

Asahi Group Holdings, Ltd.



FY2019 H1 Consolidated Financial Results (IFRS)

NOTE:

All information has been prepared in accordance with International Financial Reporting Standards (IFRS). 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 August 1, 2019. This translation was made for information only. The Company gives no warranty with respect to its correctness.

**Summary Report of Financial Results
(Fiscal 2019 H1)**

August 1, 2019

Asahi Group Holdings, Ltd.

Code number: 2502
Shares Listed: First Section of each of Tokyo Stock Exchanges
Head Office: Tokyo
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Tel: + 81 3 5608 5126 (<https://www.asahigroup-holdings.com/en/>)
US GAAP: Not applicable

1. Overview of performance (From January 1, 2019 to June 30, 2019)

(figures are rounded down to the million)

(1) Business performance

(percentage figures represent the change from the previous year)

	Revenue		Core Operating Profit		Operating Profit		Profit for the period	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Fiscal 2019 H1 ended June 30, 2019	983,832	(2.1)	89,594	1.6	88,465	0.6	61,678	2.4
Fiscal 2018 H1 ended June 30, 2018	1,005,064	7.2	88,205	23.7	87,909	30.2	60,233	48.2
	Profit attributable to owners of parent		Total comprehensive income					
	(Millions of yen)	(%)	(Millions of yen)	(%)				
Fiscal 2019 H1 ended June 30, 2019	61,538	1.9	19,686	-				
Fiscal 2018 H1 ended June 30, 2018	60,378	48.3	(15,176)	-				
	Basic earnings per share		Diluted earnings per share					
	(yen)	(yen)						
Fiscal 2019 H1 ended June 30, 2019	134.34	134.33						
Fiscal 2018 H1 ended June 30, 2018	131.80	131.80						

(Reference) Profit before tax : FY2019 H1 ended June 30, 2019 87,387 millions of yen 2.5% FY2018 H1 ended June 30, 2018 85,275 millions of yen 41.0%

*Core operating profit is the reference index for normalized business performance. Core operating profit = Revenue - (COGS + general administrative cost)

*Core operating profit is not the index defined in IFRS. We think this index is useful for financial statements users so that we disclose it spontaneously.

(2) Financial Condition

	Total assets		Total Equity		Equity attributable to owners of parent		Equity ratio attributable to owners of parent	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)	(%)	
Fiscal 2019 H1 ended June 30, 2019	3,076,734	1,142,184	1,139,180	37.0				
Fiscal 2018 ended December 31, 2018	3,079,315	1,149,647	1,146,420	37.2				

2. Dividends

	Cash dividend per share				
	Q1	Q2	Q3	Year-end	Total annual
	(yen)	(yen)	(yen)	(yen)	(yen)
Fiscal 2018 ended December 31, 2018	-	45.00	-	54.00	99.00
Fiscal 2019 ended December 31, 2019	-	52.00	-	54.00	106.00
Fiscal 2019 ending December 31, 2019 (forecast)	-	-	-	54.00	106.00

Note: Changes to the latest dividend forecast announced: No

3. Forecast for Fiscal 2019 (January 1, 2019 to December 31, 2019)

	Revenue		Core Operating Profit		Operating Profit		Profit	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Fiscal 2019 ending December 31, 2019	2,120,500	0.0	221,500	0.1	215,500	1.8	151,500	0.4
	Profit attributable to owners of parent		Basic earnings per share					
	(Millions of yen)	(%)	(yen)					
Fiscal 2019 ending December 31, 2019	151,500	0.3	330.73					

Note: Changes to the latest consolidated results forecast announced: Yes

(Reference) Profit before tax : FY2019 ending December 31, 2019 forecast 212,100 millions of yen 2.3 %

Notes

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

New: - company (-), Excluded: - company (-)

(2) Changes in accounting policies, or changes in accounting estimates

(1) Changes in accounting policies required by IFRS: Yes (Refer to P.8 (4) Notes to the Condensed Consolidated Financial Statements)

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

(3) Changes in accounting estimates: No

(3) Number of shares (common stock):

(1) Issued share at period-end (including treasury shares):

H1 ended June 30, 2019 483,585,862 shares

Year ended December 31, 2018 483,585,862 shares

(2) Treasury shares at period-end:

H1 ended June 30, 2019 25,509,011 shares

Year ended December 31, 2018 25,506,181 shares

(3) Average number of outstanding shares during the period:

H1 ended June 30, 2019 458,078,413 shares

H1 ended June 30, 2018 458,095,876 shares

(Note) The treasury shares which are excluded from calculations of the number of treasury shares at the end of the fiscal period and the average number of shares during the period under review include the Company's shares held by Japan Trustee Services Bank, Ltd. as trust property of the performance-lined stock compensation system for the Directors.

