

**Financial Results Digest
for Q1 2019**



May 2019

Financial Results Highlights for Q1 2019

◆ **YoY growth and following target in core OP due to YoY growth in Alcohol Beverages and Overseas Businesses, despite YoY decrease in Soft Drinks and Food Businesses. (+5.7% YoY growth in core OP excluding forex impacts)**

- Alcohol Beverages : YoY growth but below target in core OP due to the revenue decrease with shortfall in sales volume of beer-type, despite streamlining all expenses.
- Soft Drinks : YoY decrease and following target in core OP due to the increase of advertisement and promotion expenses related to CALPIS 100th anniversary and others, outweighing the revenue growth.
- Food : YoY decrease and following target in core OP due to the business portfolio reform which let to the revenue decrease and increase of raw materials costs.
- Overseas : YoY growth and above target in core OP mainly driven by the firm results of Europe business, mitigating the revenue decrease due to negative impacts of yen appreciation and the deconsolidation of subsidiaries.

◆ **Aiming at exceeding H1 targets driven by the favorable performances centered on Overseas Business, mitigating Alcohol Beverages shortfall in performance.**

(JPY billion)

Summary of Statement of Profit or Loss	Q1 (3months ended March 31)			H1 forecast (announced on February 14)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Alcohol Beverages Business	179.1	- 0.1	- 0.0%	435.1	17.0	4.1%
Soft Drinks Business	76.7	3.3	4.5%	178.7	3.3	1.9%
Food Business	26.2	- 1.4	- 5.0%	57.7	1.3	2.3%
Overseas Business	144.5	- 14.1	- 8.9%	334.7	- 15.5	- 4.4%
Other Business	24.1	0.3	1.4%	54.3	1.6	3.0%
Adjustmenet (corporate and elimination)	- 21.2	- 0.8	-	- 50.5	- 2.7	-
Revenue	429.4	- 12.7	- 2.9%	1,010.0	4.9	0.5%
Alcohol Beverages Business	14.5	0.7	5.2%	45.8	2.6	6.1%
Soft Drinks Business	3.1	- 0.4	- 10.7%	16.6	0.0	0.1%
Food Business	3.0	- 0.2	- 6.9%	6.5	0.1	2.1%
Overseas Business	14.8	0.4	2.7%	42.5	0.4	0.9%
Other Business	- 0.5	0.1	-	- 0.5	- 0.9	-
Adjustmenet (corporate and elimination)	- 4.9	- 0.3	-	- 11.2	- 1.9	-
Amortization of acquisition-related intangible assets	- 5.3	0.4	-	- 10.5	0.7	-
Core operating profit	24.8	0.7	3.0%	89.2	1.0	1.1%

Performance excluding the impacts of foreign exchange (The figures in 2019 are converted by the previous year's local currency rate)

Revenue	438.8	- 3.3	- 0.7%	1,026.6	21.5	2.1%
Core operating profit	25.5	1.4	5.7%	90.7	2.5	2.8%

<Sales Volume>

	Q1 (3months ended March 31)		
		Inc./Dec.	YoY
Beer	-	-	- 4%
Happoshu	-	-	- 8%
New Genre	-	-	5%
Beer-type beverages Total	-	-	- 2%

(Millions of cases)

H1 forecast (announced on February 14)		
	Inc./Dec.	YoY
42.30	0.77	1.9%
6.40	- 0.27	- 4.1%
21.10	1.94	10.1%
69.80	2.44	3.6%

<Market Total>

January - March
YoY
-6~-7%
approx. -9%
+10~11%
0~-1%

* New Genre market includes the sales volume of Private Label products in the other company

<Sales Volume by Brands>

	Q1 (3months ended March 31)		
		Inc./Dec.	YoY
Super Dry Total	16.27	- 0.57	- 3.4%
Style Free Total	2.53	- 0.20	- 7.3%
Clear Asahi Total	6.03	- 0.79	- 11.6%

<Beer Container Type>

January - March	
	YoY
Bottle	- 6.7%
Can	- 5.3%
Keg	0.3%

Ref. Asahi Super Dry

January - March	
	YoY
Bottle	- 6.3%
Can	1.4%
Keg	0.8%

【Market Total】

- YoY decline of 0 to 1% in total volume due to the contraction of beer market which was led by stagnant performance of on-premise market and outflow to the other categories, outweighing the favorable performance in New Genre driven by the addition of private label products in the other brewer and proactive new products launches by each company.

