



## ASIA PACIFIC BREWERIES LIMITED

438 Alexandra Road #16-01 Alexandra Point Singapore 119958 Tel: (65) 6276 3488 Fax: (65) 6276 4287  
Company Registration No.: 193100007K (Incorporated in the Republic of Singapore)

### **APB Delivers Yet Another Set of Double-Digit Growth For 1H 2006**

- **Attributable profit after exceptional items and minority interests rises by 15% to S\$101.8 million**
- **PBIT grows 11% to S\$141.6 million**
- **Attributable profit before exceptional items gains 10% to S\$77.9 million**
- **ROE (before exceptional items) grows from 8.6% to 9.0%**
- **Earnings Per Share (before exceptional items) rises 10% from 27.5 cents to 30.3 cents**

Singapore, 11 May 2006 - Riding on the solid momentum gained during the first quarter, Asia Pacific Breweries Ltd (APB) closed the first half of the year with a strong finish. For the first half of the financial year ended 31 March 2006, **attributable profit after exceptional items and minority interests increased by 15% to S\$101.8 million.**

**Group profit before interest and tax (PBIT) grew organically by 13% to S\$144.3 million.** However, taking into account translation losses of S\$1.7 million and losses from new businesses of S\$1 million, PBIT grew to S\$141.6 million, an increase of S\$14 million or 11% as compared to the first half of the previous year.

**Attributable net profit before exceptional items achieved organic growth of 14% to S\$80.2 million.** Due to translation losses of S\$1.1 million and losses from new businesses of \$1.2 million, group attributable profit before exceptional items gained 10% from S\$70.6 million to S\$77.9 million.

**Group revenue for the same period increased by 7% to S\$809.6 million.**



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Return On Equity and Earnings Per Share (before exceptional items) have risen from 8.6% to 9.0% and from 27.5 cents to 30.3 cents respectively.

The Directors have recommended an interim dividend of 14 cents per share, being after deduction of Singapore tax, to be paid on 13 June 2006. This is equivalent to a gross (pre-tax) dividend of 17.5 cents per share.

Mr Koh Poh Tiong, Chief Executive Officer, APB said: "***With more than 80% of PBIT coming from our regional markets, we have a well- diversified earnings base. While most markets continued to register stronger volume, Papua New Guinea and high-growth IndoChina (ie Cambodia and Vietnam) have emerged as best performers.***"

***"Led by strong sales, Papua New Guinea and IndoChina registered PBIT growth of 29% and 20% respectively. The robust volume growth is attributable to the improved beer market supported by these growing economies," added Mr Koh.***

In Malaysia, PBIT grew 5% due to lower overheads and translation gains. Volume dipped 4% due to continuing weak consumer sentiment primarily caused by the increase in excise duties in September 2005.

Thailand turned in an 11% volume growth, mainly driven by its new brand *Cheers* while China continued to witness strong market demand for its brands, resulting in a double-digit volume growth as compared to the same period last year.



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### **Key Developments**

#### **A) APB Makes Maiden Entry into India**

As APB continues to pursue its expansionist strategy to enter new markets and create new profit streams for long term growth, it made its first investment in India on 2 May 2006 by acquiring an initial 76% stake in Aurangabad Breweries Limited (AUBL). The deal included an entitlement for APB to increase its stake in AUBL to 100% by end 2008.

AUBL operates 2 breweries in the states of Maharashtra (where Mumbai is the capital city) and Goa; and together they have a combined annual production capacity of approximately 250,000 hectolitres. AUBL produces and markets local beer brands including *Cannon-10000* and *Arlem*.

Mr Koh explained that the investment is consistent with APB's regional expansion to develop APB's next generation of breweries so that they can eventually become additional contributors to the growth of the Group. He said, ***"AUBL, our second investment in South Asia after our entry into Sri Lanka last year, marks our maiden entry into India; and, is in line with our growth strategy of venturing into emerging markets like India, Sri Lanka and Mongolia. Such markets allow us to extend the footprint of our corporate brands, such as Tiger, Anchor and Baron's Strong Brew and will become additional contributors to the profitability of the Group in the future."***

The total beer market in India is around 8 million hectolitres per annum, and this translates into a per capita consumption of less than 1 litre. The low per capita consumption signifies a growth opportunity in a country with a population in excess of 1 billion people. With almost 55% of the population in the 21-59 year age group, the potential for growth in beer consumption remains high.



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Mr Koh elaborated, "***The obvious attraction of the Indian market is its size and growth. The beer market has been growing at a compounded rate of over 7% annually and it is expected to accelerate, as deregulation gains momentum across the Indian states. The beer market is also anticipated to grow strongly on the back of a growing young and affluent middle class. Our investment in AUBL places APB in a good position to ride on the economic growth of India.***"

APB is no stranger to the Indian beer market. Since 1990, India has been one of its export markets which saw mainly institutional sales in the key cities such as Mumbai and Bangalore amongst others. Sales of APB's beers in India, in particular *Tiger*, have witnessed a 4-fold increase since 1996.

By tapping on AUBL's existing operations and beer brands, APB will be able to quickly penetrate the affluent and populous Maharashtra state where the business climate is most conducive and beer consumption is amongst the highest in India. With its main operations based in Aurangabad, a city 389 km from [Mumbai](#), the capital city of Maharashtra, APB has strategically planted itself in the economically important and second most populated state of India.

