. REPRESENTATIONS AND WARRANTIES

Kirin represents and warrants that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into and perform its obligations under this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
- (c) it has taken all necessary corporate action to authorise the entry into this Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll; and
- (d) this Deed Poll is valid and binding upon it and enforceable against it in accordance with its terms.

6. CONTINUING OBLIGATIONS

This Deed Poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Kirin has fully performed its obligations under this Deed Poll; or
- (b) the earlier termination of this Deed Poll under clause 2.2.

7. NOTICES

7.1 Form - all communications

Unless expressly stated otherwise in this agreement, all notices, certificates, consents, approvals, waivers and other communications in connection with this agreement must be:

- (a) in writing;
- (b) signed by the sender (if an individual) or an Authorised Officer of the sender; and
- (c) marked for the attention of the person identified in the Details or, if the recipient has notified otherwise, then marked for attention in the way last notified.

7.2 Delivery

Communications must be:

- (a) left at the address set out or referred to in the Details;
- (b) sent by prepaid ordinary post (airmail if appropriate) to the address set out or referred to in the Details;
- (c) sent by fax to the fax number set out or referred to in the Details; or
- (d) given in any other way permitted by law.

However, if the intended recipient has notified a changed address or fax number, then communications must be to that address or fax number.

7.3 When effective

Communications take effect from the time they are received or taken to be received under clause 7.4 (whichever happens first) unless a later time is specified.

7.4 When taken to be received

Communications are taken to be received:

- (a) if sent by post, three days after posting (or seven days after posting if sent from one country to another); or
- (b) if sent by fax, at the time shown in the transmission report as the time that the whole fax was sent.

7.5 Receipt outside business hours

Despite clauses 7.3 and 7.4, if communications are received or taken to be received under clause 7.4 after 5.00pm in the place of receipt or on a non-Business Day, they are taken to be received at 9.00am on the next Business Day and take effect from that time unless a later time is specified.

8. GENERAL

8.1 Stamp duty

Kirin will:

- (a) pay all stamp duty (including fines, penalties and interest) on or in connection with this Deed Poll, the performance of this Deed Poll and each transaction effected by or made, or any instrument executed, under this Deed Poll (including the transfer of the Scheme Shares to Kirin (or if applicable, the Nominee)); and
- (b) indemnify each Scheme Participant on demand against any liability arising from failure to comply with clause 8.1(a).

8.2 Waiver

- (a) Waiver of any right arising from a breach of this Deed Poll or of any right, power, authority, discretion or remedy arising upon default under this Deed Poll must be in writing and signed by the party granting the waiver.
- (b) A failure or delay in exercise, or partial exercise, of:
 - (i) a right arising from a breach of this Deed Poll; or
 - (ii) a right, power, authority, discretion or remedy created or arising upon default under this Deed Poll,

does not result in a waiver of that right, power, authority, discretion or remedy.

- (c) A party is not entitled to rely on a delay in the exercise or non-exercise of a right, power, authority, discretion or remedy arising from a breach of this Deed Poll or on a default under this Deed Poll as constituting a waiver of that right, power, authority, discretion or remedy.

- (d) A party may not rely on any conduct of another party as a defence to exercise of a right, power, authority, discretion or remedy by that other party.

8.3 Variation

A provision of this Deed Poll may not be varied unless:

- (a) the variation is agreed to in writing by Lion Nathan; and
- (b) the Court indicates that the variation would not, of itself, preclude approval of the Scheme,

in which event Kirin will enter into a further deed poll in favour of each Scheme Participant giving effect to the amendment.

8.4 Rights cumulative

The rights, powers and remedies of Kirin and of each Scheme Participant under this Deed Poll are cumulative and do not exclude any other rights, powers or remedies provided by law or equity independently of this Deed Poll.

8.5 No assignment

The rights and obligations of Kirin and of each Scheme Participant under this Deed Poll are personal and must not be assigned, encumbered or otherwise dealt with at law or in equity and no person may attempt or purport to do so without the prior written consent of Kirin and Lion Nathan.

8.6 Further assurances

Kirin will execute all deeds and other documents and do all acts and things (on its own behalf or on behalf of each Scheme Participant) as may be necessary or desirable to give full effect to this Deed Poll and the transactions contemplated by it.

8.7 Governing law and jurisdiction

This Deed Poll is governed by the laws of New South Wales. Kirin irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales.

8.8 Service of process

Without preventing any other mode of service, any document in a legal action, suit or other proceeding in the courts of New South Wales or courts of appeal from them (including, without limitation, any writ of summons or other originating process or any third or other party notice) may be served on Kirin by being delivered to or left for Kirin at the address shown in the Details.

EXECUTED as a deed poll

SIGNING PAGE

DATED 29 JULY 2009

Signed on behalf of KIRIN HOLDINGS COMPANY, LIMITED, a corporation incorporated in Japan, by _____
(a person who, in accordance with the laws of that place is authorised to sign this document for that corporation) and sealed and delivered as a deed by that corporation in the presence of:



Signature of witness



Signature of authorised signatory

SHINRO FUJITA

Name of witness

KAZUYASU KATO

Name of authorised signatory

ANNEXURE D - INDEPENDENT EXPERT'S REPORT

The Independent Directors
Lion Nathan Limited
Level 7
68 York Street
Sydney NSW 2000

ABN 53 095 445 560
AFS Licence No 246532
Level 27, 363 George Street
Sydney NSW 2000 Australia
GPO Box 1640, Sydney NSW 2001

Telephone: [61 2] 8235 7500
Facsimile: [61 2] 8235 7550
www.lonerganedwards.com.au

5 August 2009

Subject: Acquisition by Kirin Holdings Company, Limited

Dear Sirs

Introduction

- 1 On 27 April 2009 Lion Nathan Limited (Lion Nathan) announced that Lion Nathan's Independent Board Committee¹ (IBC) and Kirin Holdings Company, Limited (Kirin) had agreed key terms under which Kirin would acquire all of the issued shares in Lion Nathan that it did not own for an offer consideration of A\$12.22 per share. This included the interim dividend of A\$0.22 per share paid on 23 June 2009.² Consequently, the offer consideration³ is now A\$12.00 per share.
- 2 Subsequently, on 11 May 2009 Lion Nathan announced that it had signed an Implementation Agreement (the Agreement) with Kirin to formalise the agreement reached on 27 April 2009.
- 3 The proposed acquisition of the shares is to be implemented by a scheme of arrangement between Lion Nathan and its shareholders (other than Kirin and its related bodies corporate) (the Scheme) and is subject to a limited number of customary conditions precedent (as summarised in Section I of our report).
- 4 If the Scheme is approved by Lion Nathan shareholders (other than Kirin and its related bodies corporate) and the Court, Lion Nathan shareholders (other than Kirin and its related bodies corporate) will receive A\$12.00 cash per share⁴ (the Cash Payments), which will comprise:
 - (a) Scheme cash consideration of A\$11.50 per share (the Scheme Consideration) in relation to each share held at the Scheme record date;

¹ The IBC comprises all of the directors of Lion Nathan other than Kirin representatives.

² The record date for determining entitlements to this interim dividend was 5 June 2009.

³ Including a special dividend of A\$0.50 per share.

⁴ Being A\$12.22 per share announced on 27 April 2009 less the interim dividend of A\$0.22 per share paid on 23 June 2009.

and

- (b) a special dividend of A\$0.50 per share⁵ (the Special Dividend) in relation to each share held at the Special Dividend record date which will be fully franked for Australian resident shareholders and partially imputed for New Zealand resident shareholders (based on the level of available New Zealand imputation credits).

- 5 The proposed transaction values all the shares in Lion Nathan (on a fully diluted basis) at approximately A\$6.4 billion.
- 6 The Scheme is subject to the Court convening a meeting of Lion Nathan's shareholders other than Kirin and its related bodies corporate. For ease of reporting we have referred to "Lion Nathan shareholders other than Kirin and its related bodies corporate" as "Lion Nathan shareholders" in the remainder of our report. Under the Corporations Act 2001 (Cth) (Corporations Act), the Scheme is approved by Lion Nathan shareholders if a resolution in favour of the Scheme is passed by a majority of Lion Nathan shareholders present (in person or by proxy) and voting at the Scheme meeting, and by 75% of the votes cast on the resolution. If this occurs a second Court hearing will be held to approve the Scheme, which if approved, will become binding on Lion Nathan shareholders.

Lion Nathan

- 7 Lion Nathan is a premium alcoholic beverages company with operations in Australia, New Zealand and international markets. The company produces, distributes and markets beer, fine wine, ready-to-drink (RTD) beverages and spirits with a number of its brands distributed globally. With assets of A\$3.4 billion, Lion Nathan generates strong stable earnings and cash flow and employs more than 3,200 people.

Kirin Holdings Company, Limited

- 8 Based in Japan, Kirin is an Asian food and beverage company with a primary focus on the sale of alcoholic beverages and non-alcoholic drinks. It also operates a pharmaceuticals division and supplies biochemical, chemical and agri-bio products. Kirin is the second largest brewer in Japan while its investments outside Japan include its existing 46.1% interest in Lion Nathan, a 48.3% interest in San Miguel Brewery Inc (the largest brewer in the Philippines) and a 50.8% interest in Mercian Corporation (a Japanese wine company). The company has stated that one of its objectives is to generate 30% of revenue and profit outside Japan by 2015.
- 9 In Australia, in addition to its Lion Nathan shareholding Kirin owns Australia's largest milk processor, National Foods, which includes Dairy Farmers.

⁵ Kirin will also receive the Special Dividend.

- 10 In the year ended 31 December 2008 Kirin had consolidated sales revenue of approximately A\$26.9 billion⁶ and as at 30 June 2009 had a market capitalisation of approximately A\$16.7 billion.⁷

Purpose of report

- 11 As Kirin holds 246.45 million shares in Lion Nathan (representing 46.1% of the ordinary shares on issue) and has three directors on Lion Nathan's Board, there is a regulatory requirement for an independent expert's report to be prepared for Lion Nathan shareholders pursuant to section 412 of the Corporations Act, and Regulation 5.1.01 and Part 3 of Schedule 8 of the Corporations Regulations.
- 12 Further, the Scheme is subject to a limited number of customary conditions precedent, including an independent expert concluding that the Scheme is in the best interests of Lion Nathan shareholders.
- 13 Accordingly, the Independent Directors of Lion Nathan have requested that Lonergan Edwards & Associates Limited (LEA) prepare an independent expert's report (IER) stating whether, in our opinion, the Scheme is fair and reasonable and in the best interests of Lion Nathan shareholders.
- 14 LEA is independent of Lion Nathan and Kirin and has no other involvement or interest in the proposed Scheme.

Summary of opinion

- 15 LEA has concluded that the acquisition of Lion Nathan shares by Kirin under the Scheme is fair and reasonable and in the best interests of Lion Nathan shareholders.
- 16 We therefore recommend that Lion Nathan shareholders vote in favour of the Scheme.
- 17 We have arrived at this conclusion for the reasons set out below.

⁶ Consolidated sales revenue of ¥2,303.569 billion converted at 1¥ = A\$0.01168 (average exchange rate for year to 31 December 2008).

⁷ Market capitalisation of ¥1,285 billion converted at 1¥ = A\$0.013 as at 30 June 2009.

Valuation of Lion Nathan

- 18 LEA has valued 100% of the shares in Lion Nathan on a controlling interest basis at between A\$10.95 to A\$12.21 per share as summarised below:

Value of 100% of Lion Nathan		
	Low	High
	A\$m	A\$m
Operating EBITDA	665.0	665.0
EBITDA multiple	11.5	12.5
Enterprise value	7,647.5	8,312.5
Value of shares in Little World Beverages Limited (LWB)	38.8	42.3
Other surplus assets	45.3	50.3
Net debt	(1,880.0)	(1,880.0)
Value of 100% of Lion Nathan	5,851.6	6,525.1
Shares on issue	534.2	534.2
Value per share (A\$)	A\$10.95	A\$12.21

Value of Cash Payments

- 19 As noted above the Cash Payments of A\$12.00 per share comprise the Scheme Consideration of A\$11.50 cash per share to be paid by Kirin plus a Special Dividend of A\$0.50 per share to be paid by Lion Nathan. In evaluating the Scheme we have adopted the total consideration of A\$12.00 per share to be received by Lion Nathan shareholders.
- 20 However, due to the benefit of Australian franking credits (of up to A\$0.21 per share) and New Zealand imputation credits (of up to NZ\$0.29 per share⁸) attached to the Special Dividend, the value of the Cash Payments to some Australian and New Zealand resident shareholders in Lion Nathan may be greater than A\$12.00 per share (on a pre-tax basis).

Assessment of the Scheme

- 21 We summarise below the likely advantages and disadvantages for Lion Nathan shareholders if the Scheme is agreed to.

⁸ While the exact amount of New Zealand imputation credits that can be attached to the Special Dividend will depend on the exchange rate between Australia and New Zealand when the Special Dividend is declared, it is expected that approximately NZ\$0.29 imputation credits will be attached to the Special Dividend.

Advantages

- 22 The Scheme has the following benefits for Lion Nathan shareholders:
- (a) the Cash Payments of A\$12.00 cash per share lie at the high end of our assessed value range for 100% of Lion Nathan of A\$10.95 to A\$12.21 per share, and are therefore fair to Lion Nathan shareholders when assessed under the guidelines set out in Australian Securities & Investments Commission (ASIC) Regulatory Guide 111
 - (b) the Cash Payments represent a significant premium to the recent market prices of Lion Nathan shares prior to the announcement of the initial approach by Kirin (on 23 April 2009) and are higher than any Lion Nathan closing share price
 - (c) furthermore, the premium exceeds observed premiums generally paid to target company shareholders in comparable circumstances
 - (d) the Special Dividend allows the release of franking credits and imputation credits to Lion Nathan's Australian and New Zealand shareholders respectively, thereby increasing the potential value to some shareholders by up to A\$0.21 per share
 - (e) if the Scheme does not proceed, and in the absence of an alternative offer or proposal, the price of Lion Nathan shares is likely to trade at a significant discount to our valuation and the Cash Payments (consistent with the portfolio nature of individual shareholdings).
- 23 Further, it should be noted that as Kirin already owns 46.1% of Lion Nathan shares there is no realistic likelihood that a competing offer for Lion Nathan shares will be received prior to the Scheme meeting.

Disadvantages

- 24 Lion Nathan shareholders should note that if the Scheme is approved they will no longer hold an interest in Lion Nathan. Lion Nathan shareholders will therefore not participate in any future value created by the Company as a result of ongoing operations over and above that reflected in the Cash Payments.
- 25 In particular, based on information reviewed for the purposes of this report, we expect Lion Nathan to achieve further increases in profitability in future years⁹. However, our valuation of Lion Nathan confirms that the current value of this future earnings potential is reflected in the Cash Payments.

⁹ Refer paragraph 173 for further information, including details of broker forecasts for future years.

Conclusion

- 26 On balance, given the above analysis, we consider the acquisition of Lion Nathan shares by Kirin under the Scheme is fair and reasonable and in the best interests of Lion Nathan shareholders.

General

- 27 The impact of approving the Scheme on the tax position of Lion Nathan shareholders depends on the individual circumstances of each investor. Lion Nathan shareholders should read Section 5 of the Scheme Booklet (Taxation Implications for Shareholders) and consult their own professional advisers if in doubt as to the taxation consequences of the Scheme.
- 28 The ultimate decision whether to approve the acquisition of shares by Kirin under the Scheme should be based on each Lion Nathan shareholders' assessment of their own circumstances. If Lion Nathan shareholders are in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice. For our full opinion on the Scheme and the reasoning behind our opinion, we recommend that Lion Nathan shareholders read the remainder of our report.

Yours faithfully



Craig Edwards
Authorised Representative



Martin Holt
Authorised Representative

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I Key terms of the Scheme

Terms

- 29 On 27 April 2009 Lion Nathan Limited (Lion Nathan) announced that Lion Nathan's Independent Board Committee¹⁰ (IBC) and Kirin Holdings Company, Limited (Kirin) had agreed key terms under which Kirin would acquire all of the issued shares in Lion Nathan that it did not own for an offer consideration of A\$12.22 per share. This included the interim dividend of A\$0.22 per share paid on 23 June 2009.¹¹ Consequently, the offer consideration¹² is now A\$12.00 per share.
- 30 Subsequently, on 11 May 2009 Lion Nathan announced that it had signed an Implementation Agreement (the Agreement) with Kirin to formalise the agreement reached on 27 April 2009.
- 31 The proposed acquisition of the shares is to be implemented by a scheme of arrangement between Lion Nathan and its shareholders (other than Kirin and its related bodies corporate) (the Scheme) and is subject to a limited number of customary conditions precedent (as summarised below).
- 32 If the Scheme is approved by Lion Nathan shareholders and the Court, Lion Nathan shareholders not associated with Kirin will receive A\$12.00 cash per share¹³ (the Cash Payments), which will comprise:
- (a) Scheme cash consideration of A\$11.50 per share (the Scheme Consideration) held in relation to each share at the Scheme record date; and
 - (b) a special dividend of A\$0.50 per share (the Special Dividend) in relation to each share held at the Special Dividend record date which will be fully franked for Australian resident shareholders and partially imputed for New Zealand resident shareholders (based on the level of available New Zealand imputation credits).

¹⁰ The IBC comprises all of the directors of Lion Nathan other than Kirin representatives.

¹¹ The record date for determining entitlements to this interim dividend was 5 June 2009.

¹² Including a special dividend of A\$0.50 per share.

¹³ Being A\$12.22 per share announced on 27 April 2009 less the interim dividend of A\$0.22 per share paid on 23 June 2009.

Conditions

- 33 The Scheme is subject to the satisfaction of a limited number of customary conditions precedent, including the following which are outlined in the Agreement between Lion Nathan and Kirin dated 10 May 2009:
- (a) the Australian Competition and Consumer Commission (ACCC) not having commenced or threatened to commence proceedings in relation to Kirin's acquisition of the Lion Nathan shares it does not already own, or advising Kirin that it does not intend to oppose or otherwise intervene in the acquisition¹⁴
 - (b) the New Zealand Commerce Commission (NZCC) not having commenced or threatened to commence proceedings in relation to Kirin's acquisition of the Lion Nathan shares it does not already own, or having given clearance or granting authorisation to the acquisition
 - (c) the Australian Federal Treasurer's written advice that there is no objection to the acquisition of the Lion Nathan shares it does not already own by Kirin under Australia's foreign investment policy (or, following notice of the proposed acquisition, the Treasurer has ceased to be empowered to make any order under the *Foreign Acquisitions and Takeovers Act 1975 (Cwlth)*)¹⁵
 - (d) the New Zealand Overseas Investment Office (OIO) giving consent to the acquisition of the Lion Nathan shares it does not already own by Kirin and such consent is not withdrawn
 - (e) no order, injunction, decree, ruling or other action restraining or otherwise imposing a legal restraint or prohibition having been issued by the Court or other regulatory authority (such as the ACCC and NZCC) preventing the implementation of any material aspect of the Scheme or payment of the Special Dividend
 - (f) approvals from all relevant Australian regulatory authorities (other than a tax authority) which Kirin and Lion Nathan agree, acting reasonably, are necessary to implement any material aspect of the Scheme or payment of the Special Dividend
 - (g) no order, injunction, decree, ruling or other action restraining or otherwise imposing a legal restraint or prohibition having been issued by the Court or other regulatory authority (such as the ACCC and NZCC) preventing the implementation of any material aspect of the Scheme or payment of the Special Dividend

¹⁴ Lion Nathan announced on 29 June 2009 that the ACCC did not propose to intervene in Kirin's proposed acquisition of the shares in Lion Nathan it does not already own.

¹⁵ Lion Nathan announced on 19 June 2009 that Kirin had received Foreign Investment Review Board approval for the acquisition of the shares in Lion Nathan it does not already own.

- (h) approval of the Scheme by the Court in accordance with Section 411(4)(b) of the Corporations Act
- (i) the representations and warranties set out in schedules 5 and 6 of the Agreement being true and correct in all material respects at the date of the Agreement and at 8.00am on the Second Court Date
- (j) no “material adverse change” (as defined in the Agreement) having occurred in respect of Lion Nathan
- (k) an independent expert concluding that the Scheme is in the best interests of Lion Nathan shareholders
- (l) the Agreement not being terminated, which may occur for a number of reasons, including the Scheme not becoming effective by 31 December 2009 or some other date as Kirin and Lion Nathan agree.¹⁶

Resolution

- 34 Lion Nathan shareholders will be asked to vote on the Scheme in accordance with the resolution contained in the notice of Scheme meeting accompanying the Scheme Booklet.
- 35 If the resolution is passed by the requisite majorities, Lion Nathan must apply to the Court for orders approving the Scheme, and if that approval is given, lodge the orders with ASIC and do all things necessary to give effect to the Scheme. Once the Court approves the Scheme it will become binding on all Lion Nathan shareholders.

¹⁶ It is currently expected that the Scheme will be implemented in October 2009 provided all the conditions are met.

II Scope of our report

Purpose

- 36 The Scheme is subject to the Corporations Act 2001 (Cth) (Corporations Act) and has to be effected pursuant to Part 5.1 of the Corporations Act, which governs schemes of arrangement. Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cth) (Corporations Regulations) prescribes information to be sent to shareholders in relation to a members' scheme of arrangement pursuant to section 411 of the Corporations Act.
- 37 Regulation 5.1.01 and Part 3 of Schedule 8 of the Corporations Regulations provide that, where a party to the transaction holds not less than 30% of the voting shares in the company, or where any of its directors are also directors of the company the subject of the scheme, the explanatory statement must be accompanied by an independent expert's report (IER) assessing whether the proposed scheme is in the best interests of shareholders and state reasons for that opinion.
- 38 Kirin holds 246.45 million shares in Lion Nathan (representing 46.1% of the ordinary shares on issue) and has three directors on Lion Nathan's Board. Accordingly, there is a regulatory requirement for an IER to be prepared for Lion Nathan shareholders pursuant to section 411 of the Corporations Act.
- 39 The Independent Directors of Lion Nathan have therefore requested LEA to prepare an IER stating whether the proposed acquisition of Lion Nathan by Kirin under the Scheme is fair and reasonable and in the best interests of Lion Nathan shareholders and the reasons for that opinion.
- 40 This report has been prepared by LEA for the benefit of Lion Nathan shareholders to assist them in considering the resolution to approve the Scheme. Our report will accompany the Notice of Scheme Meeting and Scheme Booklet to be sent to Lion Nathan shareholders. The sole purpose of our report is to determine whether, in our opinion, the Scheme is fair and reasonable and in the best interests of Lion Nathan shareholders.
- 41 The ultimate decision whether to approve the Scheme should be based on each Lion Nathan shareholder's assessment of their own circumstances. If in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.