【Sales Volume of Asahi Breweries】

- -2% YoY decline and below target in total volume mainly due to YoY volume decrease in beer, despite YoY growth in New Genre.

<Beer> -4% YoY decline in total volume due to the sluggish sales in on-premise market in addition to downturn in reaction to the promotion of *Shunrei Karakuchi* last year, outweighing the benefit of boosting the promotion of *Asahi Super Dry* related to the Olympic and Paralympic Games Tokyo 2020.

<Happoshu> -8% YoY decline in total volume due to the market contraction, despite focusing on promotion activities for *Style Free*.

<New Genre> +5% YoY growth in total volume mainly due to the positive impact of newly launched product, *Gokujo <Kireaji>*, mitigating the decrease of *Clear Asahi* brand.

- Total result below target due to the shortfall of all categories.

<Revenue>

(JPY billion)

	Q1 (3months ended March 31)			H1 forecast (announced on February 14)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Asahi Breweries Revenue	174.1	0.0	0.0%	423.8	16.8	4.1%
Other/elimination in segment	5.0	- 0.1	- 1.8%	11.3	0.2	1.8%
Revenue total	179.1	- 0.1	- 0.0%	435.1	17.0	4.1%

<Reference: Revenue by category (before rebate deduction)>

Beer	90.2	- 1.8	- 2.0%	232.9	6.6	2.9%
Happoshu	10.5	- 1.0	- 8.7%	24.5	- 1.0	- 3.8%
New Genre	29.2	1.4	5.1%	69.8	6.3	9.9%
Beer-type beverages total	129.9	- 1.4	- 1.1%	327.2	11.9	3.8%
Whiskey and spirits	13.2	0.7	5.7%	28.4	1.0	3.6%
RTD low-alcohol beverages	9.9	0.1	1.0%	23.2	2.2	10.3%
Wine	9.6	- 0.1	- 0.7%	20.6	1.2	6.1%
Shochu	5.9	- 0.4	- 6.3%	13.1	- 0.1	- 0.9%
Non-alcohol beverages	6.2	0.4	7.2%	15.0	0.4	3.0%

[Revenue of Other Alcohol Beverages]

- YoY growth in total of other than beer-type beverages mainly due to the revenue increase in whiskey and spirits with strong sales in *Black Nikka* and *Miyagikyo*, despite the decrease in Shochu.
- +7.2% YoY growth in revenue of Non-alcohol beverages mainly driven by a strong performance of *Dry Zero* in addition to the newly launched *Dry Zero Spark*.
- Total result below target due to the shortfall of RTD low-alcohol beverages and wine, outweighing the favorable performance of whiskey and spirits and non-alcohol beverages.

<Core Operating Profit>

(JPY billion)

	Q1 (3months ended March 31)			H1 forecast (announced on February 14)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Change in sales, category and container mix	-	1.6		-	6.8	
Cost reduction in manufacturing	-	0.6		-	0.8	
Cost increase in manufacturing	-	- 0.2		-	- 0.9	
Advertisement and Sales promotion expenses	-	- 1.2		-	- 2.0	
Other expenses	-	- 0.1		-	- 2.2	
Asahi Breweries	14.6	0.7	5.3%	45.6	2.5	5.8%
Other/elimination in segment	- 0.1	- 0.0	-	0.2	0.1	94.6%
Core Operating Profit	14.5	0.7	5.2%	45.8	2.6	6.1%

[Factors of Contributing to Growth/Decline] (JPY billion)

- +5.2% YoY growth in total mainly due to the increase of change in sales including the positive impact of price revision last year in addition to the cost reduction in manufacturing.
- Total result below target due to the sales volume decrease of beer-type, despite the reduction of Other expenses with above target.

<Break down of main factors>

Change in sales, category and container mix: +1.6

(Sales volume increase in beer-type +0.3, Sales increase in other alcohol beverages +0.5, etc.)

Cost reduction in manufacturing: +0.6

(Raw materials +0.2, Product mix improvement in categories other than beer-type +0.3, etc.)

Cost increase in manufacturing: -0.2 (Utilities -0.1, etc.)

