ASAHI GROUP HOLDINGS

Q1 2020 Financial Results Digest

May 2020

Executive Summary

<Q1 2020 Results>

- ◆**Revenue decreased by 4.7% YoY due to impact of COVID-19 outbreak mainly from March.**
- ◆**Core operating profit decreased by 36.0% YoY due to negative factors for earnings, and worsening channel and brand mix in Overseas Business.**
- ◆**Profit decreased by 45.3% YoY due to lower core operating profit and expenses associated with COVID-19 outbreak.**

<2020 Full Year Forecast>

- ◆**Earnings forecast left undetermined due to uncertainty over when COVID-19 outbreak will end.**

  (※Revised forecast will be announced by 1H results announcement, including the impact on business of Carlton & United Breweries (CUB) in Australia, whose acquisition is to be completed)
- ◆**Will maintain initial dividend increase forecast based on shareholder return policy aimed at stable dividend increases.**

<Acquisition of beer business in Australia and financing plan>

- ◆**Acquisition of CUB will move to complete on 1st June with all the regulatory approvals .**
- ◆**Financing plan for acquisition to be flexibly reviewed as appropriate in response to stock market performance and funding environment.**

Financial Results Highlights for Q1 2020

◆ **Core operating profit down 34.9% in Q1 due to impact of COVID-19 outbreak (constant currency basis)**

- ･Alcohol : YoY decrease in revenue and profits due to sharp decline in beer sales mainly in on-premise market because of self-restraint request from the government.
- ･Soft Drinks : YoY decrease in revenue and profits due to weak vending machine sales and worsening product mix amid “stay at home” appeals.
- ･Food : YoY increase in revenue and profit up on brisk sales of mainstay brands due to heightened health consciousness and consumers spending more time at home.
- ･Overseas : YoY decrease in revenue and profits due to sales volume declines and deteriorating product mix in Europe, Australasia due to lockdown policies.

<Revenue and Core operating profit (constant currency basis*)> <actual currency basis> (JPY billion)

	Q1 (3months ended March 31) (constant currency basis*)	YoY (Amount / %)		Q1 (3months ended March 31) (actual currency basis)	YoY (Amount / %)	
Alcohol Beverages Business	166.3	- 12.8	- 7.1%	166.3	- 12.8	- 7.1%
Soft Drinks Business	75.1	- 1.7	- 2.2%	75.1	- 1.7	- 2.2%
Food Business	28.2	2.0	7.5%	28.2	2.0	7.5%
Overseas Business	144.4	- 0.1	- 0.1%	136.4	- 8.1	- 5.6%
Other Business	23.5	- 0.6	- 2.5%	23.5	- 0.6	- 2.5%
Adjustmenet (corporate and elimination)	- 20.4	1.0	-	- 20.4	1.0	-
Revenue	417.1	- 12.2	- 2.9%	409.1	- 20.2	- 4.7%
Alcohol Beverages Business	13.5	- 1.0	- 7.1%	13.5	- 1.0	- 7.1%
Soft Drinks Business	1.1	- 2.1	- 66.1%	1.1	- 2.1	- 66.1%
Food Business	3.7	0.6	20.9%	3.7	0.6	20.9%
Overseas Business	9.3	- 5.5	- 37.1%	8.8	- 5.9	- 40.3%
Other Business	- 0.6	- 0.1	-	- 0.6	- 0.1	-
Adjustmenet (corporate and elimination)	- 5.3	- 0.4	-	- 5.3	- 0.4	-
Amortization of acquisition-related intangible assets	- 5.4	- 0.1	-	- 5.2	0.1	-
Core operating profit	16.1	- 8.7	- 34.9%	15.9	- 8.9	- 36.0%

*based on previous year's FX rates

strong sales due to reviewing marketing

Alcohol Beverages Business (Revenue/Sales Volume by Brands)

Asahi

<Revenue> (JPY billion)

	Q1 (3months ended March 31)	YoY (Amount / %)	
Asahi Breweries Revenue	162.5	- 11.6	- 6.7%
Other/elimination in segment	3.8	- 1.2	- 23.5%
Revenue total	166.3	- 12.8	- 7.1%