Basis of assessment

- 42 There is no legal definition of the expression “in the best interests”. ASIC Regulatory Guide 111¹⁷ gives limited guidance as to the meaning of “in the best interests”, implying that it is similar to “fair and reasonable”.
- 43 Regulatory Guide 111 establishes certain guidelines in respect of independent expert’s reports prepared for the purposes of the Corporations Act.
- 44 Pursuant to Regulatory Guide 111, an offer is “fair” if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. A comparison must be made assuming 100% ownership of the target company.
- 45 Regulatory Guide 111 considers an offer to be “reasonable” if it is fair. An offer may also be reasonable if, despite not being “fair” but after considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.
- 46 As Kirin will acquire 100% of Lion Nathan if the Scheme is approved we have assessed the Scheme under the guidelines set out in ASIC Regulatory Guide 111. Further, in our opinion, if the Scheme is “fair and reasonable” under ASIC Regulatory Guide 111 it must also be “in the best interests” of Lion Nathan shareholders.
- 47 The following facts, among others, have been considered when determining whether the Scheme is fair and reasonable and in the best interests of Lion Nathan shareholders:
- (a) the market value of 100% of the shares in Lion Nathan
 - (b) the value of the consideration offered by Kirin
 - (c) the extent to which (a) and (b) differ (in order to assess whether the offer is fair under ASIC Regulatory Guide 111)
 - (d) the extent to which a control premium is being paid to Lion Nathan shareholders
 - (e) the level of synergies likely to be generated by an acquirer and the extent to which those synergies are being paid away to Lion Nathan shareholders
 - (f) the listed market price of Lion Nathan shares prior to and subsequent to the announcement of the Scheme
 - (g) the value of Lion Nathan to an alternative offeror and the likelihood of a higher alternative offer being made
 - (h) the likely market price of Lion Nathan shares if the Scheme is not approved
 - (i) ownership and control issues and other qualitative and strategic issues associated with the Scheme.

¹⁷ ASIC Regulatory Guide 111 “Content of Expert’s Reports”.

Limitations and reliance on information

- 48 Our opinions are based on the economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.¹⁸
- 49 Our report is also based upon financial and other information provided by Lion Nathan. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion on the Scheme from the perspective of the Lion Nathan shareholders. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. None of these additional tasks have been undertaken.
- 50 We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS).
- 51 An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 52 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 53 In forming our opinion, we have also assumed that:
- (a) the information set out in the Scheme Booklet is complete, accurate and fairly presented in all material respects
 - (b) if the Scheme becomes legally effective, it will be implemented in accordance with the terms set out in the Agreement and the terms of the Scheme itself.

¹⁸ This has been particularly the case throughout 2008 and 2009, although market conditions appear more stable at the date of this report.

III Profile of Lion Nathan

Overview

- 54 Lion Nathan is a leading Australasian beverage company with a primary focus on the production, marketing, sales and distribution of beer. In both the Australian and New Zealand markets Lion Nathan is one of the two major beer producers. It also has complementary spirits, niche fine wine and ready-to-drink (RTD) spirit businesses.
- 55 Lion Nathan is listed on both the Australian Securities Exchange (ASX) and the New Zealand Stock Exchange (NZSE) with a market capitalisation of approximately A\$6.4 billion.¹⁹ It is currently 46.1% owned by Kirin.

History

- 56 A summary of Lion Nathan's history as it relates to its current operations is set out in the table below:

Calendar year	Description
1988	<ul style="list-style-type: none"> Lion Nathan was formed when New Zealand's largest retailer, LD Nathan & Co, merged with brewer, wine and spirit manufacturer and hotel operator, Lion Breweries.
1990	<ul style="list-style-type: none"> Lion Nathan bought a 50% share in Natbrew Holdings, which owned Alan Bond's brewing assets in Australia including Castlemaine Tooheys and Swan Brewing.
1992	<ul style="list-style-type: none"> Lion Nathan acquired the remaining 50% of Natbrew Holdings. Tooheys, Castlemaine Perkins and the Swan Brewing Company began operating as independent breweries under the Lion Nathan umbrella. Tooheys was established in the Victorian market.
1993	<ul style="list-style-type: none"> Lion Nathan acquired New South Wales boutique brewer, Hahn Brewing, and the South Australian Brewing Company.
1998	<ul style="list-style-type: none"> Kirin acquired a 45% interest in Lion Nathan.
2000	<ul style="list-style-type: none"> Lion Nathan changed its domicile and primary stock exchange listing to Australia.
2001	<ul style="list-style-type: none"> Lion Nathan purchased premium Australian wine companies Petaluma and Banksia. The acquisitions included brands such as Petaluma, Stonier, Croser, Mitchelton, Smithbrook, Knappstein, Tatachilla, St Hallett and Oregon based Argyle Wines.
2002	<ul style="list-style-type: none"> Lion Nathan added to its premium wine business by acquiring New Zealand wine company Wither Hills.

¹⁹ Based on the Cash Payments of \$12.00 per share. Note that Lion Nathan's market capitalisation was A\$4.4 billion based on a share price of \$8.31 on 22 April 2009, the last day of trading prior to the trading halt in Lion Nathan shares.

Calendar year	Description
2003	<ul style="list-style-type: none"> Bacardi-Martini and Lion Nathan established a joint venture to market, sell and distribute a range of ready-to-drink and spirit brands in Australia.
2004	<ul style="list-style-type: none"> Heineken and Lion Nathan established a joint venture to produce and sell Heineken in Australia.
2006	<ul style="list-style-type: none"> McKenna Bourbon was launched by Lion Nathan with both spirit and RTD brands.
2007	<ul style="list-style-type: none"> In April Lion Nathan acquired the Inner Circle Rum brand and distillery for an undisclosed amount, while McKenna Bourbon moved to full national distribution.
2008	<ul style="list-style-type: none"> Tasmanian brewer J Boag & Son (Boag's) was acquired in January 2008 for A\$325 million. In June Lion Nathan acquired the USA wine importer Cumulus Wine Inc to increase Lion Nathan's Australian and New Zealand wine sales in the USA market, after its existing distributor in the US was taken over by a competitor. In November Lion Nathan and Coca-Cola Amatil Limited (CCA) confirmed that they were in discussions regarding a potential merger whereby Lion Nathan would acquire CCA through a Scheme of Arrangement. The deal did not eventuate after CCA's major shareholder The Coca-Cola Company ceased discussions.

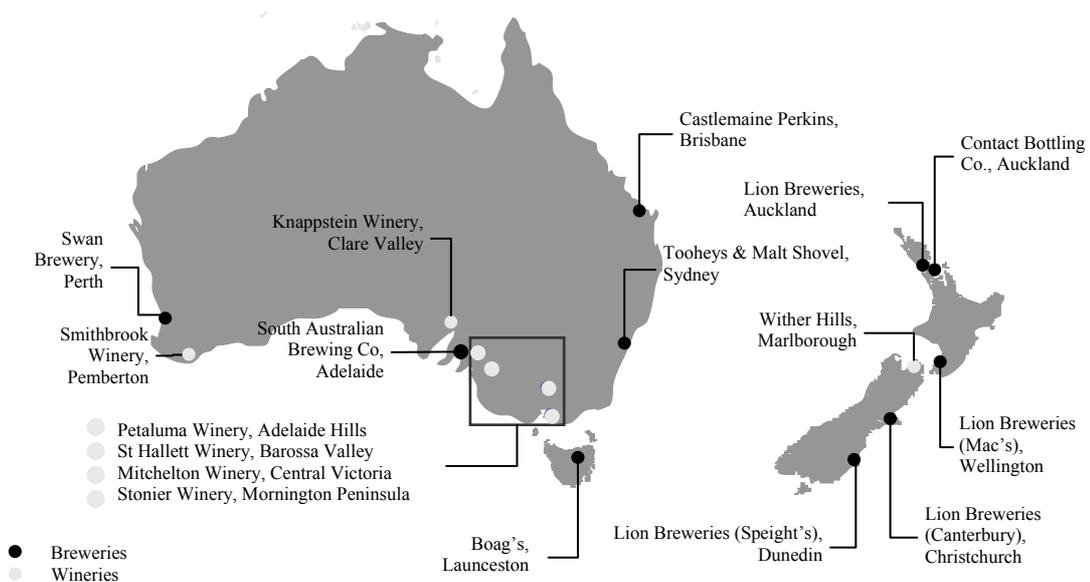
Current operations

- 57 Lion Nathan is the second largest supplier of alcoholic beverages in Australia and the leading supplier in New Zealand. It operates a comprehensive beer operation with six breweries in Australia and four in New Zealand. Beer related assets comprise 90% of Lion Nathan's total assets.
- 58 In Australia Lion Nathan has established joint ventures with Heineken to sell locally produced Heineken and Bacardi-Martini for the distribution of Bacardi and company owned spirits. The New Zealand operations include a spirits and RTD business and Lion Nathan distributes Diageo Plc's brands in New Zealand. A niche fine wine business is operated in both countries. Lion Nathan has over 1,800 employees in Australia and over 1,400 in New Zealand.

59 A sample of Lion Nathan’s major brands by category are set out below:



60 A geographical overview of Lion Nathan’s facilities in Australia and New Zealand is set out below:



61 Management’s strategic focus is to maximise and enhance the performance of the existing core beer businesses, optimise value in the fine wine business and seek growth opportunities in the spirits and RTD markets, as well as the international wine export markets. As a part of this strategy emphasis is placed on the brand equity of its existing core brands, the development of a national focus for those core brands and encouraging consumers to ‘trade up’ to premium products.

Lion Nathan Australia

- 62 Australia, which accounts for 75% of group assets and over 80% of group operating profits, is the primary driver of Lion Nathan's performance. The company is the number two operator in both the Australian alcoholic beverages and beer sectors, with market shares of 24% and 40% (based on retail value) respectively. Foster's Group Limited (Foster's Group) is the market leader in both these sectors.

Australia – beer

- 63 As discussed in Section IV, and consistent with the experience overseas, Australian beer consumers are becoming less loyal to one particular brand and more partial to a range of brands. To meet this preference both Lion Nathan and Foster's Group have recently been releasing (or in the case of Boag's acquiring) new beer brands. The partial cost of this however has been the cannibalisation of existing brands. The new brands capitalise on contemporary beer industry trends such as the shift to premium and low carbohydrate (low carb) beers.
- 64 Lion Nathan has been successful in establishing a number of nationwide or 'power brands', i.e. brands sold Australia-wide that are well recognised with broad appeal. A sample of Lion Nathan's Australian beer brand portfolio is summarised below:

Lion Nathan – Australian brand portfolio

Nationwide brands	Premium brands	Specialty / regional brands
XXXX Gold	Becks	Boag's Draught
XXXX Bitter	Heineken	Boag's Classic Blonde
Tooheys New	Kirin	Boag's St George
Tooheys Extra Dry	Steinlager	Swan Draught
Hahn Premium	Amstel	Emu Bitter
Hahn Premium Light	James Squire (all brands)	West End Draught
Hahn Super Dry	James Boag's Premium	Barefoot Radler
	Toohey's Extra Dry	Tooheys New White Stag
	Platinum	

- 65 During 2004 Lion Nathan entered a joint venture with Heineken NV (Heineken) to distribute a range of Heineken products in Australia. Lion Nathan provides the brewing, logistics, sales and back office functions of the joint venture while Heineken provides and markets the Heineken, Amstel and Moretti brands.
- 66 In January 2008 Lion Nathan acquired J Boag & Son (Boag's), adding some 7% of the Australian premium beer market to Lion Nathan's existing market share. The company subsequently announced a major upgrade of the Tasmanian brewery, with a planned increase in capacity to 100 million litres per annum. The brewery expansion has coincided with the addition of new Boag's brands and higher levels of promotional activity.

- 67 Lion Nathan has also overhauled key components of its brewing infrastructure over the past two years, to lower costs and improve flexibility. Major capital projects are due to be completed at the Tooheys (Sydney) and XXXX Castlemaine (Brisbane) breweries in FY09, with combined operating cost savings of A\$15 million per annum envisaged.

Australia – spirits and RTD beverages

- 68 Lion Nathan owns the Inner Circle Rum and McKenna Bourbon brands. The Inner Circle brand is an award winning rum acquired in 2007, while McKenna Bourbon was developed in house by Lion Nathan.
- 69 In addition the company has exposure to a range of spirits and RTD beverages through a joint venture with Bacardi Martini Ltd set up in 2003. The Bacardi Lion JV was established to market, sell and distribute a range of Bacardi Martini brands, including Bacardi Rum, Bacardi Breezers, Bacardi & Cola, Grey Goose and Martini. Since October 2008 Lion Nathan’s company owned brands (i.e. Inner Circle Rum and McKenna Bourbon) have also been included in the joint venture.

Lion Nathan New Zealand

- 70 In New Zealand, Lion Nathan is the country’s leading brewer and supplier of alcoholic beverages with a market share of more than 50%. New Zealand accounts for some 15% of group assets and operating profits. In addition to Lion Nathan’s beer assets the company produces and distributes a number of spirit and RTD brands under licensing arrangements with international beverage companies, and is also involved in other related businesses such as contract bottling, liquor retailing and malt extract production.

New Zealand – beer

- 71 While Lion Nathan is the largest producer and distributor of beer in New Zealand the market is highly competitive due to the combined effects of more aggressive pricing by competitors, a greater number of beer selling participants²⁰ and the sale of alcohol being permitted in supermarkets. As a result (and in part due to the out-performance of the Australian business) New Zealand has provided reduced contributions to total group performance in recent years.
- 72 Since 2005, when an extremely competitive operating environment, legislative changes (smoking bans) and retail industry consolidation negatively impacted results, the New Zealand business has operated under the “one business” structure, which encompasses beer, spirits, RTD beverages and wine. The objective was to leverage the full brand portfolio for future growth, and given

²⁰ Beer production and distribution in Australia by comparison is dominated by Foster’s Group and Lion Nathan, who together account for some 93% of the market.

the tough economic conditions in New Zealand that have prevailed since 2005 this strategy has proved relatively successful to date.

- 73 Similar to Australia, nationwide or power brands have been developed in the New Zealand market, alongside premium and specialty beers. Lion Nathan has also increased its investment in new brands in New Zealand, including the launch of Steinlager Pure in July 2007. A total of 10% of New Zealand net sales revenue has been derived from new products and innovations in the last three years.
- 74 A sample of Lion Nathan's New Zealand beer brands is set out below:

Lion Nathan – New Zealand brand portfolio		
Nationwide brands	Premium brands	Specialty brands
Steinlager Classic	Corona Extra	Lion Brown
Lion Red	Stella Artois	Lion Ice
Speight's Gold Medal	Beck's	Canterbury Draught
Waikato Draught	Steinlager Pure	Light Ice
Mac's Gold		Speight's Summit Lager

- 75 Lion Nathan distributes international premium and specialty beers based on agency arrangements with a number of international alcoholic beverage providers, including Diagio Plc (Guinness and Kilkenny), Anheuser-Busch Inbev NV (Beck's, Stella Artois), and Grupo Modelo SAB de CV (Corona).
- 76 In July 2007 Lion Nathan New Zealand announced the Auckland brewery project, which involves the sale of the existing facilities and the building of state of the art brewing facilities at new premises. The brewery project development is expected to cost NZ\$250 million²¹ and deliver cash cost savings of NZ\$15 million per annum post the transition period.²²

New Zealand – spirits and RTD beverages

- 77 The size and reach of Lion Nathan's New Zealand sales force is unmatched by other distributors, which places the company in a strong comparative position in securing agency sales arrangements with international alcohol companies. Brands currently sold by Lion Nathan in New Zealand include Johnnie Walker Red Label, Coruba Rum, Smirnoff Vodka, Smiffnoff RTD beverages, Baileys, Gordon's Dry Gin and Campari. Lion Nathan company owned brands are also sold.

²¹ Prior to taking into account the proceeds from the existing site.

²² During the transition period additional costs will be incurred transferring the beer produced from the new premises to the packaging and distribution facilities of the old premises. These costs will cease once packaging and distribution facilities are built at the new facility.

New Zealand – other

- 78 In addition to beer, spirits and wine the New Zealand operations include:
- (a) the Contract Bottling Company, a contract bottling division of Lion Nathan which manufactures for both internal and external customers
 - (b) Liquor King, a retail liquor outlet with 38 stores, as well as Liquor King Online which is New Zealand’s largest online liquor outlet showing more than 2,000 products
 - (c) Maltexo, a malt extract business which produces and exports several brands to Asia, North America and Europe. Its products are predominantly supplied for craft or home brewing and in bulk form for use in the food industry.
- 79 The earnings margins available on the above businesses are generally lower than those available on beer and alcohol products.

Lion Nathan International

- 80 Lion Nathan International (LNI) is the sales and marketing arm for Lion Nathan’s beer business outside its home markets of Australia and New Zealand. LNI operations are based on several export and licence brewing agreements. Products are exported to more than 20 countries worldwide, with the USA being the largest single market internationally and Steinlager being the lead export brand.

Lion Nathan Wine

- 81 Lion Nathan operates a niche fine wine business in Australia and New Zealand. The business model focuses on premium wine brands that exhibit less price sensitivity (than lower value wines) and utilise focused distribution systems. By focusing on niche fine wines Lion Nathan seeks to avoid the generally highly competitive nature of the mainstream segment of the wine industry and the inherent structural issues (e.g. global oversupply of wine) that occur.
- 82 Wine brands owned include Petaluma, Wither Hills, Argyle, Tatachilla, Smithbrook, Knappstein, Mitchelton, Stonier and St Hallett. Wines produced are located in South Australia, Victoria, Western Australia and the Marlborough region in New Zealand. The company also owns the Argyle winery in Oregon, USA.
- 83 The Australian market currently accounts for some 67% of Lion Nathan’s net wine sales revenue and is therefore the most important destination market. This is followed by Europe / UK, USA and New Zealand with around 10%, 7% and 5% of wine sales respectively.

- 84 Exports to North America were previously distributed by Beam Wine Estates, which was taken over by Constellation Brands Inc during November 2007. Lion Nathan subsequently acquired a small US wine import business, Cumulus Wine Inc, to import its wine brands into North America. This new platform services 73 state-based distributors throughout the US.
- 85 Fine Wine Partners was launched in 2005 to provide sales, market activation, public relations and distribution services for premium Australian and international wines, champagnes, spirits, craft beers and boutique waters. The business specialises in servicing on-premise consumption restaurants and venues and national and independently owned retail outlets.

Financial performance

- 86 A summary of Lion Nathan's financial performance for the three years ended 30 September 2008 and the six months ended 31 March 2009 is set out below:

Lion Nathan - financial performance				
	Year to 30 Sep 06 A\$m	Year to 30 Sep 07 A\$m	Year to 30 Sep 08 A\$m	6 mths to 31 Mar 09 A\$m
Net sales revenue ⁽¹⁾	1,845.6	1,967.0	2,094.2	1,185.3
Operating EBITDA ⁽²⁾	541.1	565.4	600.3	354.7
Depreciation	(61.7)	(64.3)	(68.6)	(37.3)
Amortisation	(25.4)	(28.7)	(24.7)	(10.4)
Operating EBIT ⁽²⁾	454.0	472.4	507.0	307.0
Significant items (pre-tax)	(43.8)	(19.7)	(8.0)	-
Net interest	(80.4)	(100.9)	(108.7)	(61.7)
Profit before tax	329.8	351.8	390.3	245.3
Tax expense ⁽³⁾	(103.0)	(69.6)	(117.4)	(69.2)
Minority interests ⁽⁴⁾	-	(0.1)	(0.2)	(0.1)
Profit after tax	226.8	282.1	272.7	176.0

Note:

1 Net of excise and discounts.

2 Before significant items.

3 The effective tax rate in FY07 of 19.8% reflects the add back of certain taxation provisions raised in prior years and the gain on the sale of the Auckland brewery (both of which were not assessable for tax purposes).

4 The minority interest represents the 25% interest in Marine Stores (a South Australian bottler and can recycler) not owned by Lion Nathan.

5 The above results other than those for the 6 months ended 31 March 2009 have been audited.

- 87 Information on the revenue and profitability of each major business unit is set out in Section IV and Appendix C.

Lion Nathan Australia

88 As indicated above, Lion Nathan has consistently achieved revenue and earnings before interest and tax (EBIT)²³ growth in recent years. This growth has principally been generated by the Lion Nathan Australia business unit which has benefited from:

- (a) product innovation and the successful introduction of new brands, including Hahn Super Dry, Tooheys New White Stag (mainstream low carbohydrate beers) and Barefoot Radler
- (b) the acquisition of Boag's in January 2008, which has achieved significant volume growth since acquisition following increased advertising and the increase in locations serving the beer on tap
- (c) improvements in sales mix, as consumers continue to move to more premium and mid-strength beers (which generate higher margins)
- (d) continued investment in the company's brands and breweries, particularly over recent years.

Lion Nathan New Zealand

89 While the Lion Nathan New Zealand business has also exhibited revenue and EBIT growth since 30 September 2006, the level of EBIT growth has been significantly lower than that of Lion Nathan Australia. This lower EBIT growth reflected, inter alia:

- (a) the highly competitive operating environment that exists in the New Zealand beer market due to, inter alia:
 - (i) the existence of a number of smaller competitors who account for approximately 10% of the domestic beer market in New Zealand (whereas in Australia the two largest brewers have a combined market share of approximately 93%)
 - (ii) more aggressive competitor pricing
 - (iii) the wider availability of alcoholic beverages, which are licensed for sale in supermarkets in New Zealand

²³ Before significant items.