(H1 ended June 30, 2019: 38,700 shares, Year ended December 31, 2018: 38,700 shares, H1 ended June 30, 2018: 38,700 shares)

*** This Consolidated Financial Results for the First Half is not subject to quarterly review procedures**

*** 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.

4. Consolidated Financial Statements (Unaudited)

(1) Consolidated Statement of Financial Position (As of December 31, 2018 and June 30, 2019)

(Millions of yen)

	As of December 31, 2018	As of June 30, 2019
(Assets)		
Current assets		
Cash and cash equivalents	57,317	51,721
Trade and other receivables	427,279	419,593
Inventories	160,319	181,925
Income tax receivables	37,308	5,760
Other financial assets	7,025	6,996
Other current assets	25,324	36,321
Total current assets	<u>714,576</u>	<u>702,317</u>
Non-current assets		
Property, plant and equipment	689,985	718,242
Goodwill and intangible assets	1,428,543	1,404,794
Investments accounted for using equity method	8,668	8,728
Other financial assets	184,533	180,461
Deferred tax assets	16,300	18,155
Net defined benefit assets	19,282	18,550
Other non-current assets	17,424	25,485
Total non-current assets	<u>2,364,738</u>	<u>2,374,416</u>
Total assets	<u>3,079,315</u>	<u>3,076,734</u>
(Liabilities and Equity)		
(Liabilities)		
Current liabilities		
Trade and other payables	416,842	427,029
Bonds and borrowings	262,620	442,327
Income tax payables	39,624	34,943
Allowance	17,655	13,764
Other financial liabilities	62,027	38,927
Other current liabilities	140,821	132,485
Total current liabilities	<u>939,591</u>	<u>1,089,477</u>
Non-current liabilities		
Bonds and borrowings	764,768	586,023
Net defined benefit liabilities	25,517	25,609
Deferred tax liabilities	137,277	132,341
Other financial liabilities	59,776	98,464
Other non-current liabilities	2,736	2,634
Total non-current liabilities	<u>990,076</u>	<u>845,072</u>
Total liabilities	<u>1,929,668</u>	<u>1,934,550</u>
(Equity)		
Issued capital	182,531	182,531
Share premium	119,128	119,156
Retained earnings	821,120	858,468
Treasury shares	(76,997)	(77,011)
Other components of equity	100,637	56,035
Total equity attributable to owners of parent	<u>1,146,420</u>	<u>1,139,180</u>
Non-controlling interests	3,227	3,004
Total equity	<u>1,149,647</u>	<u>1,142,184</u>
Total liabilities and equity	<u>3,079,315</u>	<u>3,076,734</u>

(2) Consolidated Statement of Profit or Loss and Comprehensive Income

(From January 1 to June 30, 2018 and 2019)

<Consolidated Income Statements>

(Millions of yen)

	Previous year (From January 1 to June 30)	Current year (From January 1 to June 30)
Revenue	1,005,064	983,832
Cost of sales	(618,019)	(604,989)
Gross Profit	387,044	378,843
Selling, general and administrative expenses	(298,839)	(289,249)
Other operating income	2,710	2,433
Other operating expense	(3,005)	(3,561)
Operating Profit	87,909	88,465
Finance income	4,244	6,483
Finance costs	(6,374)	(8,051)
Share of profit (loss) of entities accounted for using equity method	397	489
Gain (loss) on sales of investments accounted for using equity method	(901)	—
Profit before tax	85,275	87,387
Income tax expense	(25,042)	(25,708)
Profit for the period	60,233	61,678
Attributable to:		
Owners of parent	60,378	61,538
Non-controlling interests	(145)	140
Total	60,233	61,678
Basic earnings per share (JPY)	131.80	134.34
Diluted earnings per share (JPY)	131.80	134.33

<Consolidated Statement of Comprehensive Income>

(Millions of yen)

	Previous year (From January 1 to June 30)	Current year (From January 1 to June 30)
Profit for the period	60,233	61,678
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in fair value of financial instruments measured at fair value through other comprehensive income	3,974	1,004
Items that might be reclassified to profit or loss		
Cash flow hedges	1,201	1,194
Hedging cost	(409)	604
Translation difference on foreign operations	(82,732)	(44,664)
Share of other comprehensive income of entities accounted for using equity method	2,556	(130)
Total other comprehensive income	(75,409)	(41,992)
Total comprehensive income	(15,176)	19,686
Total comprehensive income attributable to:		
Owners of parent	(15,733)	19,747
Non-controlling interests	557	(61)

(3) Condensed Consolidated Statement of Changes in Equity

Fiscal 2018 (January 1 to June 30, 2018)