<Market Trend>

	YoY
Beer	approx.-12%
Happoshu	- 4～5%
New Genre	＋1～2%
'Total	- 5～6%

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

Beer-type beverages total	117.5	- 11.3	- 8.8%
Whiskey and spirits	13.2	0.6	4.7%
RTD low-alcohol beverages	10.4	0.5	5.5%
Wine	9.1	- 0.5	- 5.7%
Shochu	5.8	- 0.1	- 1.4%
Non-alcohol beverages	6.2	0.1	0.9%

<Sales Volume by Brands> (Millions of cases)

	Q1 (3months ended March 31)	YoY (Amount / %)	
Super Dry	141.2	- 17.3	- 10.9%
Style Free	23.9	0.7	3.0%
Clear Asahi	37.9	- 1.1	- 2.8%

※Super Dry Container Type（Can -3%、Bottle-14%、Keg-23%)

【Market Total】

・YoY decrease by -5 to -6 % in the total volume due to sluggish performance of on-premise market and outflow to other categories, despite of an increase in new genre with new product launches.

【Sales Volume by Brands】

◇Super Dry -10.9% YoY decline due to on-premise channel decrease in Mar., despite favorable performance due to reviewing marketing in Jan.-Feb.

◇Style Free ＋3.0% YoY increase due to the effective sales promotion in response to health consciousness increase.

◇Clear Asahi -2.8% YoY decline due to the impact competitors' new products launches, despite developing the marketing activities linked with food.

◇The Rich Since its launch on Mar. 17, more than 2 million cases have already been shipped. Revised annual sales target to 8 million boxes, double the initial plan.

【Revenue of Other Alcohol Beverages】

・YoY growth in total of other than beer-type beverages mainly by the revenue increase in whiskey and spirits with strong sales in Black Nikka and RTD low-alcohol beverages aggressively expanded sales promotion activities in line with the renewal of Zeitaku Shibori, despite the decrease in wine and shochu.

・+0.9% YoY growth in revenue in Non-alcohol beverages mainly driven by creation of new drinking opportunities, despite on-premise market decrease.

Alcohol Beverages Business (Core Operating Profit)

<Core Operating Profit>

(JPY billion)

	Q1 (3months ended March 31)	YoY (Amount / %)	
Change in sales, category and container mix	-	- 4.0	
Cost reduction in manufacturing	-	0.5	
Cost increase in manufacturing	-	- 0.8	
Advertisement and Sales promotion expenses	-	2.0	
Other expenses	-	1.6	
Asahi Breweries	13.8	- 0.8	- 5.5%
Other/elimination in segment	- 0.3	- 0.2	-
Core Operating Profit	13.5	- 1.0	- 7.1%

【Core Operating Profit】

・-7.1% YoY decline due to the sales decline in beer-type, despite streamlining overall fixed cost including advertisement and sales promotion expenses

＜Q1: Factors Contributing to Increase/Decrease＞ (JPY billion)

Change in sales, category and container mix: -4.0
(Sales volume decrease in beer-type -4.0, Sales increase in other alcohol beverages +0.3, Change in category and container mix, and others)
Cost reduction in manufacturing: +0.5
(Product mix improvement in categories other than beer-type +0.2, etc.)
Cost increase in manufacturing: -0.8 (transportation -0.4, etc.)
Decrease in sales promotion expenses: +2.0 (Advertisement +1.0, Promotion expenses +1.0)
(Beer-type +1.0, Others +1.0)
Other expenses: +1.6
(Personal expenses-0.0, Depreciation+0.1, Selling equipment expenses +0.1, Other materials +1.4)

Soft Drinks Business (Sales Volume/Core Operating Profit)

<Sales Volume> (Millions of cases)

	Q1 (3months ended March 31)	YoY (Amount / %)	
Carbonated drinks	15.24	0.87	6.1%
Lactic acid drinks	9.23	- 0.70	- 7.0%
Coffee	8.32	- 0.81	- 8.8%
Tea	7.74	- 0.58	- 7.0%
Mineral Water	3.73	- 0.42	- 10.1%
Fruit juice	3.28	- 1.15	- 25.9%
Other drinks	5.37	1.20	28.8%
Sales Volume	52.91	- 1.58	- 2.9%

<Market Trend>

Jan. - Mar. YoY
approx. -1%
approx. -7%
approx. -6%
approx. -1%
approx. +3%
approx. -3%
-
approx. -2%