- (b) the loss during the period of a number of distribution contracts, including the Allied Domecq Plc spirits and RTD brand portfolio²⁴ and Moet Hennessy²⁵
- (c) the weaker New Zealand economy which has been more adversely impacted by the global financial crisis than the Australian economy (which has to date proven relatively resilient).²⁶

Lion Nathan Wine

- 90 The financial performance of the Lion Nathan Wine business has exhibited more volatility relative to the group's other business units, primarily due to its greater exposure to economic conditions. Key wine markets continue to be impacted by the global financial crisis, the structural wine industry dynamics of excess supply and price discounting and the vagaries of nature. In the US and UK for example market conditions have deteriorated with consumers trading down to cheaper wines and switching away from on-premise consumption (which reduces demand for fine wines).
- 91 Wine sales to the US were also adversely impacted by the sale of the company's distributor to Constellation Brands (a competing wine producer) in November 2007. In response Lion Nathan acquired a small US wine distributor in June 2008.

Market guidance for year ending 30 September 2009

- 92 Lion Nathan announced on 24 April 2009 that it expects to achieve net profit after tax (NPAT)²⁷ for the year ending 30 September 2009 in the range of A\$305 million to A\$315 million.²⁸ This reflects a higher rate of growth in the second half of FY09 due to the timing of Easter, further gains through innovation and the contribution from the Boag's brands and the reversal of the cost impact of higher fourth quarter marketing spend relating to Boag's in the prior year. This earnings guidance was reiterated on 16 July 2009.

²⁴ Allied Domecq Plc was acquired by Pernod-Ricard SA who now distribute through their New Zealand subsidiary.

²⁵ Moet Hennessy created their own distribution arm.

²⁶ In New Zealand growth in real gross domestic product (GDP) was negative in each of the four quarters to 31 December 2008.

²⁷ Prior to non-recurring items, including costs associated with the Scheme.

²⁸ This guidance represented an upgrade in expected net profit after tax from the previous guidance of A\$300 million to A\$315 million.

Financial position

93 The financial position of Lion Nathan as at 30 September 2008 (audited) and 31 March 2009 (unaudited) is set out below:

Lion Nathan - financial position		
As at	30 Sep 08	31 Mar 09
	A\$m	A\$m
Cash and cash equivalents	45.3	64.0
Trade and other receivables	279.6	313.4
Inventories	249.6	257.0
Derivative financial assets	5.2	8.0
Other	33.6	26.8
Non-current assets classified as held for sale	13.3	10.6
Total current assets	626.6	679.8
Receivables	89.6	93.6
Inventories	60.3	61.7
Equity accounted investments	27.1	31.5
Derivative financial assets	13.3	119.2
Property, plant and equipment	934.0	984.6
Grapevines	34.6	35.8
Deferred tax assets	17.0	17.6
Intangibles	1,376.6	1,384.9
Other	7.4	6.1
Total non-current assets	2,559.9	2,735.0
Total assets	3,186.5	3,414.8
Trade and other payables	415.9	417.0
Borrowings	54.4	64.4
Derivative financial liabilities	10.4	7.7
Current tax liabilities	23.0	30.7
Provisions	75.7	57.8
Total current liabilities	579.4	577.6
Non-current liabilities		
Trade and other payables	14.2	3.8
Borrowings	1,501.8	1,766.4
Derivative financial liabilities	125.5	96.2
Deferred tax liabilities	75.8	60.4
Provisions	11.9	11.9
Total non-current liabilities	1,729.2	1,938.7
Total liabilities	2,308.6	2,516.3
Net assets	877.9	898.5
Less net assets attributed to minority interests	(0.4)	(0.5)
Net assets attributed to Lion Nathan shareholders	877.5	898.0

Derivative assets and liabilities

- 94 Lion Nathan has several derivative financial assets and liabilities which are used in the normal course of business activities for the purpose of mitigating or reducing exposures to adverse movements in interest rates, foreign exchange rates and commodity prices, particularly aluminium and sugar. The derivatives are initially recognised at fair value and are subsequently remeasured to fair value at each reporting date.
- 95 The net derivative position as at 30 September 2008 and 31 March 2009 is summarised below:

Lion Nathan – net derivative financial position		
As at	30 Sep 08	31 Mar 09
	A\$m	A\$m
Derivative financial assets – current	5.2	8.0
Derivative financial assets – non-current	13.3	119.2
Derivative financial liabilities – current	(10.4)	(7.7)
Derivative financial liabilities – non-current	(125.5)	(96.2)
Net derivative asset (liability) position	<u>(117.4)</u>	<u>23.3</u>

- 96 The movement in the net derivative position from a net liability position as at 30 September 2008 to a net asset position as at 31 March 2009 largely reflects:
- a decline in the value of interest rate derivatives driven by movements in interest rates over the last six months
 - gains in cross currency interest rate swaps, driven by movements in interest and foreign exchange rates (which more than offset the decline in interest rate derivatives).

Non-current assets classified as held for sale

- 97 Non-current assets classified as held for sale represents grapevines, land and plant and equipment in relation to Australian Wine Group and Wither Hills that management expect to be sold within one year. These assets no longer meet strategic purposes. In addition, inventory at these sites (worth around A\$18 million) is also likely to be sold as part of any sale.

Non-current receivables

- 98 Non-current receivables as at 31 March 2009 include A\$78 million relating to the sale of the Auckland Brewery.²⁹ The Auckland Brewery was sold in

²⁹ As at 30 September 2008 the receivable was A\$75.9 million.

September 2007 for NZ\$162 million, for which a deposit of NZ\$50 million was paid. The balance of the purchase price (NZ\$112 million) is payable on exit from the site, which is expected to be in 2011. The amount outstanding, which is secured against a first mortgage over the property, has been discounted at 8% per annum to derive a present value of NZ\$94.5 million as at 31 March 2009.

- 99 Lion Nathan has leased back the site until it relocates to the new brewery currently under construction in Auckland, which is expected to be completed during 2011 at a cost of approximately NZ\$250 million. The leaseback is rent-free for the first four years, with rent applying from the fifth year if Lion Nathan has not exited the site by that time.

Equity accounted investments

- 100 Equity accounted investments as at 30 September 2008 and 31 March 2009 were A\$27.1 million and A\$31.5 million respectively and comprise:

Lion Nathan – equity accounted investments		
	Principal activity	Ownership interest %
Bacardi Lion Pty Limited	Distributor ⁽¹⁾	50
Heineken Lion Australia Pty Ld	Brewery ⁽²⁾	50
Little World Beverages Limited	Brewery ⁽²⁾	40
Bevchain Pty Limited	Warehousing and distribution	50

Note:

- 1 Sale and marketing of spirits and RTD beverages.
2 Sale and marketing of beer.

- 101 Little World Beverages Limited (LWB) is listed on the ASX and focuses on the premium beer market through its wholly owned subsidiary, Little Creatures Brewing. The market capitalisation of the company (based on the volume weighted average share price in the three months ended 26 May 2009) was approximately A\$82 million. Lion Nathan has announced that it last increased its shareholding in LWB on 30 January 2009.
- 102 Lion Nathan's pro-rata share of the profitability from its equity accounted investments is reflected in the results of Lion Nathan Australia. In the year ended 30 September 2008 Lion Nathan's pro-rata share of profit after income tax from these equity accounted investments was A\$7.7 million.

Property, plant and equipment

- 103 The book values of property, plant and equipment reflect their original cost less accumulated depreciation and impairment and comprise:

Lion Nathan – property plant and equipment		
	30 Sep 08	31 Mar 09
	A\$m	A\$m
Land and buildings	328.7	325.3
Plant and equipment	443.2	430.3
Capital works in progress	162.1	229.0
Total	934.0	984.6

- 104 In recent years Lion Nathan has incurred significant capital expenditure to upgrade and increase the capacity of its breweries. In particular:
- work to improve the XXXX Castlemaine and Tooheys breweries (in Queensland and NSW respectively) is expected to be completed by 30 September 2009. Upon completion the capacity and capability of both breweries will be increased improving flexibility to meet increasing expectations of customers and consumers, while greenhouse gas emissions, energy usage and trade waste will be reduced. Annualised cash savings of at least A\$15 million per annum are expected to be generated from this investment
 - the new brewhouse at the Boag's brewery in Launceston is expected to be completed in the first half of FY10 (with the first brew expected by the end of FY09). When complete the capacity of the Boag's brewery will be almost double current capacity
 - as stated above, Lion Nathan is constructing a new brewery in Auckland. The first brew from the new brewery is expected by the end of calendar 2009. Following this, the packing and distribution equipment will be installed, with Auckland operations expected to be fully transitioned to the new facility in 2011. Cash savings from the project have been estimated by management at NZ\$15 million per annum
 - total capital expenditure in relation to these projects is A\$215 million with some A\$67 million of this amount remaining to be spent as at 31 March 2009.

- 105 As a result of the above brewery upgrades and expansions, capital expenditure has exceeded depreciation and amortisation in recent years, as shown below:

Lion Nathan – capital expenditure versus depreciation and amortisation				
	Year to 30 Sep 06	Year to 30 Sep 07	Year to 30 Sep 08	6 mths to 31 Mar 09
	A\$m	A\$m	A\$m	A\$m
Capital expenditure	93	111 ⁽¹⁾	235	101
Depreciation and amortisation	87	93	93	48

Note:

1 Excludes deposit received of NZ\$50 million in connection with sale of the Auckland brewery site.

- 106 However, post completion of the brewery upgrades and expansions capital expenditure is expected to be broadly consistent with depreciation and amortisation.³⁰

Grapevines

- 107 Grapevines are measured at net market value with any changes recognised in profit and loss. The net market value of harvested grapes, net of picking costs, is recognised in the income statement during the period of harvest. Vineyard operating costs incurred in maintaining the vines, as well as any operating lease payments are expensed as incurred.

Intangible assets

- 108 Intangible assets are primarily represented by brand names and comprise:

Lion Nathan – intangible assets		
	30 Sep 08	31 Mar 09
	A\$m	A\$m
Goodwill	335.0	335.0
Brands	998.8	998.6
Computer software	14.6	12.9
Other contractual arrangements	28.2	38.4
Total	<u>1,376.6</u>	<u>1,384.9</u>

- 109 All intangible assets are tested annually for impairment.
- 110 The amount attributed to brands represents acquired brands only. Internally generated brands are not recognised on the balance sheet.

³⁰ Ignoring proceeds from the sale of the Auckland brewery site, expected in FY11.

- 111 All Lion Nathan brands are considered by management to have an indefinite economic life and are not amortised.

Other non-current assets

- 112 Other non-current assets represent a defined benefit superannuation fund surplus in relation to a superannuation plan in New Zealand. This fund is closed to new members and had a surplus on 31 March 2009 of A\$6.1 million.

Net interest bearing debt

- 113 Net interest bearing debt as at 30 September 2008 and 31 March 2009 was as follows:

Lion Nathan – net interest bearing debt		
	30 Sep 08	31 Mar 09
	A\$m	A\$m
Cash	(45.3)	(64.0)
Current borrowings	54.4	64.4
Non-current borrowings	1,501.8	1,766.4
Net interest bearing debt	1,510.9	1,766.8

- 114 Details of Lion Nathan’s loan facilities (at 31 March 2009) showing the amount drawn, facility limits and maturity dates is set out below:

Lion Nathan – loan facilities as at 31 March 2009			
	Amount drawn	Facility limit	
	A\$m	A\$m	Maturity date
Bank loans	783.7	1,200.0	May 2010 to Jun 2013
US private placement ⁽¹⁾	605.4	605.4	Feb 2010 to Aug 2015
Japanese syndicated loan ⁽²⁾	439.5	439.5	Dec 2013
Other debt ⁽³⁾	9.1	81.3	On call
Total interest bearing debt ⁽⁴⁾	1,837.7	2,326.2	

Note:

- 1 The US Private Placement is US dollar denominated debt. However, currency swaps have been entered into to convert the liability into a known Australian or New Zealand dollar amount.
- 2 The Japanese Syndicated Loan is a Japanese Yen denominated debt. However, currency swaps have been entered into to convert the liability into a known Australian dollar amount.
- 3 Uncommitted overnight facilities with Westpac Banking Corporation, ANZ Banking Group Ltd and Bank of New Zealand.
- 4 The difference between total interest bearing debt and borrowings relate to debt issue costs (A\$6.9 million as at 31 March 2009).

Share capital

- 115 Lion Nathan currently has 534.2 million shares on issue. Of these 2.05 million shares are held by the Lion Nathan Achievement Rights Trust (the Trust) in connection with the Achievement Rights Plan (which is a long-term incentive plan for the company's senior executives). Under the Plan senior executives have rights to Lion Nathan shares if relevant achievement targets are met over a three year period (and subject to also remaining employed by Lion Nathan over the three year plan period). If the market guidance of a A\$305 million to A\$315 million net profit is achieved in FY09 it is expected that senior executives will be entitled to all the shares currently held by the Trust.
- 116 Share entitlements under the Plan are acquired on market by Lion Nathan, and accordingly no additional shares are issued by the company as a result of the Plan.
- 117 No options or other equity securities have been issued by Lion Nathan.

Top 10 largest shareholders

- 118 The following table sets out the 10 largest shareholders and their percentage interests as at 16 June 2009:

Lion Nathan - top 10 shareholders		
	Lion Nathan shares	% interest
Kirin Holdings Company Limited	246,454,275	46.1
Barclays Global Investors	19,180,076	3.6
Credit Suisse Group	16,688,486	3.1
UBS	15,514,248	2.9
Maple-Brown Abbott	8,692,309	1.6
Westchester Capital Management	8,492,800	1.6
Vanguard Group	8,315,697	1.6
Fidelity Group	8,231,274	1.6
Schroders	7,533,924	1.4
State Street Corporation	6,965,433	1.3
Top 10 shareholders	346,068,522	64.8
Total shares outstanding	534,240,495	100.0

Share price performance

119 The price of Lion Nathan shares from 1 January 2007 to 30 June 2009 is summarised in the table below:

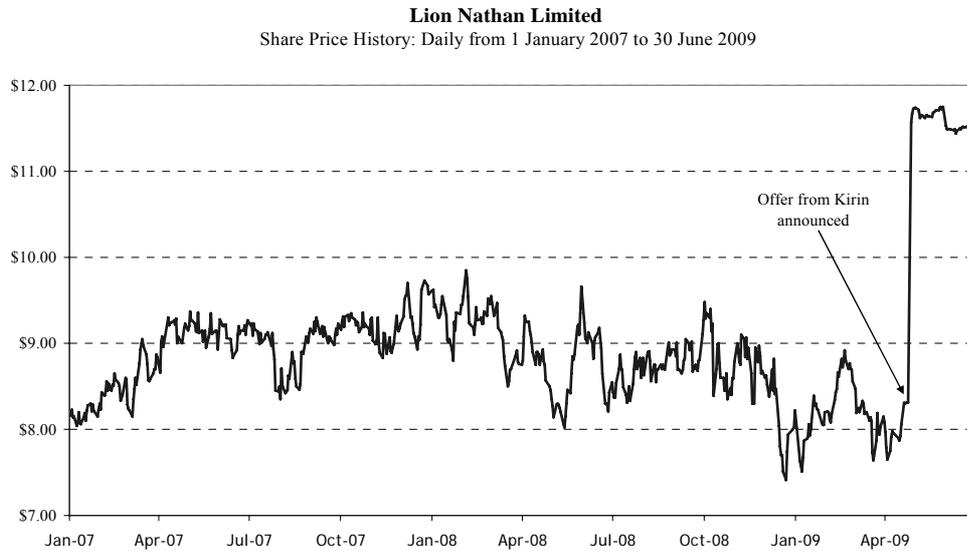
Lion Nathan - share price performance				
	High	Low	Close	Monthly volume⁽¹⁾
	\$	\$	\$	000
Quarter ended				
March 2007	9.90	8.80	8.84	27,647
June 2007	9.54	8.65	9.27	22,701
September 2007	9.40	8.20	9.23	28,401
December 2007	9.75	8.70	9.61	23,238
March 2008	9.99	8.46	8.75	32,378
June 2008	9.72	7.97	8.55	33,626
Month				
July 2008	9.05	8.16	8.83	34,767
August 2008	9.04	8.39	8.93	27,279
September 2008	9.27	8.25	9.27	37,436
October 2008	9.65	8.24	8.79	31,839
November 2008	9.40	8.10	8.68	34,520
December 2008	8.90	7.36	8.22	24,562
January 2009	8.49	7.45	8.20	26,427
February 2009	9.04	7.89	8.56	29,875
March 2009	8.57	7.59	8.08	36,815
April 2009 ⁽²⁾	11.84	7.64	11.73	89,297
May 2009	11.75	11.61	11.62	125,624
June 2009	11.59	11.41	11.57	75,544

Note:

1 Monthly volumes for the quarter ended represent average monthly volumes.

2 Trading from 27 April 2009 reflected the announcement of the key offer terms.

120 The following graph illustrates the movement in Lion Nathan’s share price from 1 January 2007 to 30 June 2009:



121 As set out in paragraph 234 we note that Lion Nathan shares have significantly out-performed the broader market (as measured by the S&P ASX 200 Index) over the above period. In our opinion, this out-performance has reflected Lion Nathan’s strong financial performance and its “defensive” investment qualities.

IV Overview of Australia and New Zealand beer industries

Overview

122 While Lion Nathan is a diversified alcoholic beverages company, 90% of its assets are represented by two core brewing businesses in Australia and New Zealand. This section therefore focuses on the Australian and New Zealand beer industries.

Australian beer market

123 The Australian beer market is highly concentrated, with Foster's Group and Lion Nathan accounting for approximately 93% of industry volume. Other Australian beer producers are small in comparison and include Coopers Brewery, Independent Distillers, the SAB Miller Plc / Coca-Cola Amatil Limited (CCA) joint venture (Pacific Beverages) and a number of other micro producers.³¹

Size and growth

124 Beer is Australia's most popular alcoholic beverage with annual consumption in FY08 of 78.2 litres per capita.³² By comparison consumption of wine, RTD beverages and spirits was 17.0 litres, 14.0 litres and 2.1 litres per capita respectively³³ (with the introduction of the Alcopops tax RTD beverage consumption for FY09 has reduced to 10.1 litres per capita, with spirits increasing to 2.3 litres per capita).³⁴ Australians are the fourth highest consumers of beer per capita in the world, ranking behind the Czech Republic, Germany and Ireland.

125 While beer is the most popular alcoholic beverage, beer sales per capita have gradually reduced since peaking in 1979. One explanation is that increased per capita income and living standards have precipitated a marked increase in the consumption of wine and spirits at the expense of beer. Another is the homogenisation of the world's liquor markets whereby traditional heavy beer drinking countries such as Australia are favouring wine at the expense of beer. The converse is true for the high wine consuming nations who are increasingly consuming beer instead of wine. Tax differentials between classes of

³¹ These include including Woolworths Limited (Woolworths), Wesfarmers Limited (Wesfarmers) and micro breweries, characterised by a production level of less than 30,000 litres of beer per annum.

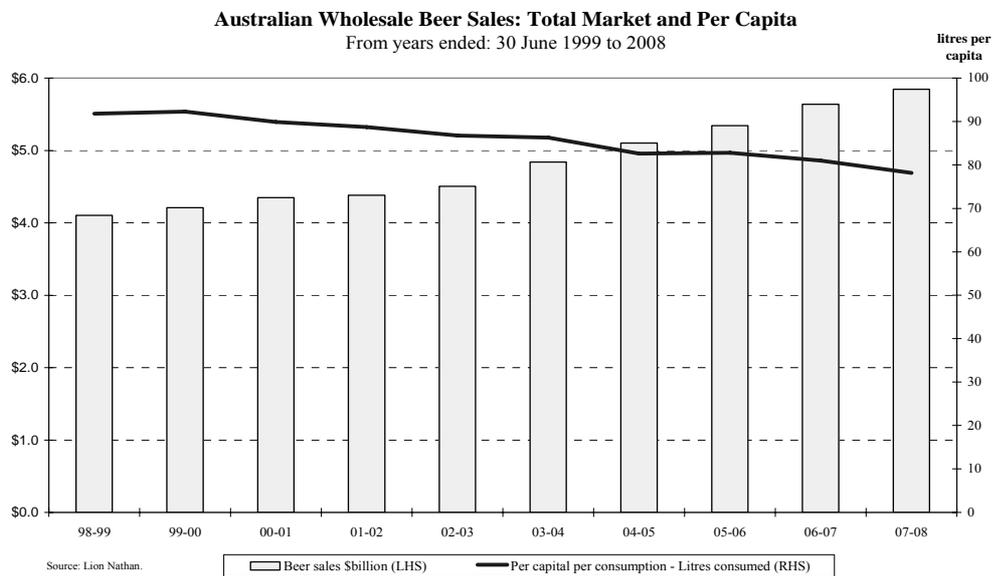
³² Statistics are based on data that excludes imported beer. Source: AC Neilson, Australian Bureau of Statistics (ABS).

³³ Source: IBISWorld. Adjusted for total Australian population as IBISWorld statistics exclude under 15 year olds.

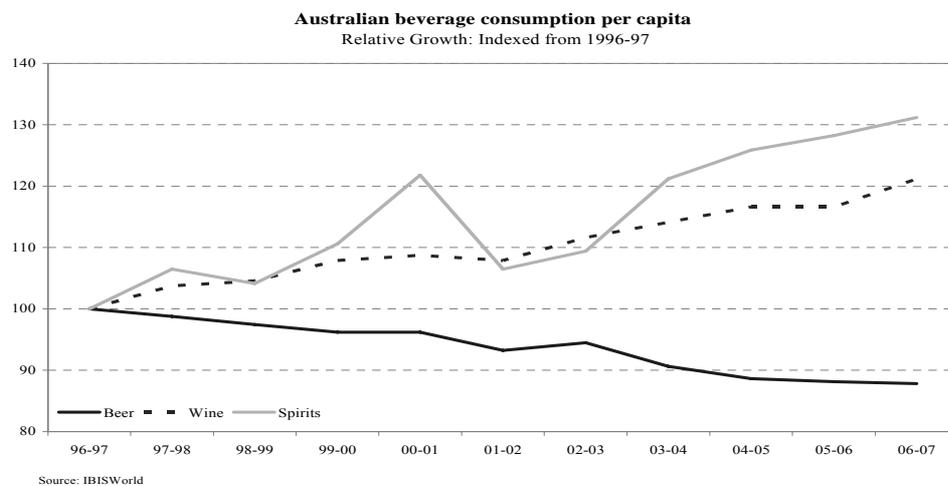
³⁴ Source: AC Neilson and ABS.

alcoholic beverages, together with growth of relatively new alcoholic products such as RTD beverages have also reduced consumer preference for beer.³⁵

126 Australian wholesale beer sales and consumption per capita for the 10 years to 30 June 2008 is shown in the graph below:



127 The Australian wholesale beer industry turned over A\$5.8 billion in the year to 30 June 2008 (FY08), exhibiting compound annual growth of 5% over the past five years. According to the Australian Bureau of Statistics (ABS) the Australian retail liquor market has grown at a compound annual rate of over 10% per annum over the past five years. However, as shown above the value of wholesale beer sold in Australia has not increased by the same level over this period, with other alcoholic beverages picking up beer's lost market share. The graph below sets out the per capita consumption of beer, wine and spirits for the ten years to 30 June 2007.³⁶



³⁵ Australia has the highest consumption per capita of RTD beverages in the world, consuming more than double the next highest country the United Kingdom.

