

Asahi Group Holdings, Ltd.



FY2016 Q3 Financial Results

NOTE:

All information has been prepared in accordance with generally accepted accounting principles in Japan. Amounts shown in this accounting report and in the attached materials have been rounded down to omit fractions less than one million yen. This document is a partial English translation of the Japanese Financial Statement which was filed at Stock Exchanges in Japan on November 2, 2016. This translation was made for information only. The Company gives no warranty with respect to its correctness.

**Summary Report of Financial Results
(Fiscal 2016 Q3)**

November 02, 2016

Asahi Group Holdings, Ltd.

Code number: 2502
Shares Listed: First Section of each of Tokyo Stock Exchanges
Head Office: Tokyo
Contact: Yasuhiro Nakahara, General Manager, Public Relations Section
Tel: + 81 3 5608 5126 (<http://www.asahigroup-holdings.com/en/>)
US GAAP: Not applicable

1. Consolidated Financial Results for Fiscal 2016 (From January 1, 2016 to September 30, 2016)

(figures are rounded down to the million)

(1) Operating Results

	Net sales	YoY	Operating income	YoY	Ordinary income	YoY	Profit attributable to owners of the parent	YoY
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Fiscal 2016 Q3 ended September 30, 2016	1,365,561	0.5	102,642	9.7	94,844	(6.6)	36,003	(47.8)
Fiscal 2015 Q3 ended September 30, 2015	1,358,509	4.9	93,580	6.2	101,548	11.5	68,975	26.8

(Note) Comprehensive income at the end of FY2016 Q3: (42,552) million yen (-)

Comprehensive income at the end of FY2015 Q3: 46,396 million yen (-32.7%)

	Earnings per share (Primary)	Earnings per share (Diluted)
	(yen)	(yen)
Fiscal 2016 Q3 ended September 30, 2016	78.59	78.59
Fiscal 2015 Q2 ended September 30, 2015	149.84	149.77

(2) Financial Condition

	Total assets	Net assets	Shareholders' equity ratio
	(Millions of yen)	(Millions of yen)	(%)
Fiscal 2016 Q3 ended September 30, 2016	1,722,382	825,548	47.3
Fiscal 2015 ended December 31, 2015	1,901,554	891,829	46.2

(Note) Treasury stock at the end of FY2016 Q3: 813,978 million yen

Treasury stock at the end of FY2015: 877,672 million yen

2. Dividends

	Cash dividend per share				
	end of first	end of second	end of third	Year-end	Total
	(yen)	(yen)	(yen)	(yen)	(yen)
Fiscal 2015 ended December 31, 2015	-	24.00	-	26.00	50.00
Fiscal 2016 ending December 31, 2016	-	26.00	-		
Fiscal 2016 ending December 31, 2016 (Forecast)				27.00	53.00

(Note) Revisions to the forecast of consolidated results in the current quarter: No

3. Forecast for Fiscal 2016 (January 1, 2016 to December 31, 2016)

	Net sales	YoY	Operating income	YoY	Ordinary income	YoY	Profit attributable to owners of the parent	YoY	Earnings per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(yen)
Fiscal 2016 ending December 31, 2016	1,875,000	0.9	140,700	4.1	138,500	(5.1)	80,000	4.7	174.63

(Note) Revisions to the forecast of consolidated results in the current quarter: Yes

4. Other

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): No

(2) Adoption of simplified accounting methods or special accounting methods : Yes

(3) Changes in accounting policies, procedures and methods of indication of accounting methods

(1) Changes due to amendment of accounting standard: No

(2) Change in accounting policies other than item (1) above: No

(3) Changes in accounting estimate: No

(4) Retrospective restatements: No

(4) Number of shares issued and outstanding at the end of the term (consolidated):

(1) Issued stock including treasury stock:

Year ended September 30, 2016 483,585,862 shares

Year ended December 31, 2015 483,585,862 shares

(2) Treasury stock:

Year ended September 30, 2016 25,451,476 shares

Year ended December 31, 2015 25,676,299 shares

(3) Average of issued Stock:

Year ended September 30, 2016 458,119,627 shares

Year ended September 30, 2015 460,339,380 shares

* Implementation status of review processes

At the time of disclosure of this summary of consolidated financial results, the review procedures in accordance with the Financial Instruments and Exchange Act had not been completed.

* Forward-looking statements and other special instructions

The forward-looking statements that reflect Asahi's forecasts for consolidated and unconsolidated results in this document are based on information available at the time of the release of these materials and reasonable assumptions made by Asahi.

Certain risks and uncertainties could cause the results of Asahi to differ materially from any projections presented herein.

