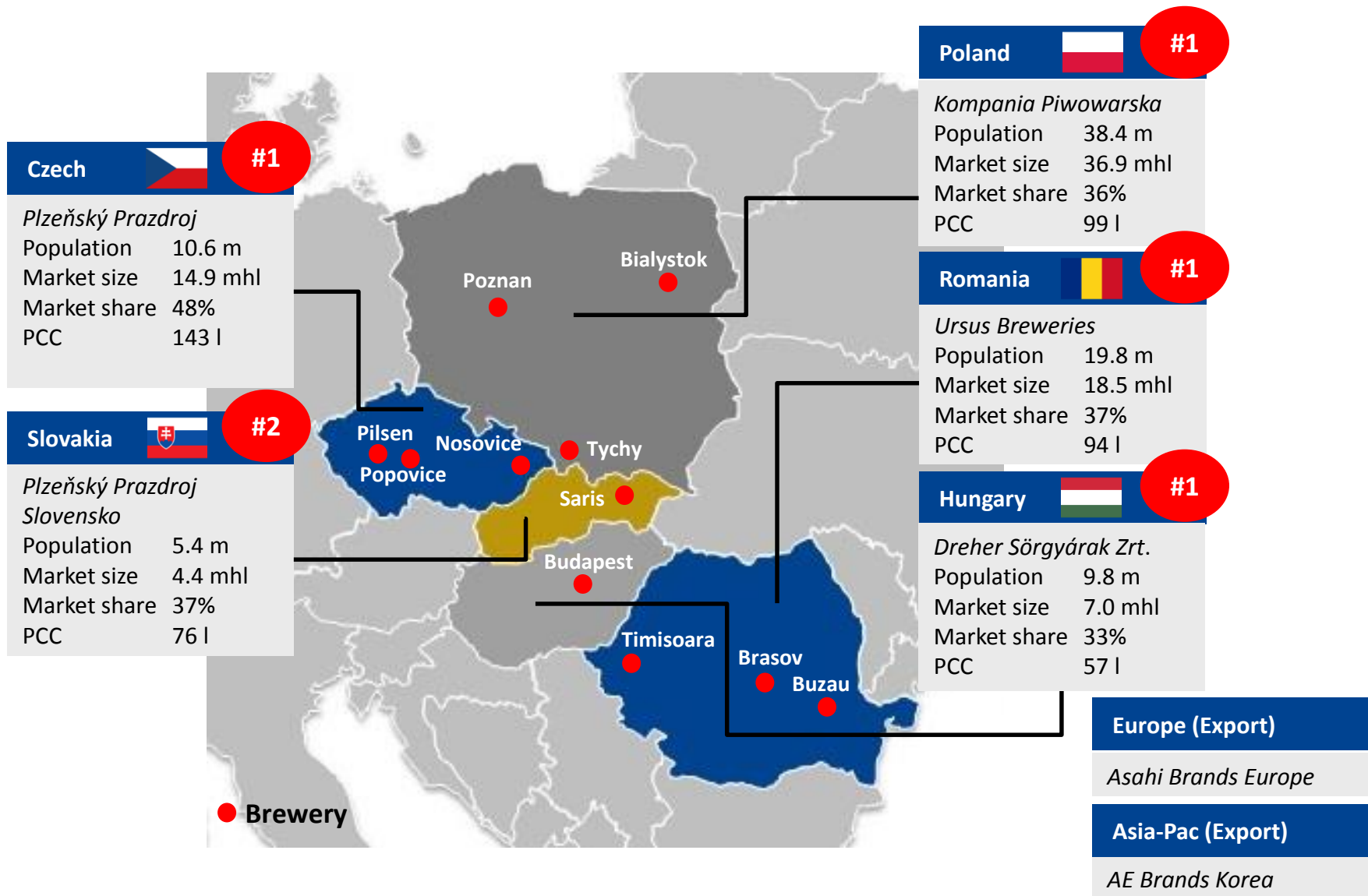


# Central Europe Business



**May 2019**



Source: Czech: CBMA monthly data, Slovakia: internal estimates, Poland: GUS dom. \*excl. NAB, Romania: Deloitte, Hungary: internal estimates.