Increase in Advertisement and sales promotion expenses: -1.2

(Advertisement -1.4, Promotion expenses +0.2) (Beer-type -0.5, Others -0.6)

Soft Drinks Business (Sales Volume)



<Sales Volume>

	Q1 (3months ended March 31)		
		Inc./Dec.	YoY
Carbonated drinks	14.37	1.36	10.5%
Lactic acid drinks	9.93	0.47	5.0%
Coffee	9.13	- 0.47	- 4.9%
Tea	8.32	0.38	4.8%
Mineral Water	4.15	- 0.46	- 10.1%
Fruit juice	4.43	- 0.12	- 2.6%
Other drinks	4.17	0.27	7.0%
Sales Volume	54.48	1.44	2.7%

(Millions of cases)

<Market Total>

	H1 forecast (announced on February 14)			January - March YoY
		Inc./Dec.	YoY	
	33.48	1.80	5.7%	-2~-3%
	24.64	1.50	6.5%	+5~6%
	21.33	0.20	0.9%	-1~-2%
	18.80	0.28	1.5%	+4~5%
	10.74	- 0.54	- 4.8%	unchanged YoY
	9.20	- 0.57	- 5.8%	-4~-5%
	9.39	- 0.07	- 0.8%	
	127.57	2.60	2.1%	unchanged YoY

<Sales Volume by Brands>

	Q1 (3months ended March 31)		
		Inc./Dec.	YoY
MITSUYA CIDER	8.28	0.45	5.8%
CALPIS	8.23	0.43	5.5%
WONDA	8.76	- 0.34	- 3.7%
Asahi Juroku-cha	4.87	0.34	7.5%
OISHII MIZU	4.15	- 0.46	- 10.1%
WILKINSON	4.69	0.53	12.6%

<Container Type>

	January - March	
		YoY
Can		- 2.0%
PET Bottle total		4.8%
PET large size		- 2.0%
PET small size		9.1%
Glass Bottle		0.0%
Others		2.7%

<Channel Type>

	January - March	
		YoY
Vending machines		0.4%
Over-the-counter total		3.4%
Convenience Store		7.8%
Supermarket		2.9%
Others		- 1.1%

【Market Total】

- YoY unchanged in total volume due to the drop in temperature in March and less operation days than last year, despite the positive impacts of newly launched products centered on core brands in each beverage company.

【Asahi Soft Drinks Sales Volume】

- +2.7% YoY growth in total driven by the favorable results of core brands including *MITSUYA*, *WILKINSON* and *CALPIS*.
- Total result above target due to the strong performance from carbonated and lactic acid drinks, mitigating the shortfall in coffee and mineral water categories.

<Core Operating Profit>

	Q1 (3months ended March 31)			(Millions of cases / JPY billion) H1 forecast (announced on February 14)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Sales Volume Total	54.48	1.44	2.7%	127.57	2.60	2.1%
Revenue Total	76.7	3.3	4.5%	178.7	3.3	1.9%
Change in sales, category and container mix	-	0.9		-	1.6	
Cost reduction in manufacturing	-	0.4		-	0.9	
Cost increase in manufacturing	-	- 0.6		-	- 1.2	
Advertisement and Sales promotion expenses	-	- 0.6		-	- 0.6	
Other expenses	-	- 0.5		-	- 0.6	
Asahi Soft Drinks	3.1	- 0.4	- 10.7%	16.6	0.0	0.1%
Other/elimination in segment	-	-	-	-	-	-
Core Operating Profit	3.1	- 0.4	- 10.7%	16.6	0.0	0.1%

[Factors Contributing to Growth/Decline] (JPY billion)

- -10.7% YoY decrease due to the increase of raw materials cost and advertisement and sales promotion expenses, outweighing the positive impact of sales volume increase.
- Result following target due to the prior investment of advertisement and sales promotion expenses, despite the positive impact of sales volume increase.

< Break down of main factors >

Change in sales, category and container mix: +0.9

(Increase in sales volume +0.8, Change in category and container mix, and others)

Cost reduction in manufacturing: +0.4

(Raw materials +0.2, Packages +0.1, operational efficiency / in-house production +0.1)

Cost increase in manufacturing: -0.6 (Raw materials -0.2, Packages -0.4)

Increase in advertisement and sales promotion expenses : -0.6 (Advertisement -0.5, Promotion expenses -0.1)

<Revenue>

(JPY billion)

	Q1 (3months ended March 31)			H1 forecast (announced on February 14)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Asahi Group Foods	26.2	- 1.4	- 5.0%	57.7	1.3	2.3%
Other / elimination	- 0.0	0.0	-	-	0.0	-
Revenue	26.2	- 1.4	- 5.0%	57.7	1.3	2.3%

<Core Operating Profit>

(JPY billion)

	Q1 (3months ended March 31)			H1 forecast (announced on February 14)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Asahi Group Foods	2.9	- 0.2	- 6.2%	6.3	0.1	1.6%
Other / elimination	0.1	- 0.0	- 21.2%	0.2	0.0	14.9%
Core Operating Profit	3.0	- 0.2	- 6.9%	6.5	0.1	2.1%

[Revenue]

- -5.0% YoY decrease due to the negative impact of business portfolio reform and others, outweighing the favorable performances of baby food and *Dear Natura*.
- Result slightly below target due to the shortfall of *MINTIA* and snacks business.