³⁶ Data on RTD beverages is not available.

Industry trends

128 With Australians consuming less beer, industry revenue has been supported by the trend towards higher value, premium beers. Premium beer sales have been growing at over 10% for the last five years and now account for 12% of the Australian beer market. Foreign imported beers have led the growth in this category, with brands such as Corona, Heineken, Grolsh and Beck's. This is consistent with industry experience overseas, where premium brands have outgrown the total beer market.

129 Australian sales of beer by product type and alcohol content are shown in the following table:

Beer segmentation, by product type and alcohol strength						
Market share		Apr 05 ⁽²⁾	Apr 06 ⁽²⁾	Apr 07 ⁽²⁾	Apr 08 ⁽²⁾	Apr 09 ⁽²⁾
Segment	ABV ⁽¹⁾	%	%	%	%	%
Premium	>4%	8.0	8.9	10.2	10.6	12.1
Full	>4%	63.3	63.0	61.9	62.2	61.5
Mid	3%-4%	16.9	17.5	18.4	18.8	19.0
Light	<3%	11.8	10.6	9.5	8.5	7.3

Note:

1 Alcohol by volume.

2 12 months to April.

Source: AC Nielson.

130 Other industry trends include:

- (a) a preference for mid strength beer at the expense of full and light beer
- (b) beer drinkers becoming more selective in their beer preferences and preferring different, preferably bottled beers for certain occasions
- (c) the growth of the low-carbohydrate (low-carb) beer segment, which IBISWorld believes currently accounts for 2.4% of industry revenue.³⁷

131 Key drivers of changing consumption include demographics, an aging population, the health and lifestyle benefits of certain products and industry innovation and marketing. As a result bottled beers with funky labels and creative names are gaining popularity, as too are the new trendy beer boutiques offering more than the average range of brew.

132 New brands launched by Foster's Group have included Foster's VB Gold (a mid-strength beer) launched in 2007 and Pure Blonde (a low-carb beer) introduced in 2005. Similarly, Lion Nathan launched XXXX Gold (a mid-strength beer) in 1991, Hahn Super Dry (low-carb) in 2006 and Hahn Super Dry 3.5 (low-carb, mid-strength) introduced in March 2009. Whilst the

³⁷ The low-carb beer segment may be small but is currently growing by in excess of 100% per annum.

continuous flow of new brands has a cannibalising effect on existing brands, this innovation is required as consumer demand for new products is high.

Competition and market share

- 133 The market share for the Australian beer industry by volume has been relatively stable since 2003, with Foster's and Lion Nathan maintaining a share in excess of 93% of the total market, as shown below:

Market share by volume						
	Apr 04 ⁽¹⁾	Apr 05 ⁽¹⁾	Apr 06 ⁽¹⁾	Apr 07 ⁽¹⁾	Apr 08 ⁽¹⁾	Apr 09
	%	%	%	%	%	%
Foster's	53.7	52.2	52.0	51.9	50.9	50.3
Lion Nathan	42.7	43.7	43.3	43.0	43.2	43.0
Other	3.6	4.1	4.7	5.1	5.9	6.7

Note:

1 Includes both Boag's and Heineken as if they had been owned by Lion Nathan from 2003.

Source: AC Nielson.

- 134 While volume market shares have remained relatively unchanged, Lion Nathan's beer division has been able to out-perform Foster's Group in terms of sales revenue growth, recording compound annual growth rate (CAGR) of 5.5%³⁸ for the five years to 2008 compared to Foster's Group's rate of 3.3%.
- 135 As noted earlier the remainder of the market is shared between Coopers Brewery, Pacific Beverages, Independent Distillers and micro brewers, as well as the private label brands sold by Woolworths Limited (Woolworths) and Wesfarmers Limited (Wesfarmers).
- 136 Pacific Beverages was formed in August 2006 by SABMiller Plc and Coca-Cola Amatil Limited. The joint venture distributes beers including Peroni Nastro Azzurro, Miller Genuine Draft and Pilsner Urquell, Grolsh, and more recently Bluetongue, which was acquired in 2007. Pacific Beverages is currently the number four player in the Australian beer market and has plans to supersede Coopers as the number three Australian beer producer. However at the date of this report Pacific Beverages only had a market share (by volume) of approximately 1%.

Customers

- 137 Woolworths and Wesfarmers exert significant buying power in the alcoholic beverages market, controlling 54% of Australian liquor retail sales, up from 32% just five years ago. This growth has been driven by store and chain acquisitions, as well as innovations such as the rollout of the big box store format (such as Dan Murphy's and 1st Choice). The latter has been to the

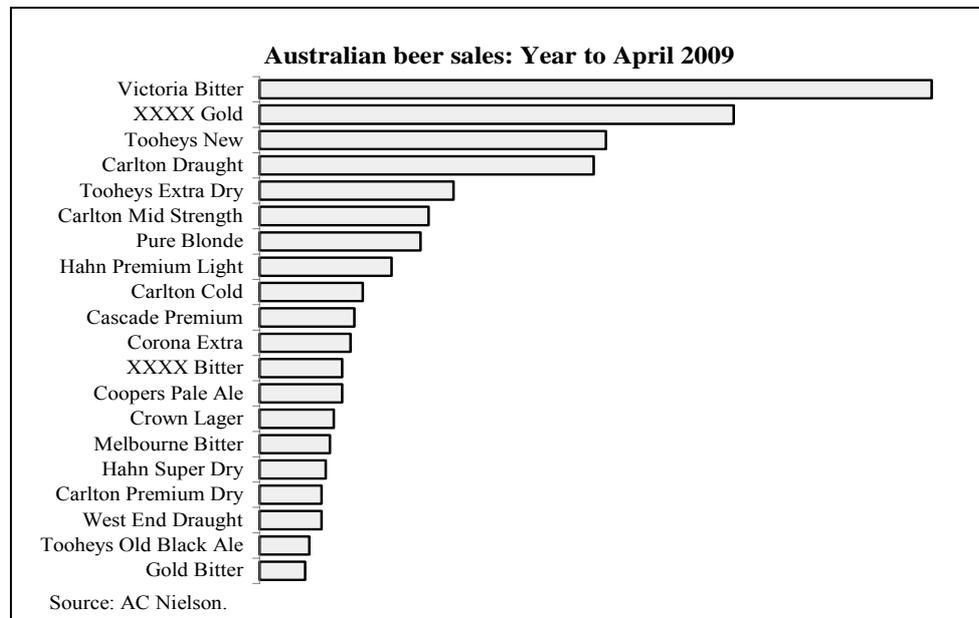
³⁸ However this includes sales from the J Boag & Son business purchased at the beginning of 2008.

detriment of independent liquor retailers, who are at a competitive disadvantage compared to their larger rivals.

- 138 Woolworths and Wesfarmers have also recently entered the private label beer market. The Australian private beer label segment is small and represents 1.2% of the overall market.³⁹ Liquor retailer's margins are low in comparison to the major beer producers and therefore a key motivation for pursuing private label strategies is to improve profitability.

Major brands

- 139 Australia's most popular beer is Victoria Bitter, which at one stage in the mid 1990's had sales as much as three times its nearest competitor. Changing consumer preferences have eroded Victoria Bitter's market share, which currently represents some 16% of the market. The next highest selling brands in order of market share are XXXX Gold, Tooheys New, Carlton Draught and Toohey's Extra Dry, as set out in the table below:



Excise taxes

- 140 Taxation has a significant impact upon the liquor industry, with taxes constituting almost half the retail price of packaged beer in lower price ranges. Excise on beer and spirits is indexed to the consumer price index (CPI), whereby an increase in the CPI will increase taxation on beer and spirits relative to taxation on wine. This adjustment occurs biannually, every February and August. Conversely, the tax on wine is the wine equalisation tax (WET), which is fixed at 29% of wholesale sales value.⁴⁰ The WET rate has not changed since it was introduced in 2000. As the WET rate increases with prices and excise taxes increase with the CPI there is also a tax differential between wine and beer.

³⁹ However this market segment has grown over 160% since mid 2006. Source: AC Nielson.

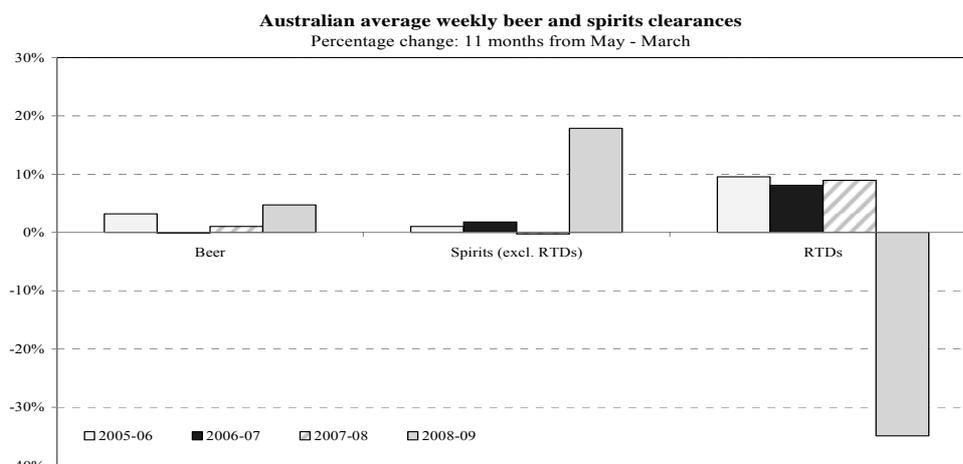
⁴⁰ There has been speculation that the WET may be replaced at some stage with a volumetric wine tax.

141 The table below provides the different excise rates on beer, wine and spirits, including RTD beverages, as at February 2008 and February 2009:

Excise rates on alcoholic beverages				
Alcohol	Alcohol by volume %	Excise rates as at		Notes
		1 Feb 08	2 Feb 09	
Beer				
Low strength – draught	< 3	6.74	6.99	} \$ per litre of alcohol in excess of 1.15%
Mid strength – draught	3% - 3.5	21.17	21.96	
High strength – draught	> 3.5%	27.70	28.74	
Low strength - other	< 3	33.77	35.03	
Mid strength - other	3% - 3.5	39.36	40.82	
High strength - other	> 3.5	39.36	40.82	
Spirits (excluding brandy)	> 10	66.67	69.16	\$ per litre of alcohol
RTD beverages	≤ 10	39.36	69.16	\$ per litre of alcohol
Wine bottle (WET)		29%	29%	} 29% of wholesale sales value
Wine cask (WET)		29%	29%	

Source: Federal Government Budget 2009-10 Paper 1.

142 In April 2008 the Australian Federal Government increased the excise on RTD beverages by 70% to bring them into line with unmixed spirits thereby closing a loophole created when the GST was introduced in 2000. The related tax has been labelled the ‘alcopops’ tax (Alcopops Tax) and is equivalent to an increase of approximately \$20 per case of RTD beverages. According to Federal Government data, consumption of RTD beverages has fallen significantly since the introduction of the Alcopops Tax, as consumers substituted RTD beverages for other alcoholic beverages, as indicated below:



Source: Federal Government Budget 2009-10 Paper 1.

143 Sales of RTD products significantly out-performed other alcoholic beverages classes prior to the announcement of the Alcopops Tax. However since its introduction, price conscious consumers have swapped RTD beverages (down

35% in volume terms) for cheaper alternatives such as spirits and beer (up 18% and 4.7% in volume terms). This illustrates the impact changes to excise taxes can have on the alcoholic beverages industry.

Outlook

- 144 Beer, consistent with most alcoholic beverages is a defensive product. Consequently beer sales are not likely to be heavily impacted by the global financial crisis. However, some changes to industry trends are expected by IBISWorld, including a reversal of the previous premium beer trend back towards traditional brands (in a bid to save money)⁴¹ and a lift in beer sales as consumers opt for beer over the higher priced spirits and RTD drinks.
- 145 While competition from the major Australian retailer's private label brands and companies such as Coopers Brewery and Pacific Beverages is expected to intensify, beer's main source of competition is expected to be from other classes of alcoholic beverages such as wine and RTD beverages. Further, excise tax changes for beer and other alcoholic beverages are also likely to impact beer volumes and it is possible that the Henry Tax Review (currently underway) may recommend changes to beer excise taxes or the WET.
- 146 Beer drinkers are likely to continue to demand a wider range of bottled beers at the continued expense of tap beers, although moves to add premium tap beers may partly reverse this trend. The popularity of trendy boutique beer bars is also likely to encourage this trend.
- 147 Major risks facing beer industry participants include:
- (a) the threat of discounting by industry participants seeking additional market share
 - (b) Woolworths and Wesfarmers exerting their market power in an attempt to increase their margins at the expense of beer producers
 - (c) an aggressive price based entry of Asahi Breweries Ltd or Suntory Holdings Ltd, who have both recently purchased Australian non-alcoholic beverage companies
 - (d) the entry of a substantial international brewer into the Australian market.

New Zealand beer market

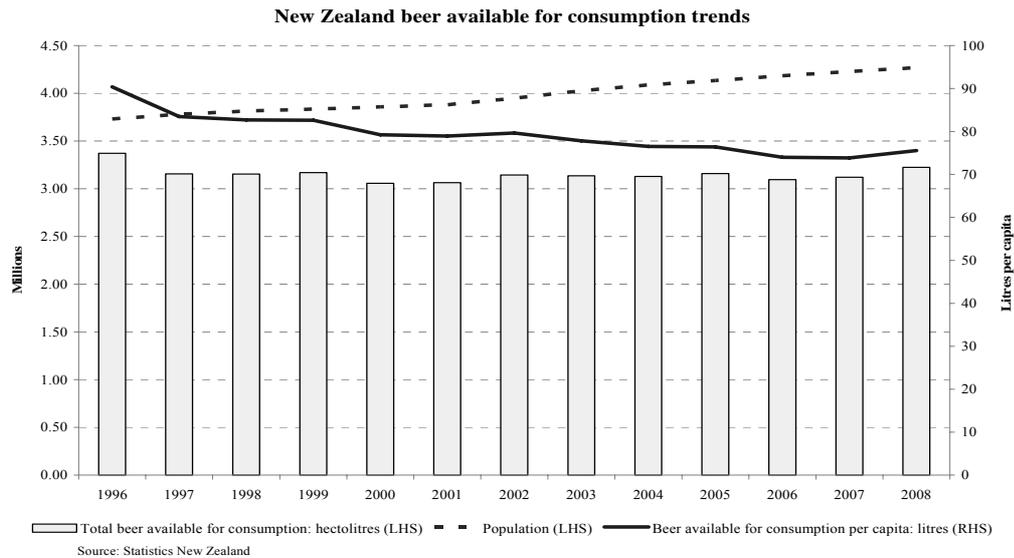
- 148 Similar to the Australian market, the New Zealand beer market is highly concentrated with Lion Nathan and DB Breweries representing approximately 90% of the industry. In terms of overall trends, the New Zealand market exhibits similar trends to those in Australia, however there are some

⁴¹ This has not occurred to date.

significant structural differences, which together with a brief market overview, are explained below.

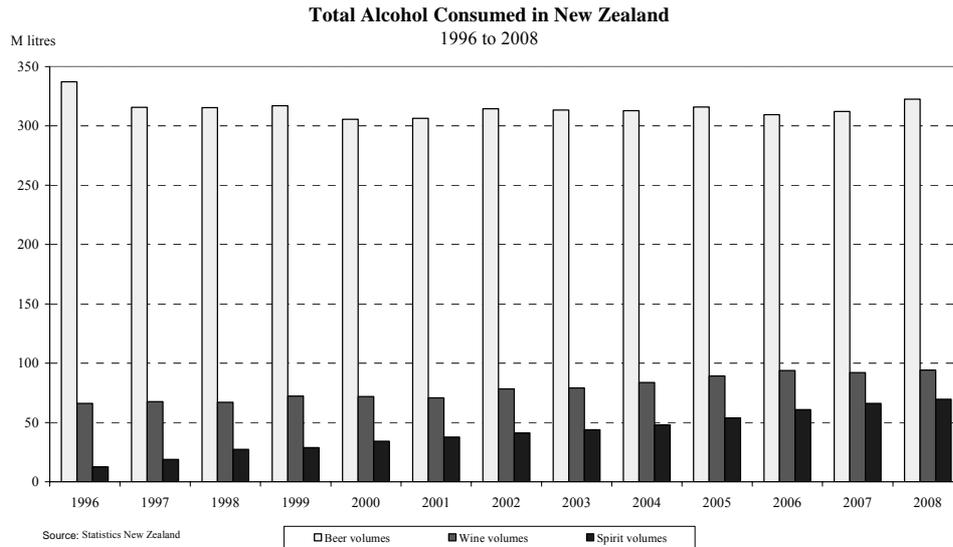
Size and growth

- 149 On a world ranking New Zealanders are the 16th highest beer consuming nation per capita, consuming 75.5 litres per person in 2008. This is some 4% lower than Australian consumption per capita (per annum) and is down from 90.5 litres per capita in 1996, as shown below:



- 150 Since 1997 beer volumes in New Zealand have remained at around the same level, with population increases offsetting declining consumption per capita. However, in 2008 volumes rose 3.3% to 322.5 million litres and consumption per capita increased by 2.3%. This is attributable to growth from an exceptionally long and hot New Zealand summer.
- 151 While beer consumption per capita has decreased over time it still remains by far the most popular alcoholic beverage in New Zealand, representing 66.3% of total alcoholic beverages consumed,⁴² down from 84.2% in 1992. The primary reason for this reduction is alcohol substitution, with consumers choosing more wine and spirit based drinks, as shown in the following chart:

⁴² Based on total available for consumption in New Zealand for 2008. Source: Statistics New Zealand.



- 152 Wine and spirits (and spirit based products like RTD beverages) accounted for 19.4% and 14.3% of the New Zealand alcoholic beverage market in 2008. Since 1996 wine and spirit based drinks have experienced growth in volumes of 42.6% and 449.2% respectively, equating to compound annual growth rates of 3.0% and 15.3% per annum. Much of the growth in spirit based drinks has been due to the development of RTD beverages.

De-regulation and competition

- 153 De-regulation of the New Zealand liquor industry in 1999 allowed supermarkets to sell alcohol for the first time.⁴³ This changed industry dynamics as it led to significantly more competition at the off-premise retail level. As a result, sales from off-premise sources increased at the expense of on-premise sales. In addition the number of alcohol licenses, availability of alcohol and overall competitiveness of alcoholic beverages have all increased since de-regulation of the market.
- 154 Another factor present in the New Zealand market is the level of discounting by DB Breweries⁴⁴ in an attempt to gain market share. For example, DB Breweries has been selling Heineken branded beers in New Zealand at prices significantly lower than comparable Heineken selling prices in Australia.
- 155 A combination of the impact of supermarkets, discounting and other minor factors has resulted in a 6% reduction in the real price of off-premise beer since 1999. In comparison the price of on-premise beer has increased 11% over the same period.
- 156 The trend towards premium and low-carb beer is also prevalent in New Zealand, with premium beer accounting for 37% of the market in 2008,

⁴³ Sales of alcohol by supermarkets are still not allowed in Australia.

⁴⁴ DB Breweries is 100% owned by Asia Pacific Breweries Limited which is 42.5% owned by Heineken NV.

up from 13% in 1999. New Zealanders drink a higher percentage of premium based beers, which is partly due to demographics and partly due to the structure of the industry, whereby premium beer sales have been encouraged through discounting as discussed above. Another growth area is the “free from additives and preservatives segment”, which Lion Nathan has capitalised on with the successful launch of Steinlager Pure in 2007.

- 157 Low-carb beers are also becoming increasingly popular, led by successful beer brands such as Mac’s Spring Tide. DB Breweries subsequently launched Export 33 which became one of the company’s best-selling new release beers when it was released in December 2007.

Outlook

- 158 In Australia continuing commodities demand from China has somewhat shielded the country from the full effect of the global financial crisis. New Zealand has felt the effects more severely and is currently facing a more challenging operating environment than Australia. Notwithstanding these conditions, in 2008 consumption of alcoholic beverages increased in New Zealand, highlighting the defensive qualities of alcohol beverage production and distribution.
- 159 Competition in New Zealand is expected to remain tough, with price discounting from DB Breweries and smaller participants expected to continue. Supermarkets, which represent some 30% of all alcohol sales and 22% of beer sales, now hold significant buying power in what is already a very competitive market.

V Valuation approach

- 160 ASIC Regulatory Guide 111 “Content of Expert’s Reports” outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
 - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
 - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 161 Under the DCF methodology the value of the business is equal to the NPV of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 162 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 163 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, earnings before interest, tax depreciation and amortisation (EBITDA), earnings before interest, tax and amortisation (EBITA), earnings before interest and tax (EBIT) or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a

business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

- 164 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

Methodologies selected

- 165 The market value of Lion Nathan has been assessed by aggregating the market value of the business operations, together with the realisable value of any surplus assets and deducting net borrowings.
- 166 We note that long-term cash flow forecasts for Lion Nathan are not available. Further the business:
- (a) is long established
 - (b) operates primarily in the (mature) beer industry; and
 - (c) has expectations of ongoing profitability.
- 167 Consequently, in our opinion, it is appropriate to value Lion Nathan using the capitalisation of earnings methodology. We have therefore capitalised future maintainable EBITDA. This method is also consistent with the transaction evidence, which is generally quoted in EBITDA terms.
- 168 The resulting values have also been cross-checked by reference to the capitalisation of EBIT and net profit after tax (or price earnings (PE)) methods.