# We are a diverse international team based in Prague



**Paolo Lanzarotti**  
CEO

**Countries worked in:**  
UK, Italy, France, India, Slovakia, Czech Republic

**Companies worked for:**  
ExxonMobil, SABMiller, Asahi

**Languages spoken:**  
English, Italian, French



**Catherine Sinclair**  
HR Director

**Countries worked in:**  
UK, Australia, New Zealand, Switzerland, Czech Republic

**Companies worked for:**  
Thames Water, Cadbury, SABMiller, Asahi

**Languages spoken:**  
English



**Drahomíra Mandíková**  
CA Director

**Countries worked in:**  
Slovakia, India, Czech Republic

**Companies worked for:**  
Investment & Development Bank, SABMiller, Asahi

**Languages spoken:**  
Slovak, Czech, English, German, Russian



**Charles Jourdain**  
Supply Chain Director

**Countries worked in:**  
Brazil, USA, Colombia, Czech Republic

**Companies worked for:**  
Cervejarias Kaiser Brasil, Molson, SABMiller, Asahi

**Languages spoken:**  
English, Spanish, Italian, Portuguese, French



**Niël Malan**  
IS Director

**Countries worked in:**  
South Africa, Colombia, Czech Republic

**Companies worked for:**  
Eskom Holdings, Vibrom Systems, SABMiller, Asahi

**Languages spoken:**  
English, Afrikaans



**Andrew Bailey**  
CFO

**Countries worked in:**  
UK, New Zealand, Russia, Poland, Czech Republic

**Companies worked for:**  
PwC, Sony, SABMiller, Asahi

**Languages spoken:**  
English



**Grant McKenzie**  
Marketing Director

**Countries worked in:**  
UK, Hungary, Spain, Romania, Czech Republic

**Companies worked for:**  
Mars, SABMiller, Asahi

**Languages spoken:**  
English, Spanish, Czech



**Igor Tikhonov**  
MD Poland

**Countries worked in:**  
Russia, Ukraine, Belarus, Kazakhstan, Slovakia, Romania, Poland

**Companies worked for:**  
Mars, SABMiller, Asahi

**Languages spoken:**  
Russian, English, Ukrainian



**Grant Liversage**  
MD Czech & Slovakia

**Countries worked in:**  
South Africa, Hong Kong, Botswana, Swaziland, Zambia, Ghana, India, Mozambique, Czech Republic