<Container Type>

Jan. - Mar.	YoY
Can	0.7%
PET Bottle total	- 3.6%
PET large size	- 7.9%
PET small size	- 1.2%
Glass Bottle	- 11.8%
Others	- 11.5%

<Channel Type>

Jan. - Mar.	YoY
Vending machines	- 10.5%
Over-the-counter total	- 0.8%
Convenience Store	- 0.7%
Supermarket	4.1%
Others	- 14.0%

<Revenue/Core Operating Profit> (JPY billion)

	Q1 (3months ended March 31)	YoY (Amount / %)	
Revenue Total	75.1	- 1.7	- 2.2%
Change in sales, category and container mix	-	- 1.5	
Cost reduction in manufacturing	-	0.6	
Cost increase in manufacturing	-	- 0.2	
Advertisement and Sales promotion expenses	-	- 0.1	
Other expenses	-	- 0.9	
Core Operating Profit	1.1	- 2.1	- 66.1%

<Q1: Factors Contributing to Increase/Decrease> (JPY billion)

Change in sales, category and container mix: -1.5
(Increase in sales volume -1.4, Change in category and container mix, and others)
Cost reduction in manufacturing: +0.6
(Packages +0.3, operational efficiency / in-house production +0.3)
Cost increase in manufacturing: -0.2 (Packages -0.2)
Increase in advertisement and sales promotion expenses : -0.1
(Promotion expenses -0.1)

【Market Total】
・-2% YoY decline in total volume mainly due to the negative impacts of vending machines and convenience store channel, despite expanding consumption of supermarkets due to consumption from staying at home.

【Asahi Soft Drinks Sales Volume】
・-2.9% YoY decline in total mainly due to the sales decrease in coffee and fruit juice, despite the sales increase in carbonated drinks.

【Core Operating Profit】
・-66.1% YoY decline due to sales volume decline and deteriorating product mix, despite manufacturing cost reduction by initiatives of operational efficiency / in-house production.

Food Business (Revenue/Core Operating Profit)

<Revenue/Core Operating Profit>

(JPY billion)

	Q1 (3months ended March 31)		
		YoY (Amount / %)	
Asahi Group Foods	28.2	2.0	7.5%
Other / elimination	- 0.0	- 0.0	-
Revenue	28.2	2.0	7.5%
Asahi Group Foods	3.5	0.6	21.1%
Other / elimination	0.1	0.0	16.1%
Core Operating Profit	3.7	0.6	20.9%

【Revenue】

・+7.5% YoY growth driven by product development that captures changes in health consciousness and consumer needs.

【Core Operating Profit】

・+20.9% YoY growth mainly by revenue growth and efficiency improvement in adverting expenses.

<Revenue *constant currency basis> (JPY billion)

	Q1 (3months ended March 31)		
		YoY (Amount / %)	
Europe business	73.4	- 3.4	- 4.4%
Oceania business	43.6	4.9	12.7%
Southeast Asia business	11.3	- 0.9	- 7.5%
Asahi International	19.6	1.6	8.6%
Other / elimination	△ 3.6	- 2.3	-
Revenue	144.4	- 0.1	- 0.1%
Europe business	7.9	- 1.6	- 17.0%
Oceania business	1.8	- 0.7	- 27.3%
Southeast Asia business	0.2	- 0.4	- 67.3%
Asahi International	- 0.2	- 2.1	-
Other / elimination	- 0.5	- 0.6	-
Revenue	9.3	- 5.5	- 37.1%

Include 2.8bn JPY related to container deposit legislation

<Perfomance including foreign exchange imapct>

136.4	- 8.1	- 5.6%

Include once-off cost (-0.4 bn JPY) related to CUB acquisition

Include a rebound from last year's temporary profit (1.1 bn JPY)