VI Valuation of 100% of Lion Nathan

Valuation methodology

- 169 As stated in Section V we have adopted the capitalisation of EBITDA method as our primary valuation method. Under this method the EBITDA (before non-recurring items) is capitalised at an appropriate EBITDA multiple.
- 170 The value of the shares in Lion Nathan is then derived by adding the net realisable value of surplus and other assets and deducting net interest bearing debt.
- 171 The resulting values have also been cross-checked by reference to the capitalisation of EBIT and net profit after tax (or PE) methods.

Assessment of normalised EBITDA

- 172 In order to assess the appropriate level of EBITDA for valuation purposes we have had regard to the historical and forecast results of each business unit, and have discussed each business unit's financial performance, operating environment and prospects with Lion Nathan management.
- 173 Management's FY09 forecast and internal projections for FY10 and FY11 (by business unit) have been reviewed. On 16 July 2009 Lion Nathan reiterated its previous earnings guidance for net profit after tax (pre significant items) for FY09 of A\$300 million to A\$315 million. The internal projections for FY10 and FY11 have yet to be endorsed by Lion Nathan's Board and are by their nature inherently uncertain. Whilst they have not been set out in this report we note that they are not inconsistent with current broker forecasts⁴⁵.
- 174 A summary of Lion Nathan's net sales revenue and operating EBITDA⁴⁶ (by business unit) for the three years ended 30 September 2008 and the six months ended 31 March 2009 is summarised below:

Results for the 3 years ended 30 September 2008 and 6 months to 31 March 2009				
	Year to 30 Sep 06 A\$m	Year to 30 Sep 07 A\$m	Year to 30 Sep 08 A\$m	6 mths to 31 Mar 09 A\$m
Net sales revenue⁽¹⁾				
Australia	1,201.5	1,287.0	1,431.8	832.0
New Zealand ⁽³⁾	493.2	514.0	487.2	269.9
Wine (pre SGARA)	148.8	166.0	175.2	83.4
Corporate	2.1	-	-	-
Total	1,845.6	1,967.0	2,094.2	1,185.3

⁴⁵ The median broker forecasts for net profit after tax (pre significant items) in FY10 and FY11 (based on 9 broker reports released from 24 March 2009 to 23 July 2009) were A\$324 million and \$348 million respectively.

⁴⁶ Before significant items.

Results for the 3 years ended 30 September 2008 and 6 months to 31 March 2009

	Year to 30 Sep 06	Year to 30 Sep 07	Year to 30 Sep 08	6 mths to 31 Mar 09
	A\$m	A\$m	A\$m	A\$m
Operating EBITDA⁽²⁾				
Australia	452.6	468.4	507.3	313.3
New Zealand ⁽³⁾	98.2	106.4	100.4	56.6
Wine (pre SGARA)	16.1	19.7	22.3	7.2
SGARA	(2.4)	(2.8)	0.3	(0.7)
Corporate	(23.4)	(26.3)	(30.0)	(21.7)
Total	541.1	565.4	600.3	354.7

Note:

- 1 Net of excise and discounts.
- 2 Before significant and one off items.
- 3 Net sales revenue and operating EBITDA for Lion Nathan New Zealand is shown in New Zealand dollars in Appendix C.

- 175 As indicated above the growth in EBITDA in recent years has largely been due to the performance of Lion Nathan Australia. The reasons for this performance (and the key factors impacting on the performance of the other business units) are discussed in paragraphs 86 to 91 and in Appendix C.
- 176 For valuation purposes we have capitalised our estimate of Lion Nathan's likely operating EBITDA (before non-recurring items) for the year ending 30 September 2009⁴⁷. In forming our opinion we note that:

Lion Nathan Australia

- (a) Lion Nathan Australia has consistently increased operating EBITDA in recent years, without including the contribution from Boag's (which was acquired in January 2008)
- (b) since acquisition the operating EBITDA contribution from Boag's has increased significantly, reflecting (inter alia) the distribution of Boag's through the Lion Nathan distribution system (since July 2008) and significantly greater investment in the brand, which has resulted in higher sales and profit margins
- (c) continued improvements in sales mix (as consumers continue to move to more premium beers), the contribution from investments made to upgrade and expand the Castlemaine, Tooheys and Boag's breweries and the increased contribution from Boag's are all expected to drive a significant increase in FY09 operating EBITDA (which increased 12.9% in the six months to 31 March 2009)

⁴⁷ Adjusted to recognise the average earnings of the wine business over recent years.

- (d) the profit contribution from Lion Nathan's 40% investment in Little World Beverages Limited (LWB) is included in operating EBITDA (and has been backed out when assessing EBITDA for valuation purposes as the shares in LWB have been valued separately)
- (e) when assessing EBITDA for valuation purposes we have allowed for the minority interest held in a South Australian bottle and can recycler⁴⁸

Lion Nathan New Zealand

- (f) Lion Nathan New Zealand's operating EBITDA in New Zealand dollars (refer Appendix C) has not grown significantly in recent years. This has reflected the weak New Zealand economy (which has reported negative real reductions in GDP in each of the five quarters ended 31 March 2009) and the highly competitive operating environment that exists in the New Zealand beer market
- (g) operating EBITDA (in New Zealand dollars) in the six months ended 31 March 2009 fell 4.2%

Lion Nathan Wine

- (h) operating EBITDA fell significantly in the six months to 31 March 2009. This reflected difficult market conditions due to the impact of the global financial crisis and the structural wine industry dynamics of excess supply and price discounting
- (i) in the US and UK in particular, consumers have traded down to cheaper wines and switched away from on-premise consumption (which has reduced demand for fine wines)
- (j) the operating EBITDA of the wine business in the six months to 30 September 2009 is expected to exceed the performance in the six months to 31 March 2009
- (k) the FY08 results of the Lion Nathan Wine business were adversely impacted by the acquisition of the company's distributor in the US by a competitor in November 2007. Subsequently (in June 2008) Lion Nathan acquired a small US wine distributor

⁴⁸ In the six months ended 31 March 2009 the minority interest in profit was A\$0.1 million.

- (l) as SGARA adjustments represent non-cash movements in the value of SGARAs (and are impacted by changes in grape prices etc) they have been ignored when assessing EBITDA. Consequently, we have assessed the operating EBITDA of the Wine Business prior to SGARA impacts, which better reflects the cash generated (before capital expenditure) of the wine business

Unallocated corporate costs

- (m) in the six months ended 31 March 2009 Lion Nathan's corporate costs were A\$21.7 million. This represented an increase of A\$5.1 million over the level of corporate costs incurred in the six months ended 31 March 2008
- (n) the increase in corporate costs was primarily due to:
- (i) costs related to the proposed merger with Coca-Cola Amatil Limited (CCA) (which did not proceed); and
 - (ii) costs associated with Lion Nathan's move to a new corporate office during the six month period
- (o) while the above costs are clearly of a non-recurring nature they are not treated as such in the figures in paragraph 174. However, once these costs are excluded (which is appropriate given their nature) annualised on-going corporate costs (at the EBITDA level) are around A\$32 million.

177 Based on the above (and discussions with Lion Nathan management) we have adopted operating EBITDA (before non-recurring items) for valuation purposes of A\$665 million.⁴⁹

178 This represents a 10.8% increase on the operating EBITDA achieved in the year ended 30 September 2008 and compares with the 7% increase in operating EBITDA achieved in the six months ended 31 March 2009.⁵⁰

179 Our adopted operating EBITDA is therefore consistent with Lion Nathan's announcement on 24 April 2009 that it expects to achieve a higher rate of growth in the second half of FY09 (compared to the first half) due to the timing of Easter, further gains through innovation, the contribution of the Boag's brands⁵¹ and the reversal of the cost impact of higher fourth quarter marketing spend relating to Boag's in the prior year.

⁴⁹ This is at the high end of our estimate of the likely operating EBITDA for the year ending 30 September 2009 and recognises the average earnings of the wine business over recent years.

⁵⁰ It should be noted that the growth rate of 7% achieved in the six months ended 31 March 2009 would be higher if the non-recurring corporate costs were added back.

⁵¹ Acquired in January 2008.

180 We also note that our adopted operating EBITDA is broadly consistent with broker estimates which ranged from A\$644 million to A\$678 million (for FY09 EBITDA).⁵²

EBITDA multiple

- 181 The selection of the appropriate EBITDA multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:
- (a) the stability and quality of earnings
 - (b) the quality of the management and the likely continuity of management
 - (c) the nature and size of the business
 - (d) the spread and financial standing of customers
 - (e) the financial structure of the company and gearing level
 - (f) the multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors
 - (g) the multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors
 - (h) the future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc
 - (i) the cyclical nature of the industry
 - (j) expected changes in interest rates
 - (k) the asset backing of the underlying business of the company and the quality of the assets
 - (l) the extent to which a premium for control is appropriate
 - (m) whether the assessment is consistent with historical and prospective earnings.

⁵² Based on nine broker reports released from 24 March 2009 to 23 July 2009. We note that not all the brokers appear to have added back all non-recurring corporate costs when deriving their forecasts.

- 182 We discuss below specific factors taken into consideration when assessing the appropriate EBITDA multiple range for Lion Nathan.

Listed company multiples

- 183 The EBITDA multiples for listed companies operating in the Australian beverages sector and selected international beer and wine companies are set out in Appendices D and F.
- 184 As the level of operating EBITDA adopted for valuation purposes is consistent with our estimate of the likely level of operating EBITDA in FY09 the multiples below are based on each companies' consensus broker forecasts.⁵³

Trading company multiples	
	Forecast EBITDA multiple ⁽¹⁾
Australian beverage companies:	
Foster's Group Limited	9.3
Coca-Cola Amatil Limited	8.7
Lion Nathan Limited	9.0 ⁽²⁾
International beer companies:	
Range	6.6 – 10.9
Simple average	8.5
Median	8.3
Wine companies:	
Range	5.0 – 22.2 ⁽³⁾
Simple average	10.4 ⁽³⁾
Median	8.8 ⁽³⁾

Note:

- 1 Based on listed market prices as at 9 June 2009 (except Lion Nathan) and earnings forecasts.
- 2 Based on 1 month volume weighted average price (VWAP) of Lion Nathan shares up to 22 April 2009 (i.e. prior to the trading halt following the initial takeover approach by Kirin) and the net debt position as reported as at 31 March 2009.
- 3 These are historical EBITDA multiples as limited forecast information is available for the chosen wine companies.

⁵³ Consensus forecast EBITDA multiples for the wine companies are only available for three of the companies set out in Appendix F. As such the range, simple average and median are based on historical EBITDA multiples.

- 185 The above multiples are based on the listed market price of each companies' shares (and therefore exclude a premium for control). Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover). This broadly translates to a premium of 20% to 25% at the EBITDA multiple or enterprise value level, although this varies depending on the level of debt funding employed in each company.

Transaction evidence

- 186 As set out in Appendices E and G there have been a large number of transactions in the beer and wine sector. A summary of the EBITDA multiples implied by these transactions (which in most cases reflected the acquisitions of controlling interests) is shown below:

Transaction multiples	EBITDA multiples	
	Historical	Forecast
Beer company transaction evidence:		
Low	8.6	8.4
High	18.2	14.1
Simple average	11.7	10.4
Median	11.2	10.0
Wine company transaction evidence:		
Low	4.9	3.2
High	25.1	15.3
Simple average	14.6	12.5
Median	15.1	12.2

- 187 It should be noted that the large majority of wine transactions summarised above are relatively old (i.e. pre-April 2006), took place in better equity market conditions and occurred when the outlook for the wine industry generally was substantially better than the outlook currently prevailing. Consequently, in our opinion, little reliance should be placed on the multiples implied by the above transaction evidence for the wine sector.

188 In contrast, while some of the beer transaction evidence is also relatively old, we note that transaction multiples for beer company acquisitions have shown an upward trend over recent years, as shown below:

EBITDA transaction multiples for beer companies					
Years	Number of transactions	Simple average		Median	
		Historical	Forecast	Historical	Forecast
2007 – 2009	6	15.1	12.4	15.2	12.4
2006 – 2008	8	14.2	12.4	14.0	12.4
2005 – 2007	9	13.3	n/a	13.7	n/a
2004 – 2006	14	11.4	10.7	10.9	10.2
2003 – 2005	17	11.1	10.6	10.7	10.0
2002 – 2004	17	10.7	10.2	10.4	9.9
2001 – 2003	12	10.6	9.8	10.2	9.4

n/a – not available.

189 Further, recent transaction evidence in the Australian beverages sector has also taken place at relatively high EBITDA multiples, as shown below:

Summary of Australian beverage sector transaction multiples					
Date	Target	Acquirer	Enterprise		
			value \$m	EBITDA multiples	
				Historical	Forecast
Dec 08	Schweppes Australia	Asahi Breweries	1,185	15.2 ⁽¹⁾	n/a
Oct 08	Golden Circle	Heinz Australia	288	13.1	n/a
Oct 08	Fruco Beverages	Suntory Holdings	1,300	13.3	n/a
Apr 08	Dairy Farmers	Kirin Holdings	910	12.8	n/a
Nov 07	National Foods	Kirin Holdings	2,800	16.5	12.5

Note:

1 This excludes the earnings contribution from the Red Bull contract which was lost prior to the acquisition. If these earnings were included, the EBITDA multiple would have been 12.3.

n/a – not available.

190 In our opinion, more reliance should be placed on the beer trading and transaction multiples when valuing Lion Nathan as the large majority of revenue and earnings are generated from its beer business. The multiples implied from the transactions in the Australian beverage sector include:

- (a) transactions from the dairy sector (which are not directly comparable to the beer sector)
- (b) companies reporting depressed earnings (Golden Circle and National Foods); and

- (c) transactions offering a high level of relative potential synergies (Dairy Farmers and Golden Circle).

While we have had regard for these transactions they are therefore less relevant for the reasons set out above.

Relative size, risk and growth prospects

191 In order to assess the appropriate EBITDA multiple for Lion Nathan we have also had regard to the size, risk and growth prospects for each of Lion Nathan Australia, Lion Nathan New Zealand and Lion Nathan Wine. These matters are discussed below:

Lion Nathan Australia

- (a) Lion Nathan Australia has achieved higher earnings growth than Lion Nathan New Zealand, even after backing out the EBITDA contribution from Boag's
- (b) significant investment has been incurred in recent years to upgrade and expand breweries
- (c) sales largely reflect own brands (i.e. minimal agency sales)
- (d) further growth in EBITDA is projected due to the benefits of the investment in brands and breweries in recent years

Lion Nathan New Zealand

- (e) Lion Nathan New Zealand is the market leader, however EBITDA has not shown significant growth
- (f) the New Zealand beer market is highly competitive due to aggressive competitor pricing, existence of a larger number of smaller competitors and wider availability of alcoholic beverages
- (g) some 17% of volume is generated from agency brands (potentially increasing earnings volatility if distribution arrangements are lost)
- (h) multiples for New Zealand companies are generally lower than in Australia, reflecting the smaller size of the market, higher interest rates, the state of the economy and lower income per capita etc
- (i) following completion of the new Auckland brewery site, management estimate that annual cash savings of around NZ\$15 million will be achieved from 2012

Lion Nathan Wine

- (j) Lion Nathan Wine exhibits more volatile earnings than the beer businesses, as performance is more correlated with economic conditions and is impacted by wine industry dynamics and agricultural risks
- (k) the Lion Nathan Wine business is significantly smaller than the beer businesses, but offers significant growth potential
- (l) a high proportion of sales volume is generated by agency (rather than owned) brands.

192 Further, it should be noted that approximately 83% and 15% of operating EBITDA (before SGARA adjustments and corporate costs) in the six months ended 31 March 2009 was generated by the Lion Nathan Australia and Lion Nathan New Zealand businesses respectively.

Conclusion on appropriate EBITDA multiples

193 Based on the above, in our opinion, an EBITDA multiple range of 11.5 to 12.5 is appropriate when applied to the level of operating EBITDA adopted for valuation purposes.

Value of core businesses

194 On this basis the value of Lion Nathan's core operating businesses (before debt) is as follows:

Value of core business	Low	High
	A\$m	A\$m
Operating EBITDA	665.0	665.0
EBITDA multiple	11.5	12.5
Enterprise value	7,647.5	8,312.5

Investment in Little World Beverages Limited

195 As stated in Section III Lion Nathan owns 40% of the shares in Little World Beverages Limited (LWB). LWB is listed on the ASX and focuses on the premium beer market through its wholly owned subsidiary, Little Creatures Brewing.

- 196 The market capitalisation of LWB (based on the volume weighted average share price (VWAP) in the three months ended 30 June 2009) was approximately A\$88 million. As the company had net borrowings of around A\$18 million as at 31 December 2008,⁵⁴ the implied enterprise value of LWB was approximately A\$106 million.
- 197 In the six months ended 31 December 2008⁵⁵ LWB generated EBITDA of approximately A\$5.0 million (representing an increase of some 59% compared to the prior corresponding period). This was achieved despite the company significantly expanding its brewing and hospitality operations during the six month period.
- 198 Given the growth in EBITDA achieved in the six months ended 31 December 2008 it appears likely that LWB's EBITDA will exceed A\$10 million in the year ending 30 June 2009. On this basis the implied FY09 EBITDA multiple for LWB would be around 10.
- 199 Whilst the volume of LWB shares traded on the ASX is low, in our opinion, this EBITDA multiple does not appear unreasonable given the level of earnings growth being achieved. Accordingly, for the purpose of our report we have assumed that the listed market price of LWB shares is a reasonable basis on which to assess the value of Lion Nathan's shareholding.
- 200 Given the size of the strategic stake held, in our opinion, Lion Nathan's shareholding in LWB should be valued at a premium to the listed market price. When assessing the appropriate premium we have formed the view that:
- (a) given the size of Lion Nathan's holding it is likely that the market price of LWB shares reflects, at least in part, some premium reflecting the likelihood of future corporate activity
 - (b) as Lion Nathan holds a significant voting interest in, but does not control, LWB a full control premium (generally 30% to 35% based on empirical evidence on takeovers) should not be applied.
- 201 In the circumstances we consider it is appropriate to apply a premium of 10% to 20% to the listed market price when valuing Lion Nathan's shareholding in LWB.

⁵⁴ Being the most recent financial position publicly available.

⁵⁵ The most up-to-date financial results publicly available.

- 202 On this basis we have adopted the following value for Lion Nathan's shareholding in LWB:

Lion Nathan's shareholding in LWB		
	Low	High
	A\$	A\$
VWAP in 3 months ended 26 May 2009	1.49	1.49
Premium applicable when valuing Lion Nathan shareholding (10% to 20%)	0.15	0.30
Adjusted share price range	1.64	1.79
Number of shares held by Lion Nathan (m)	23.65	23.65
Value attributed to Lion Nathan shareholding (m)	38.79	42.33

- 203 Given the existence of significant tax losses it appears that no capital gains tax would be payable if Lion Nathan's LWB shares were sold at the assessed values above (although the ability to utilise these tax losses is dependent on either the continuity of ownership or the same business test being satisfied).

Auckland brewery sale receivable

- 204 As stated in Section III the current Auckland brewery site was sold in September 2007 for NZ\$162 million, of which a deposit of NZ\$50 million was received. The balance of the purchase price (NZ\$112 million) is receivable on exit from the site, which is currently expected to be in 2011. As at 31 March 2009 the present value of this receivable (which has been discounted at a cost of debt of 8% per annum which we consider reasonable) was NZ\$94.5 million.
- 205 Notwithstanding the significant size of this receivable, in our opinion, it should not be treated as a surplus asset for valuation purposes. This is because capital expenditure in the period to 30 September 2010 (which largely relates to the construction of the new Auckland brewery and the completion of other brewery upgrades and expansions) is expected to significantly exceed on-going capital expenditure levels.⁵⁶
- 206 We have also been advised that commencing FY11 annual capital expenditure is expected to be of a sustaining nature, at a level broadly comparable to projected depreciation charges (although capital expenditure may be lower than depreciation in the short-term given the large capital expenditure incurred in the period to FY10).

⁵⁶ The quantum of additional capital expenditure in FY10 is broadly equivalent to the receivable in respect of the sale of the existing Auckland brewery.

207 For valuation purposes we have therefore made no adjustment to our assessed enterprise value of the Lion Nathan businesses in respect of the brewery upgrade projects currently underway in New Zealand and nearing completion in Australia.⁵⁷

Other assets

208 The following surplus assets have been identified:

Lion Nathan – surplus assets		
	Low A\$m	High A\$m
New Zealand defined benefit superannuation fund surplus ⁽¹⁾	4.0	5.0
Winery assets held for sale including surplus inventory ⁽²⁾	25.0	29.0
Net derivative asset position ⁽³⁾	16.3	16.3
Surplus assets	45.3	50.3

Note:

- 1 The defined benefit superannuation fund surplus has been recognised on an after tax basis. This is because the superannuation contributions which would otherwise need to be made in the absence of the surplus would be tax deductible to Lion Nathan.
- 2 Due to the existence of substantial capital tax losses no capital gains tax is likely to be incurred upon any sale for the above assessed values.
- 3 Net of income tax which would be incurred to close out the positions.

Net debt

209 As at 31 March 2009 Lion Nathan had net debt of A\$1,766.8 million. However, net debt is typically higher in the second half of the year, and also increased on 23 June 2009 due to the payment of the interim dividend of A\$0.22 per share.

210 As the consideration under the Scheme is to be made on an “ex-dividend” basis, the net debt has also been assessed on this basis (i.e. reflecting the payment of the interim dividend).

211 Consequently, we have adopted net debt of A\$1,880 for valuation purposes. That is consistent with the estimated net debt position as at 30 June 2009.

⁵⁷ We have allowed for the projected savings in annual operating costs associated with these projects in our assessed enterprise values, in particular, in the EBITDA multiples applied.

Shares on issue

- 212 Lion Nathan currently has 534.2 million shares on issue. While 2.05 million of these shares are held by Lion Nathan Achievement Rights Trust in connection with a long-term incentive plan, we understand that senior executives will be entitled to these shares if Lion Nathan achieves its expected profit for FY09. Accordingly, our valuation calculations assume 534.2 million shares on issue.