### ***B) Tiger appoints Anheuser-Busch its US Importer***

Anheuser-Busch has taken on the role of importing and distributing *Tiger* into USA. This new tie-up, effective 1 May 2006, significantly broadens *Tiger's* U.S. distribution opportunities as it gives APB access not only to Anheuser-Busch's broad marketing and sales expertise, but also to its wide-reaching U.S. network of nearly 600 independent wholesalers, which is considered the best in the industry.

In return, Anheuser-Busch wholesalers will have the opportunity to add this exotic and sophisticated Asian beer that has been warmly received in markets such as



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Europe, Australia and North America to their portfolio. Last year, the brand recorded high, double-digit growth in the United States.

Confident that Anheuser-Busch's wholesaler network will give *Tiger* national muscle and expand *Tiger's* footprints across the country, Mr Koh said, "***Given Anheuser-Busch's excellent sales organisation and strong distribution network, coupled with their in-depth knowledge and market experience in the US market, we shall be able to bring Tiger to another level of growth in the U.S. which is also the world's second largest beer market.***"

Imported beers represent approximately 12.4 percent of the total U.S. beer market, selling 40.7 million hectolitres in 2005.\* The segment grew about 7.2 percent in 2005\* and has experienced an average growth rate of 5 percent over the past five years, making it one of the fastest-growing segments of the U.S. beer market.

Currently available in some of the most up-market bars and clubs in the United States, *Tiger* is distributed in cosmopolitan cities such as New York, Boston, Miami, Las Vegas, San Francisco and Los Angeles. Through its national network of wholesalers, Anheuser-Busch will expand *Tiger's* push into high-end bars and clubs across the country.

The imported *Tiger* will continue to be brewed at the APB brewery in Singapore and exported to the United States.

\* Department of Commerce Data provided by the Beer Institute



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### ***C) APB Increases Stake in Jiangsu DaFuHao Breweries***

On 23 March 2006, APB's associated company, Heineken-APB (China) Pte Ltd (HAPBC), increased its stake in profitable Jiangsu DaFuHao Breweries Co, Ltd (Dafuhao) by another 9% to 49%.

Dafuhao is one of the few profitable breweries in China and is amongst the top five brewers in Jiangsu with a market share of about 15%. It brews and markets brands such as *BBOSS* and *Dafuhao* and together they command a strong 65% share of the 2.4 million-hectolitre Nantong beer market.

To more adequately meet increasing demand as well as to enhance its brewing operations for volume growth and further propel its expansion in Jiangsu and beyond, Dafuhao commissioned its Wujiang brewery which had undergone upgrading and expansion on 8 May 2006.

The 10-year-old plant, Dafuhao's fifth brewery, is now ready to supply some 500,000 hectolitres of *BBOSS* and other Dafuhao brands in Wujiang and the surrounding areas namely Suzhou, Taicheng and the northern region of Zhejiang Province each year. Dafuhao plans to further boost the annual production capacity of the Wujiang plant to 2 million hectolitres eventually.

Dafuhao's profit contribution to APB has boosted APB's performance in China. Given Dafuhao's thriving operations, coupled with its market expansion plans ahead, APB's increased stake in Dafuhao is expected to positively impact APB's earnings in the coming years; but will not have a material effect on the net tangible assets per share or earnings per share of the Company in the current financial year.



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### ***D) DB Breweries expands beyond beer***

On 27 March, DB Breweries (DB) launched its first ready-to-drink beverage, *Barrel 51*, a 5.3% alcohol by volume bourbon and dry cola mix. It marks the first in a number of product innovations which DB plans to bring to the market of New Zealand this year.

The move is aligned with DB's priority to innovate for growth. DB's future innovations will stretch across the beverage market and include new beer styles and packaging systems. It will maintain a very strong focus on bringing products to market that complement its existing beer business.

### **Moving Forward**

The fundamentals of the Company remain sound. Barring any unforeseen circumstances, the Directors expect attributable net profit (before exceptional items) for this year to be higher than last year.

### **Operations Review (YTD 6 Months)**

#### **Papua New Guinea**

Volume and PBIT rose 17% and 29% respectively, driven by strong volume growth and marginal price increases.

#### **Indochina**

The region delivered 16% volume growth and a 20% rise in PBIT, reflecting the continued strong growth in Cambodia and Vietnam.



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### **Malaysia**

PBIT grew 5% due to lower overheads and translation gains. Volume dipped 4% due to continuing weak consumer sentiment caused by the increase in excise duties in September 2005.

### **Singapore**

Domestic volume grew 3%. However, export and contract brew volumes dropped resulting in an overall volume drop of 4% compared to last year. PBIT declined 6% mainly due to higher marketing expenses and depreciation for the new bottling line as well as higher overheads incurred in setting up an office in UK.

### **New Zealand**

PBIT improved 3% versus the same period last year mainly due to lower overheads and marketing spend. However, after taking the weaker NZ dollar into account PBIT was 1% lower than that of the same period last year. Volume declined by 3%.

### **Thailand**

Volume grew 11% driven by the launch of *Cheers* in October 2005. However, the higher brand related expenses had negatively affected the PBIT.

### **China**

Our breweries in China continue to achieve double-digit volume growth. Loss before interest and tax increased 13% to \$6.1 million due to higher marketing investments in the *Heineken* brand.



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### **New Markets**

Efforts are being made to establish and improve operations in our new markets - Sri Lanka and Mongolia and initial losses of \$1.0 million were incurred during the period under review.

### **Corporate Office**

Net corporate expenses decreased by 54% due mainly to reduction of marketing expenses and higher royalty income.

-End-

For further enquires, please contact:

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