5. Consolidated Financial Statements (Unaudited)

(1) Consolidated Balance Sheets (As of December 31, 2015 and September 30, 2016)

(Millions of yen)

	As of December 31, 2015	As of September 30, 2016
(Assets)		
Current assets		
Cash and deposits	48,210	47,700
Notes and accounts receivable - trade	362,240	302,802
Merchandise and finished goods	91,200	97,555
Raw materials and supplies	41,114	40,671
Deferred tax assets	15,048	20,738
Other	47,546	51,721
Allowance for doubtful accounts	(4,861)	(1,378)
Total current assets	<u>600,498</u>	<u>559,811</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	433,344	428,480
Accumulated depreciation	(267,980)	(269,946)
Buildings and structures, net	<u>165,364</u>	<u>158,533</u>
Machinery, equipment and vehicles	561,787	553,086
Accumulated depreciation	(426,872)	(430,419)
Machinery, equipment and vehicles, net	<u>134,914</u>	<u>122,667</u>
Other	184,187	183,261
Accumulated depreciation	(105,598)	(105,670)
Other, net	<u>78,588</u>	<u>77,591</u>
Land	193,891	185,379
Construction in progress	9,339	11,761
Total property, plant and equipment	<u>582,098</u>	<u>555,933</u>
Intangible assets		
Goodwill	145,104	125,588
Other	90,444	82,335
Total intangible assets	<u>235,549</u>	<u>207,924</u>
Investments and other assets		
Investment securities	422,469	337,001
Net defined benefit assets	24,574	27,924
Deferred tax assets	8,183	7,246
Other	30,752	30,942
Allowance for doubtful accounts	(2,571)	(4,402)
Total investments and other assets	<u>483,408</u>	<u>398,713</u>
Total non-current assets	<u>1,301,056</u>	<u>1,162,571</u>
Total assets	<u>1,901,554</u>	<u>1,722,382</u>

(Continued)

(Millions of yen)

	As of December 31, 2015	As of September 30, 2016
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	126,800	109,234
Short-term loans payable	156,239	111,697
Commercial papers	63,000	60,000
Current portion of bonds	30,000	48,000
Accrued alcohol tax	110,044	102,769
Income taxes payable	23,460	18,027
Deposits received	18,076	14,499
Provision for bonuses	4,917	10,348
Other	182,654	181,693
Total current liabilities	715,193	656,270
Non-current liabilities		
Bonds payable	118,000	100,000
Long-term loans payable	47,690	33,772
Provision for directors' retirement benefits	237	226
Net defined benefit liabilities	23,377	22,410
Deferred tax liabilities	54,445	36,078
Asset retirement obligations	441	405
Other	50,339	47,668
Total non-current liabilities	294,531	240,562
Total liabilities	1,009,725	896,833
(Net assets)		
Shareholders' equity		
Capital stock	182,531	182,531
Capital surplus	120,524	120,221
Retained earnings	524,859	537,045
Treasury stock	(77,377)	(76,701)
Total shareholders' equity	750,537	763,096
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	45,799	36,257
Deferred gains or losses on hedges	(82)	(11,628)
Foreign currency translation adjustment	81,259	25,197
Remeasurements of defined benefit plans	157	1,054
Total accumulated other comprehensive income	127,134	50,881
Non-controlling interests	14,157	11,570
Total net assets	891,829	825,548
Total liabilities and net assets	1,901,554	1,722,382

(2) Consolidated Income Statements and Comprehensive Income Statements

(From January 1 to September 30, 2015 and 2016)

<Consolidated Income Statements>

(Millions of yen)

	Year ended September 30, 2015 (From January 1 to September 30)	Year ended September 30, 2016 (From January 1 to September 30)
Net sales	1,358,509	1,365,561
Cost of sales	801,494	787,038
Gross profit	557,015	578,523
Selling, general and administrative expenses	463,434	475,881
Operating income	93,580	102,642
Non-operating income		
Interest income	475	228
Dividend income	1,466	1,801
Share of profit of entities accounted for using equity method	9,962	-
Other	2,179	691
Total non-operating income	14,083	2,720
Non-operating expenses		
Interest expenses	2,725	2,404
Share of loss of entities accounted for using equity method	-	4,223
Other	3,390	3,890
Total non-operating expenses	6,115	10,518
Ordinary income	101,548	94,844
Extraordinary income		
Gain on sales of non-current assets	418	3,993
Gain on sales of investment securities	693	2,245
Gain on step acquisitions	5,932	-
Other	-	333
Total extraordinary income	7,044	6,572
Extraordinary losses		
Loss on sales and retirement of non-current assets	2,293	2,324
Loss on sales of investment securities	122	31
Loss on valuation of investment securities	70	37,119
Impairment loss	1,743	-
Business integration expenses	2,944	2,287
Other	1,973	716
Total extraordinary losses	9,148	42,479
Income before income taxes	99,444	58,936
Income taxes	31,355	23,605
Profit	68,088	35,331
Loss attributable to non-controlling interests	(886)	(671)
Profit attributable to owners of the parent	68,975	36,003