**Companies worked for:**  
KPMG, Barlow Group, SABMiller, Asahi

**Languages spoken:**



**Paul Barnett**  
MD Asahi Brands Europe

**Countries worked in:**  
Czech Republic, Switzerland, Singapore, Australia

**Companies worked for:**  
Johnson&Johnson, Nestle, Bauer Media Group, SABMiller, Asahi

**Languages spoken:**  
English, Chinese



**Raymond Stark**  
MD Asia Pacific

**Countries worked in:**  
Australia, Korea, Hong Kong, Vietnam, Ghana, Zambia, Botswana, Swaziland, South Africa

**Companies worked for:**  
KPMG, SABMiller, Asahi

**Languages spoken:**  
English

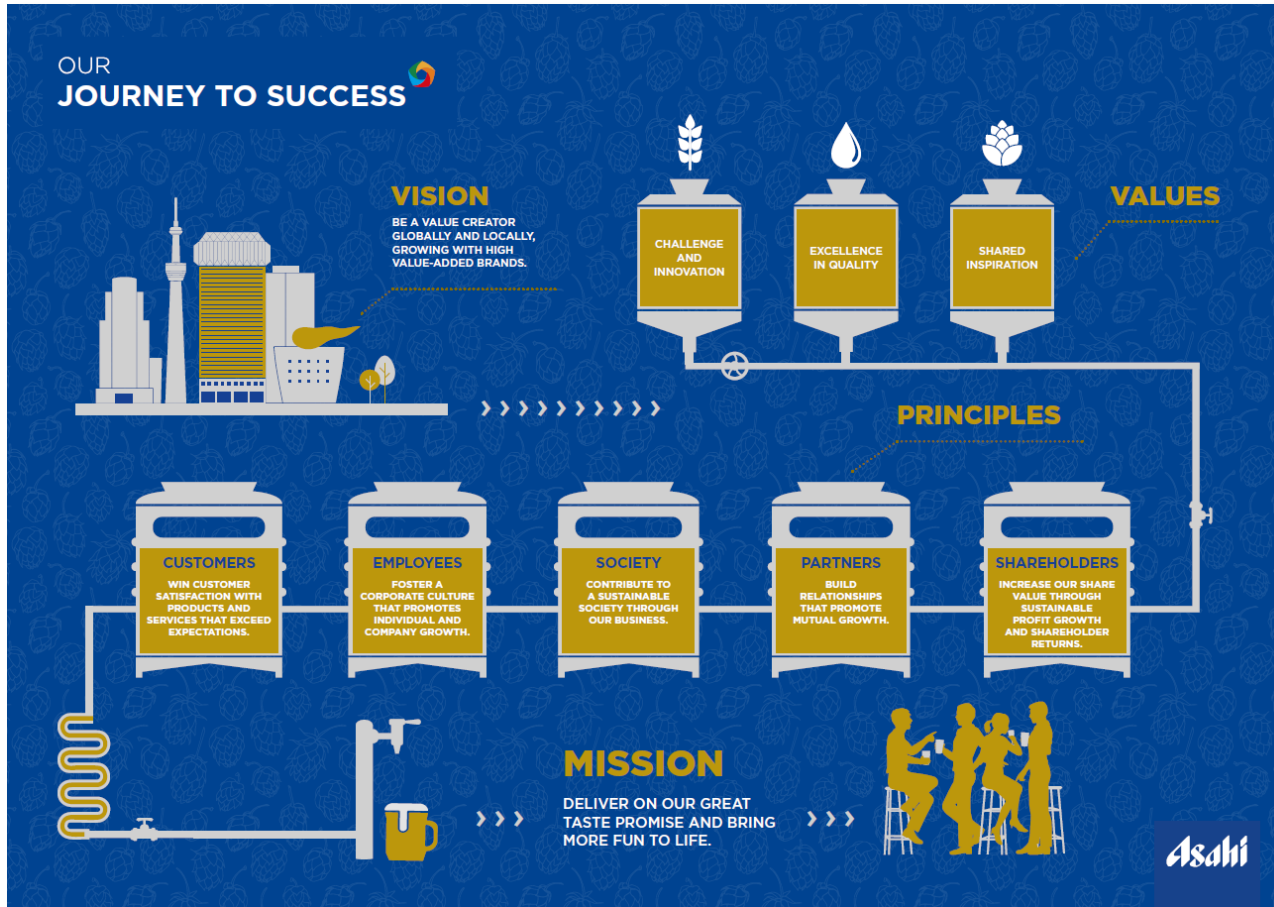


**Dragos Constantinescu**  
MD Romania & Hungary

**Countries worked in:**  
UK, Belgium, Sweden, Netherlands, Poland, Romania

**Companies worked for:**  
British American Tobacco, Asahi

**Languages spoken:**  
Romanian, English, Dutch, Polish, Spanish



COMMITTED

BOLD

COOPERATIVE

EMPOWERING

CURIOS



## Health & wellness touches everything

Personal responsibility for preventative medicine: Eat well, live well.

Increasing self-control as social media remembers.

Physical health based on informed and moderate choices. Mental health increasingly valued.



## Variety is enjoyed by more

New generations cook and eat diversely driven by availability of ingredients, online video lessons and ethnic casual food growth.