Value of Lion Nathan

- 213 On this basis, the value of 100% of Lion Nathan on a controlling interest basis is as follows:

Value of 100% of Lion Nathan	Low	High
	A\$m	A\$m
Operating EBITDA	665.0	665.0
EBITDA multiple	11.5	12.5
Enterprise value	7,647.5	8,312.5
Value of LWB shares	38.8	42.3
Other surplus assets	45.3	50.3
Net debt	(1,880.0)	(1,880.0)
Value of 100% of Lion Nathan	5,851.6	6,525.1
Shares on issue	534.2	534.2
Value per share (A\$)	A\$10.95	A\$12.21

Implied EBIT and PE multiples

- 214 The EBIT and PE multiples implied by our assessed value range are shown below:

Implied multiples	FY08	FY08	FY09	FY09
	Low	High	Low	High
Enterprise value (A\$m)	7,647.5	8,312.5	7,647.5	8,312.5
EBIT (pre-significant items) (A\$m)	507.0	507.0	570.0 ⁽¹⁾	570.0 ⁽¹⁾
EBIT multiple	15.1	16.4	13.4	14.6
Value per share (A\$)	\$10.95	\$12.21	\$10.95	\$12.21
EPS (pre-significant items) (A\$)	0.512	0.512	0.571 ⁽²⁾	0.590 ⁽²⁾
PE ratio	21.4	23.8	19.2	20.7

Note:

1 This is calculated as follows:

	A\$m
EBITDA adopted for valuation purposes (refer paragraph 177)	665
Less depreciation and amortisation	<u>(95)</u>
EBIT	<u><u>570</u></u>

2 Based on Lion Nathan's market guidance for net profit after tax (before significant items) of A\$305 million to A\$315 million.

- 215 Given the date of valuation and Lion Nathan's financial year end (30 September), in our opinion, more regard should be had to the forecast multiples based on our estimate of Lion Nathan's earnings for FY09.
- 216 In our opinion these multiples are reasonable on a controlling interest basis and reflect the quality of Lion Nathan's businesses and management, its strong market positions and its impressive financial performance over recent years (notwithstanding significant upheavals in the global economy). The PE multiples are also consistent with the PE multiples of the listed comparable beer companies (set out in Appendix D) once they are adjusted to incorporate a premium for control (which generally ranges from 30% to 35% above the listed market price of the company's shares prior to the announcement of a takeover or similar proposal).

VII Evaluation of the Proposal

- 217 In our opinion the acquisition of Lion Nathan shares by Kirin under the Scheme is fair and reasonable and in the best interests of Lion Nathan shareholders.
- 218 We therefore recommend that Lion Nathan shareholders vote in favour of the Scheme.
- 219 We have formed this opinion for the following reasons.

Assessment of the Scheme

Fairness

- 220 As noted in Section VI, LEA has valued 100% of the shares in Lion Nathan on a controlling interest basis at between A\$10.95 and A\$12.21 per share. In comparison, if Lion Nathan shareholders and the Court approve the Scheme then Lion Nathan shareholders will receive A\$12.00 cash per share (the Cash Payments), comprising:
- (a) Scheme Consideration of A\$11.50 per share in relation to shares held as at the Scheme record date
 - (b) a Special Dividend of A\$0.50 per share in relation to each share held as at the Special Dividend record date.
- 221 Accordingly, the Cash Payments lie within our assessed range of values for Lion Nathan on a 100% controlling interest basis.
- 222 We therefore consider the Cash Payments to be fair when assessed based on the guidelines set out in ASIC Regulatory Guide 111.

Other qualitative factors

- 223 Pursuant to ASIC Regulatory Guide 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Scheme is “fair and reasonable” it must also be “in the best interests” of shareholders.
- 224 Consequently, in our opinion, the Scheme is also “reasonable” and “in the best interests” of Lion Nathan shareholders.

- 225 In assessing whether the Scheme is reasonable and in the best interests of Lion Nathan shareholders LEA has also considered, in particular:
- (a) the extent to which a control premium is being paid to Lion Nathan shareholders
 - (b) the strategic value of Lion Nathan to Kirin, including the level of synergy / rationalisation benefits likely to be generated by Kirin and the extent to which a share of these benefits is being paid to Lion Nathan shareholders
 - (c) the likelihood of an alternative offer or proposal
 - (d) the listed market price of Lion Nathan shares in the period subsequent to the announcement of the Scheme
 - (e) the likely price of Lion Nathan shares if the Scheme is not approved
 - (f) other qualitative and strategic issues, risks and advantages
 - (g) disadvantages associated with the Scheme.
- 226 These issues are discussed in detail below.

Extent to which a control premium is being paid

- 227 Empirical evidence indicates that average premiums paid in successful takeovers in Australia generally range between 30% and 35% above the listed market price of the target company's shares three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price). This premium range reflects the fact that:
- (a) the owner of 100% of the shares in a company obtains access to all the free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder
 - (b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds
 - (c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company
 - (d) a controlling shareholder is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

- 228 We have calculated the premium implied by the Cash Payments by reference to the VWAP and closing prices of Lion Nathan shares (as traded on the ASX)⁵⁸ for periods up to and including 22 April 2009.⁵⁹
- 229 Prior to the opening of trading on 23 April 2009 Lion Nathan shares were placed in a trading halt following a confidential approach by Kirin, which was received by Lion Nathan after the close of trading on 22 April 2009. The trading halt was requested to permit confidential discussions between Lion Nathan and Kirin. During this period the company's preliminary trading results for the six months to 31 March 2009 were announced (on 24 April 2009). The key terms of the Scheme were subsequently announced on 27 April 2009.
- 230 We note that Lion Nathan shareholders (including Kirin) received an interim dividend of A\$0.22 per share on 23 June 2009 and that the share prices prior to the ex-date of 1 June 2009⁶⁰ (including the periods over which we have measured the premiums implied by the Cash Payments) traded with an entitlement to this dividend.
- 231 Accordingly, to ensure the implied premium is calculated on an appropriate basis we have therefore adopted a total consideration of A\$12.22 per share for implied offer premium calculation purposes, determined as follows:

Total consideration for offer premium calculations	
	A\$
Cash Payments	12.00
Lion Nathan's FY09 interim dividend	0.22
Total value to Lion Nathan shareholders	12.22

⁵⁸ For the purposes of calculating the premiums implied by the Cash Payments we have had regard to trading on the ASX only. This is because the large majority of Lion Nathan shares are traded on the ASX.

⁵⁹ We note that on 17 November 2008 Lion Nathan submitted a merger proposal to Coca-Cola Amatil Limited which it withdrew on 9 February 2009. However, it appears that these announcements had no material impact on the price of Lion Nathan shares during the periods over which we have measured the premiums implied by the Cash Payments.

⁶⁰ On the New Zealand Stock Exchange (NZSE) Lion Nathan shares traded ex dividend on 8 June 2009.

232 The implied offer premium relative to Lion Nathan share prices prior to 22 April 2009 is shown below:

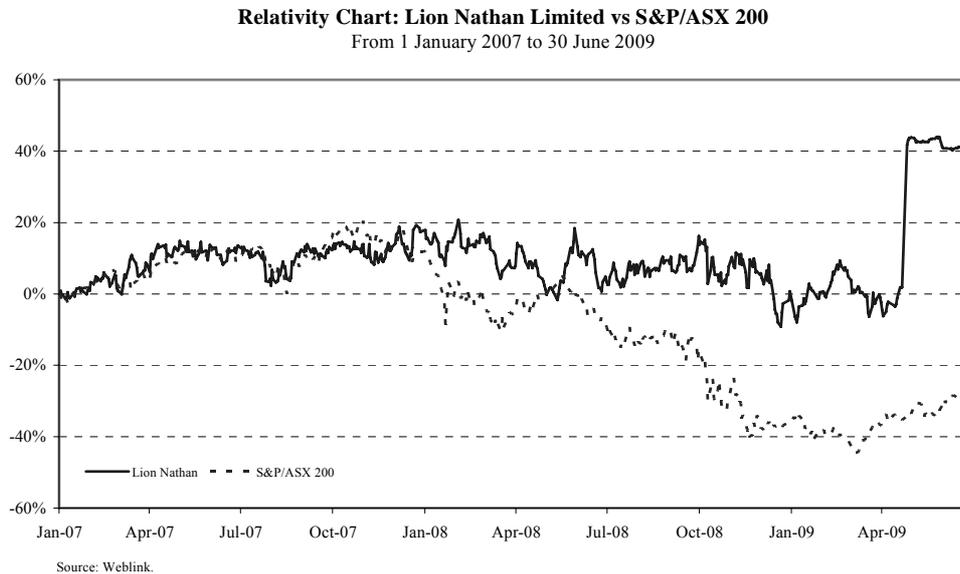
Implied offer premium relative to recent Lion Nathan share price		
	Lion Nathan share price ⁽¹⁾	Implied offer premium
	A\$	%
Total consideration ⁽²⁾	12.22	
Closing share price on:		
• 22 April 2009 (the last trading day prior to the trading halt in Lion Nathan shares)	8.31	47.1
• 20 March 2009 (1 month prior to the trading halt in Lion Nathan shares)	7.64	59.9
• 22 January 2009 (3 months prior to the trading halt in Lion Nathan shares)	8.24	48.3
VWAP:		
• 1 month to 22 April 2009	7.99	52.9
• 3 months to 22 April 2009	8.21	48.8

Note:

- 1 Based on market prices traded on the ASX only.
- 2 Including Lion Nathan's FY09 interim dividend of A\$0.22 per share. This is appropriate so that both the Cash Payments and the share prices are compared on a consistent (cum-dividend) basis. The share prices above included an entitlement to the interim dividend for FY09.

233 Given the high premiums implied by the Cash Payments we have also considered whether this reflects abnormally large declines in the market price of Lion Nathan shares prior to the announcement of the Scheme.

234 In this regard, as shown below, we note that since 1 January 2007 Lion Nathan shares have significantly out-performed the broader market (measured by reference to the S&P ASX 200 Index), particularly since the on-set of the global financial crisis:



235 While we consider this out-performance is likely to be a reflection of Lion Nathan's strong financial performance and its "defensive" investment qualities, in our opinion, the above graph also indicates that the high premiums implied by the Cash Payments are not attributable to any relative weakness in the Lion Nathan share price in the period prior to the announcement of the Scheme.

236 Accordingly, we have concluded that the Cash Payments imply an offer premium which is significantly above the average premiums paid in successful takeovers generally.

237 In addition, as noted above, Kirin has an existing 46.1% interest in Lion Nathan, together with three representatives on the Lion Nathan Board. Kirin therefore has, as a minimum, significant influence over the operations of Lion Nathan. In such circumstances we would expect that the premium offered relative to the recent pre bid prices of Lion Nathan shares would be lower than that normally paid where no significant shareholding in the target company existed.

238 Further we note that:

- (a) the Cash Payments of A\$12.00 per Lion Nathan share exceed the price of A\$11.50 per Lion Nathan share at which Kirin had agreed to subscribe for up to 327 million new Lion Nathan shares in order to assist with the funding of Lion Nathan's (now withdrawn) offer for CCA

(b) Lion Nathan shares never traded at a price above the Cash Payments of A\$12.00 per share prior to the announcement of the Scheme.⁶¹

239 Having regard to the above, in our opinion, the Cash Payments provide Lion Nathan shareholders with a premium that exceeds observed premiums generally paid in comparable circumstances. Accordingly, in our opinion, Lion Nathan shareholders are being compensated for the fact that control of Lion Nathan will pass to Kirin if the Scheme is approved.

Benefits to Kirin

240 Following the announcement of the key terms of the Scheme Kirin released an investor presentation dated 27 April 2009 outlining, amongst other matters, the benefits of the Scheme to Kirin. The benefits identified included:

- (a) strengthening Kirin's offshore earnings base and providing "*greater exposure to the highly attractive Australasian brewing industry*"
- (b) increased geographic diversification of Kirin's earnings mix
- (c) providing a "*strong platform for beverages growth in Australasia*" as "*ownership of LN's strong mix of brands may provide scope for further cross promotion of products with Kirin's existing brewing operations*"
- (d) creating a strong platform for future regional beverages expansion by Kirin
- (e) the ability to repay acquisition financing "*relatively quickly*" due to "*Lion Nathan's anticipated strong cash flows*"
- (f) Kirin's expectation that the acquisition would be "*EPS⁶² accretive in the first full financial year following completion of the Proposal on a pre-goodwill amortisation basis*".

241 In addition, Kirin's ownership in National Foods and Dairy Farmers provides some scope for Kirin to generate savings through the rationalisation of its business interests in Australia.⁶³

242 However, based on our understanding of the likely nature and quantum of potential synergies, in our opinion, the potential synergies arising from the transaction are unlikely to be material in the overall context of our assessed value of the Lion Nathan businesses.

⁶¹ Once historical prices are adjusted for share capital changes.

⁶² Earnings per share.

⁶³ Such benefits by their nature are only likely to be available to a purchaser with large existing operations in Australia.

The likelihood of an alternative offer

- 243 In our opinion, there is no realistic likelihood of a higher offer or superior proposal to the Scheme being received prior to the Scheme meeting. This is because:
- (a) Kirin owns 46.1% of Lion Nathan shares on issue, which is likely to deter alternative offerors
 - (b) any alternative offer by another party for 100% of Lion Nathan could not succeed unless Kirin agreed to sell its shareholding
 - (c) Kirin has held its shareholding in Lion Nathan since 1998 and has not indicated any intention of selling it
 - (d) the Lion Nathan business is highly complementary to Kirin's existing businesses
 - (e) the offer to acquire 100% of the shares in Lion Nathan is consistent with Kirin's stated objective to generate 30% of revenue and profit outside of Japan by 2015.
- 244 Further, we note that the Lion Nathan share price continues to trade below the Cash Payments. This indicates that market participants do not expect a superior offer or proposal to emerge.

Likely price of Lion Nathan shares if the Scheme is not approved

- 245 If the Scheme is not approved by Lion Nathan shareholders and the Court and no higher offer or alternative proposal emerges, we would expect that, at least in the short-term, Lion Nathan shares would trade at a significant discount to our valuation and the Cash Payments (consistent with the difference between the value of Lion Nathan on a portfolio basis and the value on a 100% controlling interest basis).
- 246 If the Scheme is not implemented those Lion Nathan shareholders who wish to sell their Lion Nathan shares are therefore likely, at least in the short-term, to realise a significantly lower price for their shares than will be payable under the Scheme.

Summary of opinion on the Scheme

- 247 We summarise below the likely advantages and disadvantages for Lion Nathan shareholders if the Scheme proceeds.

Advantages

- 248 The Scheme has the following benefits for Lion Nathan shareholders:
- (a) the Cash Payments of A\$12.00 cash per share lie at the high end of our assessed value range for 100% of Lion Nathan of A\$10.95 to A\$12.21 per share, and are therefore fair to Lion Nathan shareholders when assessed under the guidelines set out in Australian Securities & Investments Commission (ASIC) Regulatory Guide 111
 - (b) the Cash Payments represent a significant premium to the recent market prices of Lion Nathan shares prior to the announcement of the initial approach by Kirin (on 23 April 2009) and are higher than any Lion Nathan closing share price
 - (c) furthermore, the premium exceeds observed premiums generally paid to target company shareholders in comparable circumstances
 - (d) the Special Dividend allows the release of franking credits and imputation credits to Lion Nathan's Australian and New Zealand shareholders respectively, thereby increasing the potential value to some shareholders by up to A\$0.21 per share
 - (e) if the Scheme does not proceed, and in the absence of an alternative offer or proposal, the price of Lion Nathan shares is likely to trade at a significant discount to our valuation and the Cash Payments (consistent with the portfolio nature of individual shareholdings).
- 249 Further, it should be noted that as Kirin already owns 46.1% of Lion Nathan shares there is no realistic likelihood that a competing offer for Lion Nathan shares will be received prior to the Scheme meeting.

Disadvantages

- 250 Lion Nathan shareholders should note that if the Scheme is approved they will no longer hold an interest in Lion Nathan. Lion Nathan shareholders will therefore not participate in any future value created by the company as a result of ongoing operations over and above that reflected in the Cash Payments.
- 251 In particular, based on information reviewed for the purposes of this report, we expect Lion Nathan to achieve further increases in profitability in future years⁶⁴. However, our valuation of Lion Nathan confirms that the current value of this future earnings potential is reflected in the Cash Payments.

⁶⁴ Refer paragraph 173 for further information, including details of broker forecasts for future years.

Conclusion

252 On balance, given the above analysis, we consider the acquisition of Lion Nathan shares by Kirin under the Scheme is fair and reasonable and in the best interests of Lion Nathan shareholders.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and Independent Expert's Reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The Corporations Act 2001 authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Scheme Booklet to be sent to Lion Nathan shareholders in connection with the Scheme.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian financial services licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Appendix A

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this IER our fees are based on a time cost basis using agreed hourly rates.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.
- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 27
363 George Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared more than 100 Independent Expert's Reports to shareholders.
- 2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 16 years and 20 years experience respectively in the provision of valuation advice.

Declarations

- 3 This report has been prepared at the request of the Independent Directors of Lion Nathan to accompany the Scheme Booklet to be sent to Lion Nathan shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Scheme is fair and reasonable and in the best interests of Lion Nathan shareholders.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Scheme. LEA is entitled to receive a fixed fee of A\$275,000 plus GST for the preparation of this report. With the exception of the above fee, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 LEA has had no prior business or professional relationship with Lion Nathan or Kirin prior to the preparation of this report.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, Lion Nathan agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Lion Nathan which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Lion Nathan Scheme Booklet.

Appendix C

Historical operating performance by segment

Lion Nathan Australia

- 1 The Lion Nathan Australia business produces, markets, sells and distributes a range of beers from five major breweries (one in each of Sydney, Brisbane, Adelaide, Perth and Launceston), as well as a smaller craft brewery in Sydney.
- 2 The financial performance of Lion Nathan Australia (before unallocated corporate costs) for the three years ended 30 September 2008 and the six months ended 31 March 2009 is summarised below:

Lion Nathan Australia – financial performance				
	Year to 30 Sep 06	Year to 30 Sep 07	Year to 30 Sep 08	6 mths to 31 Mar 09
	A\$m	A\$m	A\$m	A\$m
Volume (millions of litres)	695.0	699.0	731.0	406.0
Net sales revenue ⁽¹⁾	1,201.5	1,287.0	1,431.8	832.0
Operating EBITDA ⁽²⁾	452.6	468.4	507.3	313.3
Depreciation and amortisation	(57.8)	(54.8)	(61.2)	(33.0)
Operating EBIT ⁽²⁾	394.8	413.6	446.1	280.3
<i>Operating EBITDA margin</i>	37.7%	36.4%	35.4%	37.7%
<i>Net sales revenue per litre</i>	\$1.73	\$1.84	\$1.96	\$2.05
<i>Operating EBIT per litre</i>	\$0.57	\$0.59	\$0.61	\$0.69
<i>Volume growth</i>	1.5%	0.6%	4.6%	4.6%
<i>Average growth in net selling price</i>	3.6%	6.5%	6.4%	6.3%
<i>Net sales revenue growth</i>	5.1%	7.1%	11.3%	11.3%
<i>Operating EBIT growth</i>	4.1%	4.8%	7.9%	12.7%

Note:

1 Net of excise and discounts.

2 Before unallocated corporate costs and non-recurring items.

Appendix C

- 3 The following comments relate to the operating performance of Lion Nathan Australia over the above periods:

Year ended 30 September 2006

- Operating EBIT increased 4.1% despite a 29% increase in brand investment
- Volume growth of 4.2% was achieved by the company's "Power" brands,⁶⁵ compared to 1.5% overall volume growth
- International premium brand volumes increased 20% whereas the mainstream beer category overall achieved volume declines of 1.3%
- McKenna Straight Kentucky Bourbon Whisky was successfully launched in August 2006 into South-East Queensland in full strength bottled spirit and RTD variants.

Year ended 30 September 2007

- Net sales revenue increased 7.1% on a volume increase of 0.6%
- Total beer volumes in Australia increased 0.4% consistent with the growth in the total market
- Product innovation developed over the last three years contributed \$50 million of the incremental revenue, with Hahn Super Dry (launched in September 2006) being a significant contributor to this growth
- However volume growth flattened as the year progressed, particularly in NSW where the market was down an estimated 1.6%
- Lion Nathan's Power brands, which account for 78% of portfolio volume, increased volumes by 3.7%
- The shift to premium and mid-strength beers adversely impacted the traditional mainstream beer category. Further, the success of brands such as Tooheys Extra Dry and Hahn Super Dry was likely to have contributed to the decline of 6% in sales volumes of Tooheys New XXXX Gold increased its volumes by 5% and net sales revenue by 11% despite new market entrants. This performance was assisted by a nationwide marketing campaign
- In the Spirits / RTD segment McKenna Bourbon progressively moved to full national distribution and the company acquired the Inner Circle Rum brand and distillery in April 2007
- Notwithstanding the higher sales revenue, operating margins fell slightly reflecting increases in aluminium and barley costs and the continued cost of brand and other initiatives.

⁶⁵ Australian "Power" brands comprise Tooheys New, Tooheys Extra Dry, XXXX Gold, XXXX Bitter, Hahn Super Dry, Hahn Premium, Hahn Premium Light, James Squire, Heineken and Beck's.

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Year ended 30 September 2008

- Excluding Boag's, beer volumes grew by 0.5% in a market where volumes were up only 0.1%
- Including Boag's, volumes increased 4.6%
- 10% of net sales revenue was from recent innovation and new products. Recent beer brands launched include Tooheys New White Stag (a mainstream low carbohydrate beer) and Barefoot Radler
- Boag's was acquired in January 2008 with 6% volume growth being achieved since integration of the business. The company also committed to spending \$25 million to upgrade the Boag's brewery, increasing capacity and ensuring that all Boag's beer will be brewed in Tasmania
- The company's largest brand (and Australia's second largest beer brand), XXXX Gold, increased volume by 3% and revenue by 5% due to innovative marketing campaigns (which included sponsorship of the V8 Supercar series)
- The introduction of smoking bans in enclosed areas of licensed premises in NSW, South Australia and Victoria in July 2007 reduced tap sales
- Raw material costs (particularly glass and malt) increased, reflecting the increase in commodity prices generally and exchange rate impacts. Some of the increase also reflected moves by consumers to more premium brand products which have higher costs (but also allow premium pricing and therefore improved margins)
- From 1 October 2008, McKenna Bourbon and Inner Circle Rum brands were sold in Australia through the Barcardi-Lion joint venture with Barcardi Martini. This consolidated these brands into the existing spirits and RTD sales team and followed the imposition of higher taxes on RTD beverages in Australia.