<Comprehensive Income Statements>

(Millions of yen)

	Year ended September 30, 2015 (From January 1 to September 30)	Year ended September 30, 2016 (From January 1 to September 30)
Profit (loss)	68,088	35,331
Other comprehensive income		
Valuation difference on available-for-sale securities	10,917	(9,585)
Deferred gains or losses on hedges	275	(11,546)
Foreign currency translation adjustment	(46,433)	(31,126)
Remeasurements of defined benefit plans	113	871
Share of other comprehensive income of entities accounted for using equity method	13,434	(26,497)
Total other comprehensive income	(21,692)	(77,883)
Comprehensive income	46,396	(42,552)
(Breakdown)		
Comprehensive income attributable to owners of the parent	48,990	(40,249)
Comprehensive income attributable to non-controlling interests	(2,593)	(2,302)

(3) Notes concerning the premise of a going concern

There are no applicable items.

(4) Segment information

I Fiscal 2015 (January 1, 2015 to September 30, 2015)

1. Information on net sales and profits or losses by reporting segment

(Millions of yen)

	Reporting Segment				Others *1	Total	Adjustment of segment income (loss) *2	Consolidated total *3
	Alcohol Beverages	Soft Drinks	Food	Overseas				
Net sales								
1) To outside customers	706,406	360,205	82,399	180,089	29,409	1,358,509	-	1,358,509
2) Inter-segment sales	19,323	3,034	1,613	1,732	42,678	68,383	(68,383)	-
Total	725,730	363,239	84,013	181,821	1,426,892	1,426,892	(68,383)	1,358,509
Operating income / loss	83,342	17,032	5,114	(737)	106,383	106,383	(12,803)	93,580

(Notes)

*1. "Others" includes the distribution business and others.

*2. Adjustment of segment income (loss) of (12,803) million yen includes corporate expense of (12,384) million yen which is not allocated to reporting segment and the elimination of inter-segment transactions, etc. of (419) million yen. The corporate expenses are mainly Group management expenses generated by the Company in its role as a pure holding company.

*3. Segment income (loss) was reconciled with operating income presented in the consolidated statements of income.

2. Information regarding asset impairment losses and goodwill based on reporting segments

(Significant asset impairment losses)

In the third quarter of the consolidated financial year, impairment losses are booked by 315 million yen in "Alcohol Beverages" segment and by 1,428 million yen in "Overseas" segment respectively.

(Significant Change in the Amount of Goodwill)

As a result of the application of Accounting Standard for Business Combinations, Accounting Standard for Consolidated Financial Statements, and of Accounting Standard for Business Divestiture, etc., effective from the first quarter of the current consolidated financial year, the amount in goodwill has been reduced. In accordance with the said application, the amount of goodwill, as at the beginning of the third quarter of the current consolidated financial year, was reduced by 36 million yen in the "Alcohol Beverages" segment, by 24,855 million yen in the "Soft Drinks" segment, by 794 million yen in the "Food" segment, and by 6,235 million yen in the "Overseas" segment respectively.

II Fiscal 2016 (January 1, 2016 to September 30, 2016)

1. Information on net sales and profits or losses by reporting segment

(Millions of yen)

	Reporting Segment				Others *1	Total	Adjustment of segment income (loss) *2	Consolidated total *3
	Alcohol Beverages	Soft Drinks	Food	Overseas				
Net sales								
1) To outside customers	715,413	372,219	87,636	158,438	31,853	1,365,561	-	1,365,561
2) Inter-segment sales	20,071	5,088	1,240	1,981	43,720	72,102	(72,102)	-
Total	735,485	377,308	88,876	160,419	75,573	1,437,663	(72,102)	1,365,561
Operating income / loss	84,298	23,229	7,161	760	1,275	116,725	(14,083)	102,642

(Notes)

*1. "Others" includes the distribution business and others.

*2. Adjustment of segment income (loss) of (14,083) million yen includes corporate expense of (13,970) million yen which is not allocated to reporting segment and the elimination of inter-segment transactions, etc. of (112) million yen. The corporate expenses are mainly Group management expenses generated by the Company in its role as a pure holding company.

*3. Segment income (loss) was reconciled with operating income presented in the consolidated statements of income.

2. Information regarding asset impairment losses and goodwill based on reporting segments

There are no applicable items.