Need for authentic drinks to accompany and partner with all kinds of food.



## Need for simple and genuine

In contrast to a complex world, consumers want some simplicity and the comfort of stability.

Demand for Retro and Local products is increasing.

Socializing beer moment represents a time off from decision-making.



## Sustainability turned mainstream

Consumers increasingly expect that companies look longer term and support societal issues.

Quality is standard and consumers increasingly want to buy from brands that mirror their values.



**Macro economic conditions across the region remain positive, but global tensions and regional regulatory dynamics will prove challenging**

From FY2018 Financial Results Presentation (Feb14, 2019)

khl, million Euro	2018 Results	YoY*2 (Full year basis)	Against Target*3	2019 Forecast	YoY*4
Sales Volume	33,531	4%	1%	33,442	0%
Net Sales (exl. Alcohol tax)	1,924	7%	2%	1,970	3%
Core OP*1	460	19%	3%	475	7%
One-off cost	-8	84	2	0	8

\*1 Core OP before reduction of one-off cost

\*3 Comparison in budget FX rate

\*2 Comparison in 2017 FX rate. 2017 result is estimated number due to before acquisition

\*4 Comparison in FX rate of 2018.

## ◆ 2018 Results

- Above target Sales driven across all geographies, with strong performance in premium, focused execution and assisted by good weather.
- Profit increased above target driven by brand/segment mix improvement, price and cost optimisation programs.

## ◆ 2019 Forecast

- Revenue growth ahead of volume with strong leverage to Core OP in line with our overarching strategic drivers.

	C18	C19 Q1
<b>Poland</b>	<ul style="list-style-type: none"> <li>• NPR/hl growth</li> <li>• Relaunch of Lech and Tyskie</li> </ul>	<ul style="list-style-type: none"> <li>• Good performance of Książęce &amp; Kozel</li> <li>• Launch of B-Life and growth of Lech Free 0.0</li> </ul>
<b>CZ/SK</b>	<ul style="list-style-type: none"> <li>• Growth in the On-Trade by over 2% in CZ</li> <li>• Strong growth of Pilsner Urquell in Slovakia</li> </ul>	<ul style="list-style-type: none"> <li>• Growth of NAB portfolio across both markets</li> <li>• Return to growth of Gambrinus in CZ</li> </ul>
<b>Romania</b>	<ul style="list-style-type: none"> <li>• Strong revenue growth even with limited grid</li> <li>• Launch of Ursus Retro (premium to premium)</li> </ul>	<ul style="list-style-type: none"> <li>• Launch of B-Life (fourth market)</li> <li>• Season preparation while building new capacity</li> </ul>
<b>Hungary</b>	<ul style="list-style-type: none"> <li>• Portfolio premiumization including ASD launch</li> <li>• Exit of Economy &amp; positive NPR/hl in Mainstream</li> </ul>	<ul style="list-style-type: none"> <li>• Kozel repositioning and relaunch</li> <li>• Dreher Craft extended &amp; Dreher Gold relaunched</li> </ul>
<b>ABE</b>	<ul style="list-style-type: none"> <li>• Strong Germany performance – PU and Tyskie</li> <li>• Growth of Kozel across multiple markets</li> </ul>	<ul style="list-style-type: none"> <li>• Prioritization of key growth markets</li> <li>• Targeted ATL support for PU and Kozel</li> </ul>
<b>Korea &amp; APAC</b>	<ul style="list-style-type: none"> <li>• Good growth in Korea, driven by Kozel</li> <li>• Distribution gains in Taiwan, Hong Kong, Singapore, Thailand, Vietnam</li> </ul>	<ul style="list-style-type: none"> <li>• Launch of Kozel Dark NAB in Korea</li> <li>• Continued distribution gains in other markets across Asia Pacific (x10, x6, x3)</li> </ul>

