



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 Achieves Strong Organic Profit Growth For 1H 2007

- **Group revenue increases 14% to S\$925.7 million**
- **PBIT grows 15% organically to S\$159.3 million**
- **Attributable net profit before exceptional items posts organic growth of 9% to S\$84.6 million**

Singapore, 11 May 2007 – Asia Pacific Breweries Ltd (APB) closed its first half of the financial year ended 31 March 2007 on a firm note. **Group profit before interest and taxation (PBIT) grew organically by 15% or S\$20.9 million to S\$159.3 million.** However, taking into account gestation and net translation losses, PBIT moved down to S\$148.6 million, but still resulting in an increase of S\$10.3 million or 7% over the first half of the previous year.

Attributable net profit before exceptional items achieved organic growth of approximately 9% to S\$84.6 million. Due to gestation and net translation losses, the quantum dropped to S\$79.2 million, which was still 2% higher than the \$77.9 million achieved for the previous year.

Group revenue for the same period increased by 14% to S\$925.7 million.

Earnings per share rose from 30.3 cents to 30.7 cents.

The Directors have recommended an interim dividend of 14 cents per share, 1 tier tax exempt, to be paid on 13 June 2007.



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Mr Koh Poh Tiong, Chief Executive Officer, APB said, ***"As expected, PBIT and attributable profit before exceptional items for the 6-month period under review grew only at single-digit rates. This was due partly to the gestation losses which have been incurred by our recent acquisitions and new start-up breweries. However, fundamentally, the business remains sound, as shown by the stronger organic profit growth rates achieved. APB must continue to be an expansionist company where we will continue to invest for future growth although short-term results could be affected. This investment is similar to that many years ago when APB took a calculated risk and invested in Indochina. Today, we are continuing to reap the fruits of our first-mover advantage from that region which has maintained its lead as APB's largest volume and profit contributor. Compared to the corresponding period last year, the region generated a vigorous volume growth of 42%, and a 12% increase in PBIT."***

Papua New Guinea recorded a robust profit gain of 32% owing to a 16% rise in volume and favourable margins.

Malaysia's PBIT climbed 13% on the back of a 4% increase in volume and improved margins, outperforming a flat beer market. Likewise, Singapore registered a 13% volume gain, due primarily to strong export and contract brew volumes.

Keen demand for APB's beer brands was also witnessed in China and New Zealand, where sales volumes went up by 14% and 12% respectively.

Key Developments

A) Kingway Commissions New Breweries in Xi'an and Chengdu

Through HAPBC's investment in Kingway Brewery Holdings Ltd (Kingway), the Group recently extended its market coverage to Xi'an, the capital of the Shaanxi Province; and, Chengdu in the Sichuan provincial capital, with the commissioning of the two new breweries on 26 and 28 April 2007 respectively.



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The new breweries marked Kingway's continual efforts to expand beyond its home province of Guangdong where it already owns four plants. The investments closely followed Kingway's entry into Tianjin last year. Each equipped with an annual production capacity of about 2 million hectolitres, the new breweries now offer consumers in Xi'an and Chengdu the popular *Kingway* beer from Guangdong.

To further extend its foothold in Guangdong, Kingway is building yet another brewery in Foshan. Come 2008, Kingway's brewery count in China will add up to 8. This means that APB, through HAPBC, will hold interests in 15 breweries (up from the current 14) in China next year.

B) Globalising Tiger through Exports

Canada's leading brewer, Molson, assumed the sole distributorship of *Tiger* beer in Canada on 1 April 2007. The partnership offers Molson's excellent resources and capabilities for *Tiger* to achieve an extensive distribution coverage in Canada. Through Molson, *Tiger* will be able to effectively penetrate into its preferred on-premise outlets, such as up-market restaurants and trendy bars and clubs, in the key cities of Vancouver, Calgary, Edmonton, Toronto and Montreal.

Tiger has been making good progress in the USA since Anheuser-Busch's appointment as its distributor in May last year. Today, *Tiger* is available in 48 of the 50 states there; and, its volume for the first half of the financial year increased by nearly four-fold versus the corresponding period last year.

The UK, where *Tiger* has established itself as the No. 1 imported Asian beer brand in terms of volume sold, continued to see good demand for the brand. For the 6-month period under review, it posted a 14% volume growth as compared to the same period last year.



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C) DB Breweries Further Taps New Zealand's Ready-To-Drink Market

2 November 2006 saw DB Breweries (DBB) unveiling *Stark*, a ready-to-drink vodka-based beverage for women aged 25 and above in New Zealand. With 5% alcohol, *Stark* is a sophisticated alternative for women who often opt for a refreshingly simple, naturally flavoured, low-sugar drink.

Available in three flavours – Feijoa and Apple; Lemon and Lime; and Mandarin, *Stark* marks yet another product innovation of DBB to capture the growing ready-to-drink market of New Zealand.

The effort is consistent with DBB's objective to innovate for growth; and, the brewer will remain focused on creating innovative beer styles and packaging systems to complement its existing beer business.

OUTLOOK

Today, APB has 31 operational breweries in 10 countries. This footprint will extend further to 35 breweries in 12 countries by the first quarter of 2008, as greenfield breweries come on stream in China (Foshan), Mongolia (Ulaan Baatar), Laos (Vientiane) and India (Hyderabad). Although gestation losses from the new start-up breweries are and will be incurred, we expect net earnings for the current financial year to be about the same as last year. It is imperative that APB continues to invest in new markets to position the company for future sustainable growth in the coming years.

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Operations Review (YTD 6 Months)

Indochina

The region registered a robust 42% increase in volume while PBIT grew 12%. The positive result was attributable to the group's growth strategy in the region which includes the newly acquired Foster's Vietnam assets in Danang and Tien Giang.

Papua New Guinea

PBIT grew 32% due to improved margins from price increases and volume growth of 16%.

Malaysia

PBIT rose 13%, a result of a 4% increase in volume and improved margins from favourable sales mix.

Singapore

Overall volume increased by 13% on the back of strong export and contract brew sales. Due to marketing investment for *TigerLIVE* in December 2006, PBIT grew by only 4%. Located within St James Power Station, *TigerLIVE* is Southeast Asia's first multi-sensory brand entertainment centre showcasing *Tiger's* rich Asian heritage and award-winning legacy.

New Zealand

Volume grew 12%. However, due to the weaker NZ dollar and reduction in gross margin resulting from price competition, PBIT declined 9%.

China

Sales volume grew 14%. Coupled with the synergies realised from the integration of operational activities within the group, overall losses narrowed by 37% to S\$3.8 million.

Thailand

Volume fell by 12% as a result of intensifying competition, economic uncertainties and regulations restricting the consumption and advertising of alcoholic products. However, PBIT more than doubled compared to the same period last year due to lower marketing expenditure.

New Markets

Gestation losses incurred by new and start-up ventures in Sri Lanka, Mongolia and India stood at S\$3.3 million.

Corporate Office

Corporate expenses incurred were higher due mainly to timing of marketing expenditure.

End