3. Item regarding changes on reporting segments

As a result by reviewing the internal management system, taking the opportunity afforded by reorganizing the business, classifications of reporting segments of some consolidated subsidiaries are changed.

The segment information for the previous third quarter of the consolidated financial year is published based on the classification mentioned above.

(5) Notes concerning significant changes in shareholders' equity

There are no applicable items.

(6) Significant subsequent events

(Takeover of companies funded by equity and stock acquisition)

On 11 October, Asahi Group Holdings, Ltd. ("Asahi") completed the acquisition of the Italian, Dutch and British businesses and other related assets of SABMiller Limited (formerly, SABMiller plc) ("SABMiller"), which was announced on 10 February 2016 in its news release, "Announcement of submission of a final binding offer to acquire the Peroni, Grolsch, Meantime and related businesses" and 19 April 2016 in its news release, "Announcement of execution of a share purchase agreement to acquire the Peroni, Grolsch, Meantime and related businesses".

1. The rationale of the acquisition

Asahi has updated its Long-Term Vision, which articulates foresight into the future for the entire Asahi Group, and has formulated a new Medium-Term Management Policy aimed at further development of management for corporate value enhancement. For the new Long-Term Vision, Asahi, as a comprehensive beverage and food business group whose core business is alcohol beverages, aim to be an industry leader in Japan with high added value as a key area of focus and establish a unique position as a global player that leverages strengths originating in Japan.

In addition, as one of the strategic imperatives under the new Medium-Term Management Policy, Asahi envisages strengthening its earnings power by positioning the domestic profit base as the cornerstone of earnings and the overseas business as a growth engine. Asahi has been working to expand its overseas platform for growth, mainly in Asia and Oceania, for some time, and has successfully created a capable network in Southeast Asia, China and Oceania. In an environment of slower economic growth in emerging countries and further global consolidation, Asahi intends to respond to various risks and opportunities and further accelerate its growth by leveraging the strengths developed in Japan.

As part of these strategies, Asahi has proposed to acquire the Peroni, Grolsch and Meantime brands, as well as the Italian, Dutch and British companies of SABMiller that manufacture and distribute these brands. Grolsch and Peroni are two of the best-known premium beer brands in the world with over 400 years and 150 years of history, respectively, and both are well recognized inter alia in Europe. Meantime is a pioneer brand in craft beer category in UK and is rapidly growing its popularity amongst the younger generation in urban areas such as London.

Through this proposed acquisition, Asahi aims to expand its growth platform in Europe and become a global player with a unique position, leveraging the distribution network of the Target Business to maximize synergies through increasing the presence of its flagship "Asahi Super Dry" brand.

2. The name of seller

Anheuser-Busch InBev SA/NV etc.

3. Name, business description and scale of the target companies

① Birra Peroni S.r.l.

Corporate Name	Birra Peroni S.r.l.
Business Description	Manufacturing, sales and distribution of beer
Amount of capital	132,276,728 Euro (approx. JPY16.9 billion *1) as of 31 March 2016
Equity ratio after acquisition	100%

② Royal Grolsch NV

Corporate Name	Royal Grolsch NV
Business Description	Manufacturing, sales and distribution of beer
Amount of capital	18,000 Euro (approx. JPY2.0 million *2) as of 31 March 2015
Number of acquired shares	16,921,507 shares
Equity ratio after acquisition	100%

③ Meantime Brewing Company Ltd.

Corporate Name	Meantime Brewing Company Ltd.
Business Description	Manufacturing, sales and distribution of beer
Amount of capital	2,784,672 pound (approx. JPY0.45 billion *1) as of 31 March 2016
Number of acquired shares	2,784,672 shares
Equity ratio after acquisition	100%

④ Miller Brands (UK) Ltd.

Corporate Name	Asahi UK Ltd. (formerly Miller Brands (UK) Ltd.)
Business Description	Manufacturing, sales and distribution of beer
Amount of capital	1,000 pound (approx. JPY0.2 million *1) as of 31 March 2016
Number of acquired shares	1,702 shares
Equity ratio after acquisition	100%

*1 1 pound = JPY161.92, 1 Euro = JPY127.7 as of 31 March 2016

*2 1 Euro = JPY130.32 as of 31 March 2015

4. The date of the acquisition

11 October, 2016

5. Purchase price

EUR 2,550 million on a cash free debt free enterprise value basis

(approximately JPY 294.5 billion, calculated at the rate of 115.5 as of 7 October 2016)

The figure mentioned above does not include the cost for accommodating the acquisition directly, such as advisory fee, which is not fixed yet.

6. Way of financing

Own capital and external financing