[Core Operating Profit]

- -6.9% YoY decline due to the revenue decrease and increase of raw materials cost, despite lowering manufacturing costs through reviewing procurement for raw materials.
- Result following target due to the factors including improvement of overall fixed costs efficiency, mitigating the negative impact of revenue shortfall.

<Revenue>

(JPY billion)

	Q1 (3months ended March 31)			H1 forecast (announced on February 14)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Europe business	88.7	- 3.8	- 4.1%	222.6	- 7.2	- 3.1%
Oceania business	38.7	- 5.4	- 12.3%	76.7	- 4.3	- 5.3%
Southeast Asia business	12.1	- 1.7	- 12.6%	22.3	- 2.8	- 11.2%
China business	1.2	- 3.2	- 72.6%	2.8	- 3.6	- 56.6%
Other/elimination	3.9	0.0	0.5%	10.3	2.3	29.4%
Revenue	144.5	- 14.1	- 8.9%	334.7	- 15.5	- 4.4%

<Revenue (excluding foreign exchange impacts associated with conversion of local currencies into JPY) >

(JPY billion)

	Q1 (3months ended March 31)			H1 forecast (announced on February 14)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Europe business	94.3	1.9	2.0%	232.5	2.6	1.1%
Oceania business	42.0	- 2.2	- 4.9%	82.5	1.5	1.8%
Southeast Asia business	12.4	- 1.4	- 10.0%	22.9	- 2.2	- 8.6%
China business	1.2	- 3.1	- 71.4%	2.9	- 3.5	- 54.3%
Other/elimination	4.0	0.1	2.5%	10.5	2.5	31.9%
Revenue	153.9	- 4.7	- 2.9%	351.3	1.0	0.3%

【Revenue (excluding forex impacts associated with conversion of local currencies into JPY)】

Note: See P.10 for details of Europe business

- Oceania: -4.9% YoY decline driven by the withdrawal from less profitable business in Non-alcohol beverages and the timing difference for promotion in Alcohol beverages. (Non-alcohol beverages -6%, Alcohol beverages -5%)
- Southeast Asia: -10.0% YoY decline due to the negative impact of deconsolidation of Indonesia business, despite the favorable performance centered on *Asahi* brands in Malaysia and Myanmar.
- China: -71.4% YoY decrease due to the negative impact of transfer of export to Oceania in addition to the deconsolidation of Yantai Beer, outweighing the strong performance of *Asahi Super Dry* in China.
- Result above target due to Oceania with following target and the excess achievements in the other businesses centered on Europe.

<Core Operating Profit>

(JPY billion)

	Q1 (3months ended March 31)			H1 forecast (announced on February 14)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Europe business	11.2	0.9	8.7%	35.9	0.2	0.6%
Oceania business	2.5	- 0.2	- 7.1%	3.7	- 0.1	- 1.5%
Southeast Asia business	0.6	0.2	53.5%	1.4	0.5	58.5%
China business	0.0	- 0.2	- 87.4%	- 0.3	- 0.9	-
Other/elimination	0.5	- 0.3	- 38.7%	1.8	0.6	45.7%
Core Operating Profit	14.8	0.4	2.7%	42.5	0.4	0.9%

<Core Operating Profit (excluding foreign exchange impacts associated with conversion of local currencies into JPY)> (JPY billion)

	Q1 (3months ended March 31)			H1 forecast (announced on February 14)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Europe business	11.9	1.6	15.6%	37.5	1.8	5.0%
Oceania business	2.7	0.0	0.8%	4.0	0.2	5.9%
Southeast Asia business	0.6	0.2	58.1%	1.4	0.5	62.7%
China business	0.0	- 0.2	- 86.8%	- 0.4	- 0.9	-
Other/elimination	0.5	- 0.3	- 38.0%	1.8	0.6	47.1%
Core Operating Profit	15.8	1.3	9.3%	44.4	2.3	5.4%

[Core Operating Profit (excluding forex impacts associated with conversion of local currencies into JPY)]

Note: See P.10 for details of Europe business

- Oceania: Almost unchanged due to streamlining advertisement and promotion expenses and optimizing logistics, mitigating the negative impact of revenue decrease.
- Southeast Asia: +58.1% YoY growth mainly due to the revenue increase in existing businesses and the positive impact of deconsolidation of Indonesia business, in addition to the reduction of overall fixed costs.
- China: -86.8% YoY decline driven by the negative impact of transfer of export to Oceania in addition to the deconsolidation of Yantai Beer, despite the reduction of manufacturing costs.
- Result above target due to the excess achievements in all businesses.