<Perfomance including foreign exchange imapct>

8.8	- 5.9	- 40.3%

【Revenue/Core Operating Profit*constant currency basis】

- Europe : -4.4% YoY decline in revenue due to sales volume declines (-5%) with the tightening of regulations in each country.
  -17.0% YoY decline in core operating profit due to sales volume decline mainly in on-premise channel and deteriorating channel and brand mix in beer sales.
- Oceania : +12.7% YoY growth driven by sales increase in Non-alcohol beverages centered on carbonated drinks.
  (Non-alcohol beverages +22%, Alcohol beverages +2%)
  -27.3% YoY decline in core operating profit due to sales volume decline and deteriorating channel mix mainly in alcohol beverages.
- Southeast Asia : -7.5% YoY decline in revenue due to the downturn of soft dinks demand by Movement Control Order in countries in the area.
  -67.3% YoY decline in core operating profit due to revenue decline and raw materials cost increase in Malaysia.
- AIL : +8.6% YoY growth in revenue driven by sales volume increase（+5%）, including new consolidation effects of Fuller's, despite of sales decrease in Asia.
  -JPY2.1 billion YoY decline in core operating profit due to the reaction of temporary profit last Q1 and deteriorating channel mix by on-premise channel sales decrease.

Operating Profit/Profit attributable to owners of parent

(JPY billion)

	Q1 (3months ended March 31)	YoY (Amount / %)	
Revenue	409.1	- 20.2	- 4.7%
Core operating profit	15.9	- 8.9	- 36.0%
Adjustment item	- 3.0	- 1.4	-
Loss (gain) on sales and retirement of non current assets	- 0.4	0.1	-
Business integration expeses	- 0.8	- 0.5	-
Others	- 1.7	- 1.0	-
Operating profit	12.9	- 10.4	- 44.5%
Finance income or loss	- 1.5	- 0.2	-
Share of loss (profit) of entities accounted for using equity method	0.1	- 0.2	- 78.7%
Others	- 2.0	- 1.8	-
Profit before tax	9.5	- 12.6	- 57.1%
Income tax expense	- 1.2	5.6	-
Profit	8.3	- 7.0	- 45.9%
Profit attributable to owners of parent	8.3	- 6.9	- 45.3%
Profit attributable to non-controlling interests	- 0.0	- 0.1	-

【Operating Profit】

・Profit : -44.5% YoY decline due to the increase of Others including expenses associated with COVID-19 outbreak in addition to Core OP decline.

【Profit attributable to owners of parent】

・-45.3% YoY decline due to the decrease of OP despite the decrease of income tax expenses.

Impact of COVID-19 Outbreak（Domestic）

<Main Impacts on the Three Domestic Businesses>

	Business	Sales contribution	Sales trends (March and April)	March	April *preliminary data	COVID-19 related restrictions
JAPAN	Alcohol Beverages	On-premise: Beer and beer-type beverages: approx. 30% (approx. 45% for beer only)	・Super Dry sales volume (bottles and kegs) declined (Approx. -40% in Mar, approx. -80% in Apr.) ・Super Dry sales volume (cans) trending down due to demand falling in on-premise channel and weak demand for holidays and celebrations ・Overall volume decreased, despite demand shifted to off-premise channel (mainly for new-genre beverages)	Beer & beer-type beverages -19%	Beer & beer-type beverages approx.-35%	・Schools closed from early March; citizens asked to work remotely and stay home as much as possible ・State of Emergency declared on April 7 (in seven prefectures) ・State of Emergency expanded from April 16 (nationwide) ・State of Emergency extended from May 4 (nationwide, until May 31)
	Soft Drinks	Supermarkets: 42% Vending machines: 21% Convenience Stores: 19% Other: 18%	・Vending machine and convenience store channel sales volume declined (vending machine: -13% in Mar., approx. -35% in April) (convenience store: +1% in Mar, approx. -10% in April)	Business Total -1%	Business Total approx.-20%	
	Food	Food: 46% Baby and healthcare: 38% Food ingredients: 15%	・Decline in sales of Mintia (Mintia sales -8% in Mar., approx. -50% in Apr.) ・Decline trend in sales of baby foods (baby foods: +13% in Mar. approx. -15% in Apr.) ・Increased sales of freeze-dried (freeze-dried: +20% in Mar., approx. +20% in Apr.)	Business Total +5%	Business Total approx.-10%	

Note: Sales data for March and April are on a value basis for Alcohol Beverage and Food businesses and a volume basis for Soft Drink business. Comparisons are YoY.