Six months ended 31 March 2009

- Net sales revenue increased 11.3% due to volume growth of 4.6% and an average net selling price increase of 6.3%
- Volume growth was driven by core brand performance, Boag's and good tap beer volumes
- Once the prior period volumes are normalised for Boag's volume growth was 1% moving annual total (MAT). This is slightly ahead of the volume growth in the market of 0.9% (as estimated by AC Nielsen⁶⁶)
- The increase in net selling price per litre largely reflected improved sales mix, as consumers continue to move to more premium beers
- Hahn Super Dry grew volumes by just under 50% and James Squire increased volumes by 14%

⁶⁶ AC Nielsen MAT volume growth as at February 2009.

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- Two recent new brands, Tooheys New White Stag (a low-carb beer) and Barefoot Radler performed above original expectations
- Boag's volumes increased 8% following significant advertising and an increase in the number of locations serving the beer on tap (currently in excess of 1,800)
- The improved sales mix also resulted in higher profit margins
- Continued investment in the Boag's brand is expected to increase the profit contribution from Boag's in the second half
- More generally, the investment over a number of years in Lion Nathan's brands and breweries is expected to generate additional future benefits, including further savings from the nearly completed brewery upgrades.

Lion Nathan New Zealand

- 4 Lion Nathan New Zealand produces, markets, sells and distributes a leading range of alcoholic beverages including beer from three major breweries (Auckland, Christchurch and Dunedin) as well as one smaller brewery. It also operates a contract packing company bottling international and local spirits and RTD brands, and in addition, distributes a range of own and agency fine wine brands led by the Wither Hills brand.
- 5 The financial performance of Lion Nathan New Zealand (before unallocated corporate costs) for the three years ended 30 September 2008 and the six months ended 31 March 2009 is summarised below:

Lion Nathan New Zealand – financial performance				
	Year to 30 Sep 06 NZ\$m	Year to 30 Sep 07 NZ\$m	Year to 30 Sep 08 NZ\$m	6 mths to 31 Mar 09 NZ\$m
Beer volume (millions of litres)	170.0	171.0	171.0	91.0
Total volume (millions of litres)	185.0	186.0	189.0	105.0
Net sales revenue ⁽¹⁾	558.3	584.4	575.4	324.2
Operating EBITDA ⁽²⁾	111.1	121.0	118.6	68.1
Depreciation and amortisation	(24.4)	(34.3)	(28.6)	(11.6)
Operating EBIT ⁽²⁾	86.7	86.7	90.0	56.5
<i>Operating EBITDA margin</i>	19.9%	20.7%	20.6%	21.0%
<i>Net sales revenue per litre</i>	\$3.02	\$3.14	\$3.04	\$3.09
<i>Operating EBIT per litre</i>	\$0.47	\$0.47	\$0.48	\$0.54
<i>Beer volume growth</i>	4.9%	0.6%	-	-
<i>Total volume growth</i>	5.7%	0.5%	1.6%	(0.9%)
<i>Average growth in net selling price</i>	(8.5%)	(0.5%)	2.2%	4.1%

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<i>Net sales revenue growth</i>	0.4%	4.7%	(1.5%)	(0.6%)
<i>Operating EBIT growth</i>	(3.2%)	-	3.8%	3.1%

Note:

1 Net of excise and discounts.

2 Before unallocated corporate costs and non-recurring items.

6 The following comments relate to the operating performance of Lion Nathan New Zealand over the above periods:

Year ended 30 September 2006

- The New Zealand businesses have restructured from three separate businesses into a “one-stop” business to increase efficiency in the competitive New Zealand market
- Operating EBIT decreased due to the challenging operating environment in New Zealand, particularly in beer where cost inflation was not able to be recovered in pricing
- Five of the six “Power” brands⁶⁷ achieved volume growth. In particular, Steinlager, Stella Artois and Corona all recorded strong volume growth. Lion Red declined (as expected) following the decision to narrow the focus of the brand to the region north of Taupo. Advertising and promotion for Lion Red outside this region was curtailed
- Speight’s achieved national growth of 7.3%
- Premium wine brand growth of 57% was achieved, reflecting in part the transfer of the distribution rights for Wither Hills to Lion Nathan
- The spirits portfolio declined by 1.6% largely due to the loss of the Allied Domecq brands. This was partially offset by the brand performances of Smirnoff Vodka which grew by 27% and Gilbeys Gin which increased by 266%
- The RTD portfolio grew by 8.2% led by Smirnoff varieties up 37%, Coruba up 13% and Bulleit up by 137%
- The sales and marketing teams were restructured in order to better meet customer needs.

Year ended 30 September 2007

- Operating EBIT was consistent with the prior year reflecting a highly competitive operating environment in the New Zealand beer market and higher commodity costs
- Slightly lower beer earnings were offset by improved earnings from wines and spirits and other businesses
- While the company's domestic beer volumes were consistent with the prior year, exports grew 14% (especially to Hawaii)

⁶⁷ New Zealand “Power” brands comprise Speights, Lion Red, Steinlager, Mac’s, Stella Artois and Corona.

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- International premium brands Corona and Stella Artois were up 40% and 4% respectively, while Steinlager Classic grew volumes by 3%
- Overall domestic beer revenue was up 2.1% driven by premium brands
- Wine volumes increased 19% largely due to the full year effect of the distribution rights for Wither Hills transferred to the company in 2006. Excluding Wither Hills like for like wine volumes increased 9%
- The wine business also benefited from new distribution agreements for Oyster Bay, Delegats and Riccadoona (from Australia) and for Mahi and Maven brands. The company also acquired the Daniel Le Brun range of sparkling wines
- Spirit and RTD beverage volumes declined by 15% and 2% respectively, largely due to the loss of the Allied Domecq brand portfolio
- Steinlager Pure was launched and exceeded expectations, ranking in the top 10 brands in supermarkets (by value) within six weeks of launch
- McKenna Bourbon was also successfully launched.

Year ended 30 September 2008

- The beer market in New Zealand in FY08 benefited from an unusually hot summer (boosting volumes in the first half) but this was subsequently offset by an abnormally wet winter
- Lion Nathan achieved domestic beer volume growth of 0.5% compared to 0.3% for the market as a whole
- The New Zealand beer operations grew EBIT by 10.8% largely due to a positive mix impact following new brand launches and consumers moving to more premium beers. The total premium segment of Lion Nathan's New Zealand portfolio increased volumes by 29.5%
- A long term agreement was signed in July 2008 for the continued distribution of Corona in the New Zealand market
- Wine and Spirits / RTD volumes increased 5.9% and 22.2% respectively. Much of the increase in the sector came from RTD beverages as spirits were negatively impacted by discounted imports and the loss of distribution contracts for Moet Hennessy
- Generally the pricing environment remained challenging, and the loss of contracts at the contract bottling division, resulted in total net sales revenue falling 1.5%
- The construction of new production facilities at East Tamaki in Auckland commenced, with first brew from the new brewery expected in the fourth quarter of calendar 2009 (with completion expected in 2011).

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Six months ended 31 March 2009

- Volume gains in wine, spirits and RTD beverages of 11% offset export and mainstream beer volume declines
- Beer exports declined by 1.3 million litres as macro-economic factors caused demand to contract, particularly in Hawaii where Steinlager has a strong presence and tourism numbers declined
- Domestic beer volumes were in line with prior year, with the business benefiting from an improved sales mix as consumers moved to “step up” and premium beers (particularly Steinlager Pure and Speight's Summit)
- A price increase was implemented in March 2009 to alleviate cost pressure and partially restore beer margins (which are significantly below the margins generated in Australia). Lion Nathan has stated that further price increases are likely in 2009 to recover significant historic cost increases and the continued negative exchange rate impacts on foreign priced input costs
- The Wine, Spirits and RTD beverages business achieved 11% volume growth. New product development initiatives and new agency brands more than offset the loss of the Moet Hennessey agency brands in February 2008. The Smirnoff brand performed particularly well, as did RTD beverages which were boosted by increased multi-pack volumes in key brands.

Lion Nathan Wine

- 7 Lion Nathan Wine produces some of Australasia’s finest wines from South Australia, Victoria, Western Australia and the Marlborough region in New Zealand. It also owns the Argyle winery in Oregon, USA. The Group also distributes a portfolio of fine wines from a wider Australian and New Zealand geography, as well as from renowned regions in France, Italy and South Africa.
- 8 The financial performance of Lion Nathan Wine (before unallocated corporate costs) for the three years ended 30 September 2008 and the six months ended 31 March 2009 is summarised below:

Lion Nathan Wine – financial performance				
	Year to 30 Sep 06	Year to 30 Sep 07	Year to 30 Sep 08	6 mths to 31 Mar 09
	A\$m	A\$m	A\$m	A\$m
Volume (000s of 9 litre cases) ⁽³⁾	1385.0	1437.0	1473.0	775.0
Net sales revenue ⁽¹⁾	148.8	166.0	175.2	83.4
Operating EBITDA ⁽²⁾ (pre SGARA)	16.1	19.7	22.3	7.2
Depreciation and amortisation	(6.4)	(6.8)	(6.5)	(3.7)
Operating EBIT (pre SGARA)	9.7	12.9	15.8	3.5

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Lion Nathan Wine – financial performance				
	Year to 30 Sep 06	Year to 30 Sep 07	Year to 30 Sep 08	6 mths to 31 Mar 09
	A\$m	A\$m	A\$m	A\$m
SGARA	(2.4)	(2.8)	0.3	(0.7)
Operating EBIT ⁽²⁾ (post SGARA)	7.3	10.1	16.1	2.8
<i>Operating EBITDA margin (pre SGARA)</i>	10.8%	11.9%	12.7%	8.6%
<i>Net sales revenue per 9 litre case</i>	\$107.44	\$115.52	\$118.94	\$107.61
<i>Operating EBIT (pre SGARA) per 9 litre case</i>	\$7.00	\$8.98	\$10.73	\$4.52
<i>Volume growth</i>	71.0%	3.8%	2.5%	3.1%
<i>Average growth in net selling price</i>	(11.1%)	7.5%	3.0%	(10.8%)
<i>Net sales revenue growth</i>	52.0%	11.6%	5.5%	(8.0%)
<i>Operating EBIT growth</i>	54.0%	33.0%	22.5%	(55.7%)

Note:

- 1 Net of excise and discounts.
- 2 Before unallocated corporate costs and non-recurring items.
- 3 Being a dozen 750 ml bottles.

9 The following comments relate to the operating performance of Lion Nathan Wine over the above periods:

Year ended 30 September 2006

- FY06 includes the first full 12 months trading for Fine Wine Partners, a joint venture between Tucker Seabrook and the Lion Nathan owned Distinguished Vineyards. This provided a significant boost to volumes and revenues
- However, difficult trading conditions resulted in a fall in the operating EBITDA margin
- The core premium owned brands increased volume by 14% while other owned brands declined. Wither Hills, St Hallett and Stonier were the standout performers achieving volume growth at 20%, 29% and 16% respectively
- In July 2006 the company established a distribution alliance with Beam Wine Estates for the distribution of premium wine into the US. Initial shipments commenced in August 2006
- The SGARA loss in FY06 was due to lower grape prices.

Year ended 30 September 2007

- Wine volume growth of 3.8% was driven by solid growth in owned brands such as St Hallett, Wither Hills and Petaluma
- Distribution of Australian and New Zealand premium wines in the UK and US markets continued to perform well. In the UK, the Bibendum

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distributor achieved a 42% increase in volumes (albeit from a low base)

- The stronger AUD relative to USD constrained revenue growth from Wither Hills and other wine exports
- The combination of higher revenues, higher average selling prices (due to improved mix) and lower overheads resulted in a significantly improved EBIT result.

Year ended 30 September 2008

- The wine business increased EBIT by 22.5% despite lower than anticipated sales to the US market
- Sales to the US market were adversely impacted by the sale of distributor Beam Wine Estates to Constellation brands in November 2007
- In response the company acquired a small US wine distributor in June 2008 which was renamed Lion Nathan USA
- Overall wine volumes were up 2.5%, with lower US sales offset in particular by a strong performance by the Fine Wines Partners business in Australia
- Cost reductions were also achieved through efficiency projects, better vineyard management and improved capacity utilisation (which benefited the second half).

Six months ended 31 March 2009

- Key wine markets continued to be impacted by the global financial crisis and the structural wine industry dynamics of excess supply, the vagaries of nature and price discounting
- Volumes were higher due to the inclusion of brands distributed through the new US wine distribution business
- While the US wine distribution business is expected to break-even in the near term, the platform offers future growth potential as it enables Lion Nathan to take its wines to market in the USA
- In the US and UK market dynamics deteriorated, with considerable trading down to cheaper wines evident and a switch away from on-premise consumption (reducing demand for fine wines)
- In Australia similar trends were evident. However volume growth was achieved
- The intense heat and fires in South Eastern Australia in early calendar 2009 reduced vintage yields across the region, negatively impacting SGARA valuations. However the lower yields were not expected to impact on Lion Nathan's ability to meet demand.

Appendix D

Trading multiples of listed comparables – beer

- 1 There are only three large listed companies operating in the Australian beverage industry, being Lion Nathan, Foster's Group Limited (Foster's Group) and Coca-Cola Amatil Limited (CCA). The list of Australian comparable companies is therefore limited to Foster's Group and CCA. There are however many listed international beer producing companies which we have adopted for market reference purposes, in addition to the Australian comparable companies. Consolidation has been a key theme in the global beer industry, with the result being an industry more highly concentrated than at any other time in history. The multiples of the Australian and international companies, as well as a description of the activities of these companies, is set out below:

Listed company trading multiples - beer							
	Enterprise value A\$m	EBITDA multiples			PE multiples		
		Historical FY08	Forecast FY09	Forecast FY10	Historical FY08	Forecast FY09	Forecast FY10
Australian companies							
Foster's Group Ltd	12,906	10.0	9.3	8.8	13.9	13.1	12.4
Coca-Cola Amatil Ltd	8,187	9.8	8.7	8.3	15.5	14.3	13.5
International companies							
Anheuser-Busch InBev NV	149,335	15.7	9.5	8.9	14.5	14.7	12.3
SAB Miller Plc	87,766	9.5 ⁽¹⁾	10.5 ⁽¹⁾	9.8 ⁽¹⁾	15.3 ⁽¹⁾	15.3 ⁽¹⁾	12.9 ⁽¹⁾
Companhia - AmBev	49,966	8.8	8.1	7.6	15.9	14.5	13.5
Heineken NV	38,496	9.4	7.7	7.3	20.8	12.2	10.5
Kirin Holdings Co Ltd	27,658	8.7	8.3	7.6	19.2	19.8	18.6
Carlsberg A/S	25,801	9.3	8.4	7.8	16.2	14.9	11.9
Grupo Modelo SAB de CV	15,437	7.1	6.6	5.8	16.7	17.9	14.7
Molson Coors Brewing Co	13,185	10.8	10.9	9.7	18.2	13.7	12.2
Asahi Breweries Ltd	13,396	6.5	6.8	6.6	15.2	13.0	12.9
San Miguel Brewery Inc	3,674	7.8	8.3	7.1	13.8	13.4	11.8
Asia Pacific Breweries Ltd	2,776	9.4 ⁽¹⁾	10.1 ⁽¹⁾	8.4 ⁽¹⁾	22.9 ⁽¹⁾	18.6 ⁽¹⁾	15.0 ⁽¹⁾
Grupa Zywiec SA	2,677	7.8	n/a	n/a	13.4	n/a	n/a
Hite Brewery Co Ltd	2,350	15.2 ⁽¹⁾	7.4 ⁽¹⁾	7.1 ⁽¹⁾	24.4 ⁽¹⁾	10.5 ⁽¹⁾	9.5 ⁽¹⁾

Note:

1 Historical multiples for these companies are for the year to 31 March 2009. Forecasts multiples are for the years to 31 March 2010 and 2011 respectively.

2 Multiples as at 9 June 2009.

n/a – not available.

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Australian companies

Foster's Group Limited

- 2 Foster's Group is an Australian-based, global producer and marketer of alcoholic beverages with core operations in brewing and wine. Its beer operations are focused on the Australian market, in which it is the market leader. Its wine division is one of the world's biggest wine companies, with significant operations in Australia, New Zealand, the US and the UK. Foster's Group's wine operations are largely the result of the acquisitions of Berringer Blass and Southcorp.

Coca-Cola Amatil Limited

- 3 CCA produces and distributes Coca-Cola branded and independently owned beverages, primarily in Australia but also in New Zealand, Indonesia, Fiji and Papua New Guinea. The company's portfolio of products includes carbonated soft drinks, mineral waters, juices, bottled water as well as food products such as packaged fruit.

International companies

Anheuser-Busch InBev NV

- 4 Formed from the recent merger of InBev NV and Anheuser-Busch Companies Inc, Anheuser-Busch InBev NV is the world's largest beer producer and distributor. The company's operations are weighted towards the US where it commands a 48.5% market share. The company owns a portfolio of over 200 beer brands, including the world's highest selling beer Budweiser, as well as other global brands such as Stella Artois and Beck's. In addition, the company owns a 50% share in Grupo Modelo SAB De CV, a Mexican company that owns the Corona brand.

SABMiller Plc

- 5 SABMiller Plc is the world's second largest brewing company, with interests in more than 60 countries. Its brands include international beers such as Pilsner Urquell, Peroni Nastro Azzuro, Miller Genuine Draft and Grolsch. SABMiller is also one of the bottlers of Coca-Cola products in some of its beer markets and recently entered into a joint venture to produce beers in Australia with CCA.

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Companhia de Bebidas das AmBev

- 6 Companhia de Bebidas das AmBev (AmBev) is a Brazil-based beer and beverage company operating in 14 countries in South, Central and North America. AmBev produces and distributes beer and related products, soft drinks and other non-alcoholic beverages. Ambev boasts a 67% share of the beer market in Brazil, where it generates more than two-thirds of its sales.

Heineken NV

- 7 Heineken NV is an international beer producer with a global network spanning 120 breweries in more than 65 countries. By beer volume the company ranks as the third largest brewer in the world, with more than 170 international, regional, local and specialty beers and ciders, including Heineken, Foster's,⁶⁸ Strongbow, Tiger and Zywiec. It also owns a 42% share of Asia Pacific Breweries Ltd, the owner of DB Breweries, a major New Zealand based alcoholic beverages company.

Kirin Holdings Company, Limited

- 8 Kirin is the largest Japanese brewing company. It also sells other alcoholic and non-alcoholic beverages in Japan. Its investments outside Japan include its existing 46.1% interest in Lion Nathan, a 48.3% interest in San Miguel Brewery Inc and a 50.8% interest in Mercian Corporation. Kirin also owns Australia's largest milk processor, National Foods, which includes Dairy Farmers.

Carlsberg A/S

- 9 Carlsberg A/S is a large European based beer brewer and marketer, with secondary activities in soft drink and water production. It offers approximately 500 brands including its core international brand, Carlsberg Pilsner. In 2007, Carlsberg A/S and Heineken NV successfully acquired Scottish & Newcastle Plc, a major European beer company, which was subsequently split operationally between the two acquirers.

⁶⁸ This relates to the Foster's brand in jurisdictions outside of those owned by Foster's Group. Licenses held are primarily in European countries.

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Grupo Modelo SAB de CV

- 10 Grupo Modelo SAB de CV is a Mexican beer producer with a portfolio of brands including Corona Extra, Modelo Especial, Victoria, Pacifico and Negra Modelo. It exports to more than 150 countries and imports a selection of Anheuser-Busch InBev's (its 50% shareholder) beers in Mexico. The company also produces and distributes bottled water under the name of Santa Maria and Nestle Pureza Vital.

Molson Coors Brewing Company

- 11 Molson Coors Brewing Company (MCBC) is a distributor and marketer of beer, primarily in Canada, the USA and the UK. It operates 18 breweries, with distribution facilities in more than 30 countries. MCBC was formed from the merger of Molson Inc and Adolph Coors Co during 2004. The company has leading market positions in Canada and the UK and recently established a joint venture in January 2008 to import the Grupo Modelo beer brand portfolio.

Asahi Breweries Ltd

- 12 Asahi Breweries Ltd is the second largest Japanese brewer, with other interests in China and Australia. It was the successful bidder for Schweppes Australia in 2008 for A\$1.2 billion. It also sells beer, western liquor, wine and distilled spirits, non-alcoholic beverages, food and pharmaceuticals, and licences its brands to beer producers in the US, Europe and Asia. Asahi Breweries also manufactures and maintains alcohol storage barrels and sales facilities.

San Miguel Brewery Inc

- 13 San Miguel Brewery Inc owns the domestic Philippine beer business assets which were previously owned by San Miguel Corporation prior to 2007. The company is the largest beer producer in the Philippines, accounting for the top four brands and holding a market share of over 90%. The company is 48.3% owned by Kirin.

Asia Pacific Breweries Ltd

- 14 Asia Pacific Breweries Ltd is a Singaporean company engaged in brewing and the sale of beer and stout. The company operates 30 breweries in 12 countries in the Asia Pacific region including Singapore, Malaysia, Papua New Guinea, New Zealand, Mongolia, China and Thailand. Asia Pacific Breweries Ltd has a portfolio of over 40 beer brands (including Tiger) and is 42% owned by Heineken NV. It also owns DB Breweries, the second largest beer brewer in New Zealand.

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Grupa Zywiec SA

- 15 Grupa Zywiec SA is a Polish brewing company in which Heineken NV owns a 61% stake. It produces and distributes beers under the Zywiec and Heineken brands and also distributes mineral waters, juices, soft drinks, energetic drinks, wines, vodkas, rums, tequilas, gins and whiskies. One in three beers sold in Poland is produced by Grupa Zywiec SA.