## ◆ Our global mission

To deliver on our great taste promise and bring more fun to life

## ◆ 3 key strategic priorities

**Premiumizing  
our scale**

**Focus on domestic  
(90% of NPR)**

**Scaling our  
premiumization**

**Focus on international  
(10% of NPR)**

**Simplifying  
to intensify**

**Focus everywhere**



## ◆ The rise of brewed adult soft drinks

- Opportunity goes well beyond “negative choice” into the CSD category
- Our portfolio covers both beer brand extensions and stand-alone brands
- There is still space to grow – our share lags the category in Poland and Hungary

5% of total NPR

### Poland

Relaunch of Lech Free 0.0%  
Launch of B-Life Botanicals



YoY category growth: 83%  
YoY NPR growth: 73%  
Share of category: 22%

### Hungary

Relaunch of Dreher 24



YoY category growth: 20%  
YoY NPR growth: 29%  
Share of category: 8%

### Czech Republic & Slovakia

Relaunch of Birell flavoured  
Birell Botanicals new variant



YoY category growth: 26% (CZ), 18% (SK)  
YoY NPR growth: 25% (CZ), 11% (SK)  
Share of category: 65% (CZ), 27% (SK)

### Romania

Launch of B-Life Botanicals  
Ursus Cooler new variant



YoY category growth: 27%  
YoY NPR growth: 49%  
Share of category: 39%



## ◆ Uptrading and innovation around core portfolio

- Seeking to deliver beer culture and craft experience for all
- Revenue management central to our success
- End to End process – from strategy to execution

70% of total NPR

3% NPR/hl growth

### Upgrades of scale brands



150<sup>th</sup> anniversary of Gambrinus  
On-Trade launch of Gambrinus 11



Relaunch of Tyskie  
Upgrade of Lech



Relaunch of Dreher Gold



### Core lager innovations



Building of unpasteurized segment with Ursus Retro



Launch of Kozel Mistrův ležák



## ◆ Bringing variety with complex new styles outside of lager

- Seeking to deliver craft experience for all
- Experimenting with new styles in premium and super-premium price range

1% of total NPR

69% YoY NPR growth

### Crafted innovations outside lager



Volba sládků programme introducing new beer style every month



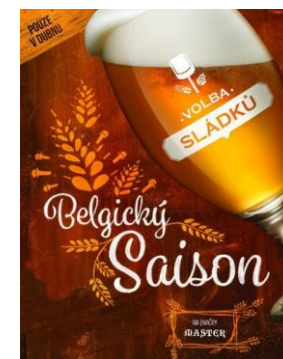
Introduction of IPA, Porter, Weizen into Książęce entry-craft range



Relaunch of Dreher craft range incl. new Dreher Pale Ale & Dreher Red Ale



Launch of Šariš Ejl







## ◆ Accessing wine & spirits occasions

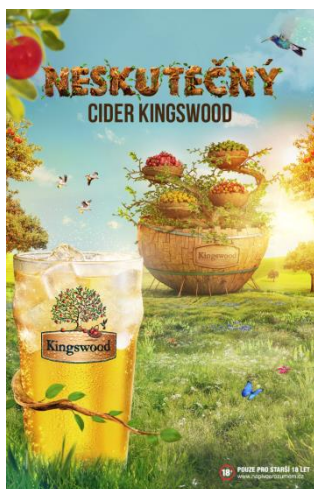
### Ciders in the Czech Republic

Two brands in the portfolio:

- Kingswood for apple-based ciders
- Frisco for flavoured ciders

50% share of category

11% YoY NPR growth



### Spirit-flavoured beer in Poland

Launch of a new brand in autumn 2018

- Captain Jack, beer flavoured with rum

Plans in place to reach 20% of market leader's sales in 2019





## ◆ Pilsner Urquell growing globally

- Super-premium proposition exclusively from single source
- Pilsner Urquell defines the Czech category worldwide
- 131 tank pubs outside of the Czech Republic
- Over 120 international tapsters trained, operating in 17 countries