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<Main Impact on Overseas Businesses>

	Business	Ratio on Sales	Sales situation (Volume)			COVID-19 related restrictions
				March	April *preliminary data	
Europe	Czechia	【On-trade】 Approx. 40%	･On-trade: declined significantly ･Off-trade: grew from last year	Declined in the mid teens	Declined in the mid twenties	･12 Mar. Prohibition of non-essential moving ･12 Mar. Prohibition of on-trade business (allowed take out) *expect restrictions to be relaxed in stages
	Italy	【On-trade】 Approx. 40%	･On-trade: declined significantly ･Off-trade: grew from last year	Declined in approx. 30%	Declined in the high-fifties	･9 Mar. Expand Prohibition of non-essential moving to whole country ･12 Mar. Prohibition of on-trade business ･22 Mar. Prohibition of business activities except for essential products
	Poland	【On-trade】 Mid-single digit	･On-trade: declined significantly ･Off-trade: declined from last year	Declined in the mid-teens	Declined in the high-teens	･13 Mar. Prohibition of on-trade business (allowed take-out/delivery) ･24 Mar. Prohibition of non-essential moving *expect restrictions to be relaxed in stages
	UK	【On-trade】 Approx. 60%	･On-trade: declined significantly ･Off-trade: grew from last year	Increased in the mid-teens	Declined around -40%	･23 Mar. Prohibition of on-trade business: (allowed take-out) ･23 Mar. Prohibition of non-essential moving
Australia	Alcohol Beverages *only beer	【On-trade】 Approx. 30%	･On-trade: declined significantly ･Off-trade: grew from last year including temporary demand effect	Grew in approx. 20% (Beer only)	Declined in approx. 40% (Beer only)	･23 Mar. Prohibition of on-trade business (allowed take out) ･30 Mar. Prohibition of non-essential moving *expect restrictions to be relaxed in stages

* Fuller's started consolidation from April 2019

Novel Coronavirus Response Policy

Asahi

◆ Building value together with all of our stakeholders, based on AGP (announced on Apr.24)

Employees: Prioritize protecting health and safety of employees and their families; take measures to preserve employment as far as possible and provide appropriate support.

Consumers: Keep all facilities worldwide in operation to fulfill our responsibility to supply our products.
Propose and develop products in response to changes in business environment.

Business partners: Provide sustained support to customers and business partners facing what are adverse operating environments such as on-premise amid government restrictions on outings.

Society: Donate products and money to those on the frontlines such as Children's Cafeterias and healthcare workers.

Shareholders/Investors: Continue to disclose information in a timely and appropriate manner. Ensure financial soundness position and maintain dividend policy.

◆ Focused response to each phase of COVID-19 outbreak

Spread of infection	Recovery	The "new normal"
Restrictions and calls for self-restraint continue	Restrictions relaxed in stages, but social distancing maintained	The new normal; end of social distancing

2020				2021
Q1	Q2	Q3	Q4	Q1

・Ensure safety of employees and their families ・Support business partners and local communities ・Implement BCP (including SCM measures)	・Prioritize marketing strategy ・Ensure sufficient cash flow and sound financial position (curb capital expenditure, fixed costs, etc.)	・Implement strategies focused on strengths ・Rapid response to the new normal ・Take on the challenge of engaging in disruption

⇒ Focus efforts on regaining momentum by harnessing strengths such as brands, SCM, and human resources

CUB Business Overview and Financing Plan

◆ Target Business Overview

Target	・CUB's beer and cider businesses and the related businesses in Australia ・Intellectual property rights associated with all CUB beer and cider brands, including *Carlton*, *Great Northern* and other brands ・Perpetual license to sell AB InBev brands in Australia and manufacturing license of some of AB InBev's brands and other related assets
Production and Logistics Sites	3 breweries, 3 craft breweries, 13 logistics sites

◆ Rationale and Overview of Financing Plan

・Considering to raise JPY300.0 billion of equity credit attributes in order to secure financial soundness and maintain current credit rating

・Minimizing dilution for existing shareholders with combining issuance of common stock including use of treasury share, and subordinated bond

Funding Methods	Overview
Public Offering	Issuing common stock including use of treasury shares (Approx. 25.50 million shares) (Maximum amount: JPY200.0 billion)
Subordinated Bond	Issuing subordinated bond (assuming 50% equity credit attribute), which is considered as an equity regarding the credit ratings (Equity Value: Approx. JPY100.0 billion)
Debt	Considering to diversify funding methods in order to reduce total cost of capital and interest (Approx. JPY800.0 billion)

⇒ For financial plans, consider flexibly reviewing the timing and balance according to the stock market and procurement environment.