Hite Breweries Co Ltd

- 16 Hite Breweries Co Ltd is the leader in the Korean beer market. It also sells gin and markets imported beverages, including beer under the brand names Foster's and Kirin, whisky under the Kingdom, Lancelot and Cutty Shark names, wine labels called Kangaroo Ridge Cabernet Sauvignon, Medoc, Rutherford Hill Rose of Merlot and Bishop, and spring water under the name Puriss.

Appendix E

Transaction multiples – beer

1 The global beer industry has been consolidating steadily over the past 10 years and consequently there is a significant amount of transaction evidence which provides some guidance as to the prices that potential acquirers might be willing to pay for a controlling interest in Lion Nathan. The acquisition multiples are provided below:

Transaction multiples - beer						
Date	Target	Acquirer	% acquired	Consideration ⁽¹⁾ \$m	EBITDA multiples	
					Historical	Forecast
Apr 09	Tsingtao Brewery Co	Asahi Breweries, Ltd	19.9	USD33,518 ⁽²⁾	14.2	n/a
Jun 08	Anheuser Busch Companies Inc	InBev NV	100.0	USD62,000	16.1	12.4
Apr 08	Eichhof Holdings AG	Heineken NV	100.0	CHF 290	12.0	n/a
Nov 07	Koninklijke Grolsch NV	SABMiller Plc	100.0	EUR 916	16.2	n/a
Nov 07	J Boag & Son Pty Ltd	Lion Nathan	100.0	AUD 325	18.2	n/a
Jun 07	Scottish and Newcastle Plc	Consortium Carlsberg A/S and Heineken NV	100.0	GBP10,200	14.3	n/a
Aug 06	Sleeman Breweries Ltd	Sapporo Holdings Ltd	100.0	CAD399	13.7	n/a
Apr 06	Quilmes Industrial (Quinsa) SA	Companhia de Bebidas das Americas (Ambev)	34.5	USD3,811 ⁽²⁾	10.3	n/a
Jan 06	Fujian Sedrin Brewery Co. Ltd	Inbev NV	100.0	EUR614	13.0	n/a
Aug 05	Ivan Taranov Breweries Itb	Heineken NV	100.0	USD560	14.0	n/a
Jul 05	Bavaria SA	SABMiller Plc	71.8	USD7,805 ⁽²⁾	10.1	n/a
Jan 05	San Miguel Corporation	Kirin	4.1	PHP272,492 ⁽²⁾	9.7	n/a
Aug 04	Companhia de Bebidas das Americas (Ambev)	Interbrew SA	100.0	USD16,341	11.7	10.3
Aug 04	Sun Interbrew Ltd	Interbrew SA	91.2	EUR1,212 ⁽²⁾	11.0	n/a
Jul 04	DB Breweries Ltd	Asia Pacific Breweries Ltd	23.1	NZD482 ⁽²⁾	10.1	8.4
Jul 04	Molson Inc	Adolph Coors Co	100.0	CAD6,228	11.6	10.0
Apr 04	Harbin Brewery Group Ltd	Anheuser Busch Companies, Inc	100.0	USD720	16.6	14.1
Feb 04	Carlsberg Breweries A/S - stake held by Orkla ASA	Carlsberg A/S	40.0	USD7,054 ⁽²⁾	8.6	n/a
Jan 04	Holsten Brauerei AG	Carlsberg Deutschland GmbH	100.0	EUR1,070	8.6	n/a
Jan 04	Hops Cooperative (which owned 45% of Oriental Brewery Co)	Interbrew SA	45.0	EUR1,547 ⁽²⁾	10.7	n/a
Sep 03	Gabriel Sedlmayer Spaten Franziskaner Brau KGaA	Interbrew SA	100.0	EUR477	8.9 - 9.9	9.9
Jul 03	Union de Cervecerias Peruanas Backus & Johnson	SABMiller Plc	90.1	USD400 ⁽²⁾	10.7	n/a
May 03	Birra Peroni Industriale SpA	SABMiller Plc	60.0	EUR563 ⁽²⁾	12.6	11.8
May 03	Getranke Beteiligungs AG	Heineken NV	79.8	EUR1,900 ⁽²⁾	10.2	9.4
May 03	Society Cenral de Crevejas SA (Centralcer)	Scottish & Newcastle Plc	100.0	EUR828	9.6	n/a
Jan 03	Acquisition of interest in CCU	Heineken NV	30.8	EUR1,525 ⁽²⁾	11.3	n/a
Nov 02	Brauerilde Hannover AG	Interbrew SA	100.0	EUR475	8.6	n/a
May 02	Miller Brewing Co. (subsidiary of Phillip Morris)	SABMiller Plc	100.0	USD5,622	9.5	9.0
Feb 02	Hartwall Ab Oy	Scottish & Newcastle	100.0	EUR2,273	10.1	8.8

Appendix E

Transaction multiples - beer							
Date	Target	Acquirer Plc	% acquired	Consideration ⁽¹⁾ \$m	EBITDA multiples		
					Historical	Forecast	
Dec 01	Carling Brewers Limited	Adolph Corrs Co	100.0	GBP1,200	8.8	n/a	
Jan 05	San Miguel Corporation	Kirin	15.0	PHP231,925 ⁽²⁾	12.2	n/a	
Aug 01	Brauerei Beck & Co.	Interbrew SA	100.0	EUR1,790	13.0	n/a	
Jun 00	Bass Brewers Ltd	Interbrew SA	100.0	GBP2,300	9.7	n/a	
Mar 00	Kronenbourg (subsidiary of Groupe Danone)	Scottish & Newcastle Plc	100.0	EUR2,744	11.3	n/a	
Apr 98	Lion Nathan Limited	Kirin	45.0	NZD4,293 ⁽²⁾	10.6	n/a	
Simple average						11.7	10.4
Median						11.2	10.0
Low						8.6	8.4
High						18.2	14.1

Note:

1 Based on enterprise value of the target.

2 Price implied for 100%.

n/a – not available.

Appendix F

Trading multiples of listed comparables – wine

- 1 After years of poor investment returns following a wave of global consolidation, there are few pure wine companies listed on the ASX. We have therefore looked for companies operating overseas that are “new world” wine producers (i.e. located in New Zealand, Chile, US etc), as they share more similarities to Australian wine producers than producers in the traditional European wine making countries. The multiples of the Australian and selected international companies, as well as a description of the activities of these companies, is set out below:

Listed company trading multiples - wine					
	Enterprise	EBITDA multiples		PE multiples	
	value	Historical	Forecast	Historical	Forecast
	A\$m	FY08	FY09	FY08	FY09
Constellation Brands Inc	9,315	9.0	8.0	19.5	8.0
Vina Concha y Toro SA	2,057	13.8	n/a	21.0	18.2
Vina Santa Rita SA	413	10.8	n/a	29.6	n/a
Delegat’s Group Ltd	324	7.1	6.2	10.8	8.4
Andrew Peller Ltd	280	8.6	n/a	9.5	n/a
Australian Vintage Ltd	190	6.9	9.3	4.4	13.7
Vinedos Emiliana SA	129	22.2	n/a	n/a	n/a
Oyster Bay Marlborough Vineyards Ltd	32	5.0	n/a	7.6	n/a

Note:

1 The historical multiple for Constellation Brands Inc is for the year to 28 February 2009.

Forecasts multiples are for the years to 28 February 2010 and 2011 respectively.

2 Multiples as at 9 June 2009.

n/a – not available.

Constellation Brands Inc

- 2 Constellation Brands Inc is the world’s largest producer and marketer of wines by volume. Its wine portfolio is complemented by spirits, imported beers and other alcoholic beverages. Its operations are centred around the US, Canada, the UK and Australia. In the latest financial year Constellation Brands Inc’s wine segment represented 53.5% of sales.

Vina Concha y Toro SA

- 3 Vina Concha y Toro SA is Chile’s largest wine producer and exporter and one of the leading wine companies world-wide. The company is vertically integrated, with its own vineyards (with 7,800 hectares cultivated), wine producing and bottling facilities and a wine distribution network in Chile. Its products reach customers in 120 countries.

Appendix F

Vina Santa Rita SA

- 4 Vina Santa Rita SA is a Chile-based wine producer and distributor. Its vineyards comprise more than 2,500 hectares of land and the company distributes over 120 brands to more than 70 countries worldwide. Its majority shareholder is Cristalerias de Chile SA who holds a 55% interest.

Delegat's Group Limited

- 5 Delegat's Group Limited is a leading producer of Premium branded New Zealand wines for export and domestic markets. Its brands include the internationally acclaimed Delegat's and Oyster Bay wines, which have enjoyed success in the Australian market recently.

Andrew Peller Ltd

- 6 Andrew Peller Ltd is a producer and marketer of wines in Canada. The company sells wines produced from grapes grown in Ontario's Niagara Peninsula, British Columbia's Okanagan and Similkameen Valleys, and from vineyards around the world. Andrew Peller also markets craft beer under the Granville Island brand.

Australian Vintage Ltd

- 7 Australian Vintage Ltd (formerly McGuigan Simeon Wines Limited) is a fully integrated wine company with operations spanning winemaking, wine marketing, vineyard management and development. Both bottled and bulk wine is exported to over 30 countries, with a primary focus on the UK, US and New Zealand destination markets.

Vinedos Emiliana SA

- 8 Vinedos Emiliana SA is a Chilean wine producer and distributor. Its products are sold in some 40 countries throughout North America, South America, Europe and Asia, with most exports destined for the US. The company's wine varieties include cabernet, sauvignon, merlot as well as chardonnay.

Oyster Bay Marlborough Vineyards Ltd

- 9 Oyster Bay Marlborough Vineyards Ltd is engaged in the production of grapes in New Zealand. The company owns three vineyards located in the Marlborough region with 535 productive hectares of land.

Appendix G

Transaction multiples - wine

- 1 There have been a number of Australian and global recent transactions in recent years involving businesses operating in the wine industry. These transactions provide some guidance as to the prices potential acquirers might be willing to pay for 100% of Lion Nathan's wine division:

Transaction multiples - wine					
Date	Target	Acquirer	Consideration ⁽¹⁾ \$m	EBITDA multiple	
				Historical	Forecast
Australasia					
Dec 07	Australian Commercial Wines	Cockatoo Ridge Wines	34-48	n/a	3.2-4.5
Jan 05	Southcorp	Foster's Group	3,522	15.8	15.3
Sept 03	Peter Lehmann Wines	Hess Group	176	19.5	n/a
Jan 03	BRL Hardy	Constellation Brands	2,448	14.3	13.8 ⁽²⁾
Jan 03	Cranswick	Evans & Tate	101	25.1	14.9 ⁽²⁾
Oct 02	Goundry Wines	Vincor International	63	9.6	n/a
Feb 02	Simeon Wines	McGuigan	339	8.5	n/a
Oct 01	Petaluma	Lion Nathan	274	17.3	n/a
Oct 01	Pipers Brook	G&C Kreglinger	45	16.5	n/a
Sept 01	Banksia Wines	Lion Nathan	106	15.1	14.2 ⁽²⁾
Jul 01	Montana Group	Allied Domecq	NZ\$1,334	21.4	12.2
Feb 01	Rosemount Estates	Southcorp	1,490	16.4	12.2
June 99	Cuppa Cup Vineyards	Southcorp	48	15.1	n/a
International					
Dec 07	Beam Wine Estates	Constellation Brands	US\$889	n/a	n/a
Apr 06	Vincor International	Constellation Brands	US\$1,436	13.8	12.5
Jul 05	Arcus-Gruppen	Ratos AB	NOK820	6.9	n/a
May 05	Cascadia Brands	Andres Wines	CA\$47	8.6	n/a
Jul 04	Western Wines	Vincor International	GBP135	n/a	10.8
Apr 04	Golden State Vitners	The Wine Group	US\$111	4.9	n/a
Dec 04	Chalone	Diageo	US\$200	14.3	12.8
Oct 04	Mondavi	Constellation Brands	US\$1,314	15.4	n/a
Oct 01	Blacktone Winery	Pacific Wine Partners	US\$142	12.9	n/a
Aug 00	Beringer Blass Wine	Foster's Group	US\$1,585	14.0	12.0

Note:

1 Enterprise value.

2 Based on future maintainable EBITDA and EBIT assessed by the independent expert.

n/a not available.

Appendix H

Glossary

Abbreviation	Definition
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
Agreement	The Implementation Agreement between Lion Nathan and Kirin dated 10 May 2009 in relation to the Scheme
AIFRS	Australian equivalent to International Financial Reporting Standards
Alcopops Tax	The related tax (which is yet to be passed in the Senate) labelled the 'alcopops' tax
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Boag's	J Boag & Son
CAGR	Compound annual growth rate
Cash Payments	A\$12.00 per share, comprising Scheme Consideration of A\$11.50 per share plus a Special Dividend of A\$0.50 cash per share
CCA	Coca-Cola Amatil Limited
Corporations Act	Corporations Act (2001) (Cth)
Corporations Regulations	Part 3 of Schedule 8 of the Corporations Regulations 2001
CPI	Consumer price index
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
FOS	Financial Ombudsman Services Limited
Foster's Group	Foster's Group Limited
FSG	Financial Services Guide
FY	Financial year
GDP	Gross domestic product
Heineken	Heineken NV
IBC	Independent Board Committee
IBISWorld	IBISWorld Pty Limited, an Australian industry and economic research company
IER	Independent expert's report
Independent Directors	Directors of Lion Nathan, other than the Kirin Nominee Directors
Kirin	Kirin Holdings Company, Limited
Kirin Nominee Directors	Senji Miyake, Hirotake Kobayashi and Fumio Miki
LEA	Lonergan Edwards & Associates Limited
Lion Nathan	Lion Nathan Limited

Appendix H

Abbreviation	Definition
Lion Nathan shareholders	Lion Nathan shareholders other than Kirin and its related bodies corporate
LNI	Lion Nathan International
Low-carb	Low-carbohydrate
LWB	Little World Beverages Limited
MAT	Moving annual total
NPAT	Net profit after tax
NPV	Net present value
NZCC	New Zealand Commerce Commission
NZSE	New Zealand Stock Exchange
OIO	Overseas Investment Office
PE	Price earnings
RTD	Ready-to-drink
Scheme	The scheme of arrangement between Lion Nathan and its shareholders (other than Kirin and its related bodies corporate)
Scheme Consideration	A\$11.50 per Lion Nathan share
Special Dividend	Dividend of A\$0.50 per Lion Nathan share
Trust	Lion Nathan Achievement Rights Trust
UK	United Kingdom
US	United States
VWAP	Volume weighted average price
Wesfarmers	Wesfarmers Limited
WET	Wine equalisation tax
Woolworths	Woolworths Limited

ANNEXURE E - LION NATHAN'S ASX ANNOUNCEMENTS FROM 31 MARCH 2009**LIST OF LION NATHAN ANNOUNCEMENTS FROM 31 MARCH 2009**

The information in this Annexure E has been provided by Lion Nathan and Lion Nathan is responsible for its accuracy.

The following table lists announcements on Lion Nathan's ASX platform since 31 March 2009.

DATE	ANNOUNCEMENT
24 July 2009	Change in substantial holding
16 July 2009	Scheme update and Lion Nathan third quarter trading results
6 July 2009	Becoming a substantial holder
29 June 2009	Lion Nathan and Kirin receive ACCC Clearance
29 June 2009	Ceasing to be a substantial holder
26 June 2009	Becoming a substantial holder
19 June 2009	Kirin Receives FIRB Approval
29 May 2009	Lion Nathan Chairman's Letter and Interim Report 2009
20 May 2009	Lion Nathan Interim Results 2009 Analyst Pack
20 May 2009	Appendix 4D
20 May 2009	Lion Nathan Statutory Interim Results
11 May 2009	Lion Nathan and Kirin Sign Implementation Agreement
7 May 2009	Trading Halt
4 May 2009	Update on discussions between Lion Nathan and Kirin
27 April 2009	Lion Nathan and Kirin Agree Key Terms
24 April 2009	Lion Nathan Preliminary Half Year Trading Results
23 April 2009	Trading Halt
2 April 2009	Appendix 3X Appendix 3Z
31 March 2009	Fitch raises Lion Nathan credit rating

ANNEXURE F - NOTICE OF COURT ORDERED MEETING OF SHAREHOLDERS OF LION NATHAN**NOTICE OF SCHEME MEETING**

Lion Nathan Limited
ABN 34 093 160 448

Notice is hereby given that by an order of the Federal Court of Australia made on 5 August 2009 pursuant to section 411(1) of the Corporations Act 2001 (Cwlth) ("Corporations Act") a meeting of the holders of ordinary shares in Lion Nathan Limited ABN 34 093 160 448 ("Lion Nathan") (other than Kirin Holdings Company, Limited and its Related Bodies Corporate) will be held at the Grand Ballroom, Hilton Sydney, 488 George Street, Sydney on 17 September 2009 at 10.00am (Sydney time).

Business of the meeting**Resolution**

To consider, and if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

"That, in accordance with the provisions of section 411 of the Corporations Act 2001 (Cwlth), the arrangement proposed between Lion Nathan Limited (Lion Nathan) and the holders of its fully paid ordinary shares (Scheme) (other than Kirin Holdings Company, Limited and its Related Bodies Corporate), as contained in and more particularly described in the Scheme Booklet accompanying the notice convening this meeting, is agreed to and the directors of Lion Nathan are authorised to agree to such alterations or conditions as are thought fit by the Court and, subject to approval of the Scheme by the Court, the board of directors of Lion Nathan is authorised to implement the Scheme with any such modifications or conditions."

By order of the Court



Duncan Makeig
Company Secretary
6 August 2009

ANNEXURE F - NOTICE OF COURT ORDERED MEETING OF SHAREHOLDERS OF LION NATHAN continued**Explanatory Notes**

These notes should be read in conjunction with this Notice of Scheme Meeting.

Terminology

Capitalised terms which are defined in section 7.1 of the Scheme Booklet which accompanies this Notice of Scheme Meeting have the same meaning when used in this notice (including these notes) unless the context requires otherwise.

Chairperson

The Court has directed that Geoff Ricketts act as Chairperson of the Scheme Meeting or, failing him, Duncan Makeig (unless the members at the meeting elect some other person to act as Chairperson of the meeting) and has directed the Chairperson to report the result of the meeting to the Court.

Majority required

In accordance with section 411(4)(a)(ii) of the Corporations Act, the resolution contained in this Notice of Scheme Meeting must be passed by:

- (a) unless the Court orders otherwise, a majority in number of those Shareholders present and voting (either in person, by proxy or (in the case of corporate Shareholders) by a corporate representative) at the Scheme Meeting; and
- (b) at least 75% of the votes cast on the resolution contained in this Notice of Scheme Meeting.

The vote will be conducted by poll.

Entitlement to vote

The Court has ordered that, for the purposes of the Scheme Meeting, Shares will be taken to be held by the persons who are registered as Non-Kirin Shareholders at 7.00pm (Sydney time) on 15 September 2009. Accordingly, registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

Voting in person

To vote in person at the Scheme Meeting, you must attend the Scheme Meeting to be held at 10.00am on 17 September 2009 at the Grand Ballroom, Hilton Sydney, 488 George Street, Sydney.

You will be admitted to the Scheme Meeting and given a voting card upon disclosure at the point of entry of your name and address.

Voting by proxy

A Shareholder entitled to attend and vote at the Scheme Meeting is entitled to appoint not more than two proxies to attend, who need not be Shareholders. Each proxy will have the right to vote on the poll and also to speak at the Scheme Meeting. Where more than one proxy is appointed, each proxy should be appointed to represent a specified percentage or specified number of the Shareholder's voting rights. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half the votes. Fractions of votes will be disregarded.

Your personalised proxy form accompanies this notice.

Proxy forms may be lodged as follows:

- **deliver** the completed proxy form to Registry at Computershare Investor Services Pty Limited, Level 2, 60 Carrington Street, Sydney NSW 2000;

- **mail** the completed proxy form to Computershare Investor Services Pty Limited using the reply paid envelope;
- **fax** the completed proxy form to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
- **sent electronically** via the internet, by visiting www.lion-nathan.com and clicking on the "Scheme Proxy Voting" icon.

Proxy forms (together with any power of attorney or authority under which the proxy form is signed) must be received **no later than 10.00am on 15 September 2009**. Proxy forms received after this time will be invalid.

Further directions for the proper completion of proxy forms are printed on the proxy form.

A vote given in accordance with the terms of a proxy is valid despite the revocation of the proxy, unless notice in writing of the revocation has been received by Computershare Investor Services Pty Limited by 10.00am (Sydney time) on 15 September 2009.

A proxy will be admitted to the Scheme Meeting and given a voting card upon providing, at the point of entry to the Scheme Meeting, written evidence of their name and address. The sending of a proxy form will not preclude a Shareholder from attending in person and voting at the Scheme Meeting. However, the Corporations Act specifies that the presence of a Shareholder at a meeting suspends his or her proxy's rights to speak and vote.

Jointly held securities

If the Shares are jointly held, only one of the joint Shareholders is entitled to vote. If more than one joint Shareholder votes, only the vote of the Shareholder whose name appears first in the Register will be counted.

Voting by attorney

A Shareholder entitled to attend and vote at the Scheme Meeting may appoint an attorney to vote at the Scheme Meeting.

Persons who are attending as an attorney, should bring the original or a certified copy of the power of attorney to the Scheme Meeting, unless Lion Nathan has already noted it.

Voting by corporate representative

To vote at the Scheme Meeting a corporation who is a Shareholder, or who has been appointed as a proxy by a Shareholder, may appoint a person to act as its representative.

Persons who are attending as a corporate representative for a corporation must bring evidence of their appointment. The appointment must comply with section 250D of the Corporations Act. An authorised corporate representative will be admitted to the Scheme Meeting and given a voting card upon providing, at the point of entry to the Scheme Meeting, written evidence of their appointment including any authority under which it is signed, their name and address and the identity of their appointer.

A pro forma "Certificate of Appointment of Corporate Representative" may be obtained from the Registry.

Court approval

If the resolution contained in this Notice of Scheme Meeting is approved at the Scheme Meeting by the Requisite Majorities, the implementation of the Scheme (with or without modification) will be subject to among other things the subsequent approval of the Court.



LION NATHAN

www.lion-nathan.com