### Domestic markets

Solid growth in Poland and Hungary  
 Developing the Czech beer category in Romania

### International

Launch in Japan and China  
 Seeding in Asia – focus on distribution gains



**1.5 mhl**

Czech Republic  
 +2% YoY

**0.5 mhl**

Other domestic markets  
 +14% YoY

**0.7 mhl**

International  
 +10% YoY

## ◆ Making Kozel Velky (big in “Czech” ...outside Czech)

- Kozel provides scale for the Czech category at premium
- Playful brand with a full mix of liquids – dark, pale, non-alco
- Growth model is to move to local production as soon as possible



### Highlights

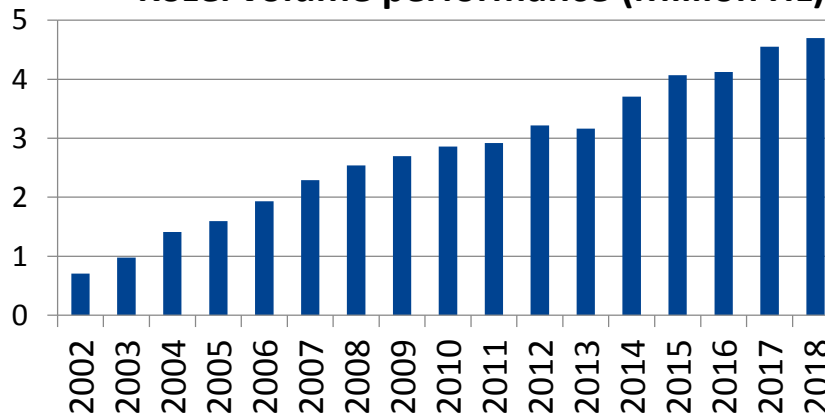
Introduction of Kozel Pale in South Korea

Repositioning in Hungary, supported by full mix marketing

Strengthening of marketing support in Poland

ATL in Croatia, Slovenia, Austria and Finland

Kozel volume performance (Million HL)



## Simplify

- Reporting and process rationalization
- Reduction in unproductive meetings
- Streamlining of strategic planning process
- Operational decision making processes
- Organisation in Supply Chain
- IT cost structure and vendor map optimisation

## Intensify

- Talent management process globally
- Leadership development programs
- Focus on Sustainability and Circular Economy
- Building brand equity through long-term investment
- Focus on diversity and inclusion
- Health & Safety and Governance

## Key cost optimisation initiatives

IT architecture & infrastructure

Procurement: cost savings & cost avoidance

ISM: our version of ZBB

Value Engineering in Economy and packaging

## Growth opportunities

- Disproportionate growth in NAB across the region
- Accelerated growth of the Czech segments both in Europe and Asia
- Crafted portfolio growth across the region
- Growth of premium segment across the region
- Cost synergy potential with Group
- Sustainable Development agenda

## Headwinds

- Unpredictable political environment in most countries
- Competitive labour market in the region
- Commodity increases and unpredictability, e.g. hops, aluminium, forex
- Channel drift from On-Trade to Off-Trade across the region
- Competitive landscape intensifying
- Indirect impact of global politics

## Mid term financial guidance

**Continued confidence in delivering low/mid single digit revenue and high single digit Core OP CAGR growth over next 3 years**

- Scale is good, premium scale is better. We have both in our domestic markets
- NAB is by far the biggest near-term opportunity
- Top line growth continues to come through further local premiumization, local and regional innovation and accelerated international expansion
- Bottom line growth is being enhanced through a fit-for-purpose cost mentality
- Performance has been constantly good over the last two years, thanks to focused strategy, great execution and positive weather
- We have strength in depth across the approx. 7,400 people that work in our markets and breweries, but we need to intensify efforts to improve diversity
- Our people are a resource for us, but also for Group, as it evolves
- Mid term financial guidance is achievable. Our belief is strong and credibility is there given consistent performance.



# Asahi

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