<Western Europe (excluding foreign exchange impacts associated with conversion of local currencies into Euro) > (Khl, Euro million)

	Q1 (3months ended March 31)		H1 forecast (announced on February 14)	
		YoY*1		YoY*2
Sales Volume	1,874	5%	4,420	- 1%
Revenue (excluding liquor tax)	183	5%	458	6%
Core Operating Profit	18	13%	70	10%
Once off Cost	9	9	0	1

<Central Europe (excluding foreign exchange impacts associated with conversion of local currencies into Euro) > (Khl, Euro million)

	Q1 (3months ended March 31)		H1 forecast (announced on February 14)	
		YoY*1		YoY*2
Sales Volume	6,570	2%	16,210	- 3%
Revenue (excluding liquor tax)	383	8%	954	3%
Core Operating Profit	63	2%	215	2%
Once off Cost	- 0	2	- 0	6

*1: Comparison in previous forex rate *2: Comparison in 2019 forecast forex rate

Western Europe (excluding foreign exchange impacts associated with conversion of local currencies into Euro)

- +5% YoY growth in revenue due to the sales volume increase by 5% YoY, mitigating temporary mix deterioration in UK.
- +13% YoY increase in core OP driven by the positive impact of revenue growth and improvement of marketing promotion expenses efficiency.
- Result above target due to the positive impact of revenue growth in the third countries and improvement of fixed costs efficiency

Central Europe (excluding foreign exchange impacts associated with conversion of local currencies into Euro)

- +8% YoY growth in revenue driven by sales unit price increases in home markets in addition to the sales volume increase by 2% YoY.
- +2% YoY increase in core OP due to the positive impact of revenue growth, mitigating the increase of promotion expenses in the third countries.
- Result above target due to the positive impacts of revenue growth and mix improvements primarily in Czech and Poland.

(JPY billion)

	Q1 (3months ended March 31)			H1 forecast (announced on February 14)		
		Inc./Dec.	YoY		Inc./Dec.	YoY
Revenue	429.4	- 12.7	- 2.9%	1,010.0	4.9	0.5%
Core operating profit	24.8	0.7	3.0%	89.2	1.0	1.1%
Adjustment item	- 1.5	- 2.2	-	- 2.9	- 2.6	-
Loss (gain) on sales and retirement of non current assets	- 0.5	- 0.1	-	- 1.7	- 1.1	-
Loss (gain) on revaluation of subsidiaries and affiliates	-	- 1.4	-	-	- 1.4	-
Business integration expenses	- 0.3	- 0.1	-	-	0.7	-
Others	- 0.7	- 0.7	-	- 1.2	- 0.8	-
Operating profit	23.3	- 1.5	- 6.1%	86.3	- 1.6	- 1.8%
Finance income or loss	- 1.3	- 0.0	-	- 1.3	- 0.2	-
Share of profit (loss) of entities accounted for using equity method	0.2	0.1	47.3%	0.3	- 0.0	- 12.2%
Gain (loss) on sales of investments accounted for using equity method	-	0.9	-	-	0.9	-
Others	- 0.1	0.5	-	0.0	1.1	-
Profit before tax	22.1	- 0.0	- 0.2%	85.4	0.1	0.1%
Income tax expense	- 6.8	0.8	-	- 25.0	0.0	-
Profit for the period	15.3	0.8	5.2%	60.4	0.2	0.3%
Profit attributable to owners of parent	15.2	0.4	2.9%	60.4	0.0	0.0%
Profit attributable to non-controlling interests	0.1	0.3	-	-	0.1	-

【Operating Profit】

- -6.1% YoY decline due to the downturn in response to gain on valuation at market value related to the deconsolidation of Yantai Beer last year, outweighing the benefit of YoY growth in core OP.

【Profit attributable to owners of parent】

- +2.9% YoY growth mainly driven by upturn in response to the loss on sales of investment accounted for using equity method last year and the decrease of income tax expense.
- Result following target for H1 forecast.

Asahi

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