(Millions of yen)

	Equity attributable to owners of parent						
	Issued capital	Share premium	Retained earnings	Treasury shares	Other components of equity		
					Changes in fair value of financial instruments measured at fair value through OCI	Remeasurements of defined benefit plans	Cash flow hedges
Balance as of January 1, 2018	182,531	119,051	713,146	(76,747)	71,386	—	(624)
Cumulative effects of changes in accounting policies							
Restated Balance as of January 1, 2018	182,531	119,051	713,146	(76,747)	71,386	—	(624)
Comprehensive income							
Profit for the period			60,378				
Other comprehensive income					3,974		1,071
Total comprehensive income	—	—	60,378	—	3,974	—	1,071
Transfer to non-financial assets							271
Transactions with owners							
Dividends			(20,615)				
Purchase of treasury shares				(240)			
Disposal of treasury shares		0		0			
Changes through sales of consolidated subsidiaries							
Change in the scope of consolidation							
Share-based payment transaction		51					
Transfer from other components of equity to retained earnings			995		(995)		
Other increase (decrease)							
Total contributions by owners and distribution to owners	—	51	(19,619)	(240)	(995)	—	—
Total transactions with owners	—	51	(19,619)	(240)	(995)	—	—
Balance as of June 30, 2018	182,531	119,103	753,905	(76,987)	74,365	—	717

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity			Other components of equity related to disposal group held for sale	Total equity attributable to owners of parent		
	Hedging cost	Translation difference on foreign operations	Total other components of equity				
Balance as of January 1, 2018	(1,179)	141,010	210,592	(3,440)	1,145,135	7,612	1,152,748
Cumulative effects of changes in accounting policies			—		—		—
Restated Balance as of January 1, 2018	(1,179)	141,010	210,592	(3,440)	1,145,135	7,612	1,152,748
Comprehensive income							
Profit for the period			—		60,378	(145)	60,233
Other comprehensive income	(409)	(84,188)	(79,552)	3,440	(76,112)	702	(75,409)
Total comprehensive income	(409)	(84,188)	(79,552)	3,440	(15,733)	557	(15,176)
Transfer to non-financial assets			271		271		271
Transactions with owners							
Dividends			—		(20,615)	(463)	(21,079)
Purchase of treasury shares			—		(240)		(240)
Disposal of treasury shares			—		0		0
Changes through sales of consolidated subsidiaries			—		—	(1,711)	(1,711)
Change in the scope of consolidation			—		—	(2,703)	(2,703)
Share-based payment transaction			—		51		51
Transfer from other components of equity to retained earnings			(995)		—		—
Other increase (decrease)			—		—	(22)	(22)
Total contributions by owners and distribution to owners	—	—	(995)	—	(20,804)	(4,901)	(25,706)
Total transactions with owners	—	—	(995)	—	(20,804)	(4,901)	(25,706)
Balance as of June 30, 2018	(1,589)	56,821	130,315	—	1,108,868	3,268	1,112,136

(3) Condensed Consolidated Statement of Changes in Equity

Fiscal 2019 (January 1 to June 30, 2019)

(Millions of yen)

	Equity attributable to owners of parent						
	Issued capital	Share premium	Retained earnings	Treasury shares	Other components of equity		
					Changes in fair value of financial instruments measured at fair value through OCI	Remeasurements of defined benefit plans	Cash flow hedges
Balance as of January 1, 2019	182,531	119,128	821,120	(76,997)	53,015	—	(641)
Cumulative effects of changes in accounting policies			(1,993)				
Restated Balance as of January 1, 2019	182,531	119,128	819,126	(76,997)	53,015	—	(641)
Comprehensive income							
Profit for the period			61,538				
Other comprehensive income					1,004		1,163
Total comprehensive income	—	—	61,538	—	1,004	—	1,163
Transfer to non-financial assets							(271)
Transactions with owners							
Dividends			(24,736)				
Purchase of treasury shares				(14)			
Disposal of treasury shares		0		0			
Changes through sales of consolidated subsidiaries							
Changes in the scope of consolidation							
Share-based payment transaction		27					
Transfer from other components of equity to retained earnings			2,540		(2,540)		
Other increase (decrease)							
Total contributions by owners and distribution to owners	—	27	(22,195)	(13)	(2,540)	—	—
Total transactions with owners	—	27	(22,195)	(13)	(2,540)	—	—
Balance as of June 30, 2019	182,531	119,156	858,468	(77,011)	51,478	—	251

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity			Other components of equity related to disposal group held for sale	Total equity attributable to owners of parent		
	Hedging cost	Translation difference on foreign operations	Total other components of equity				
Balance as of January 1, 2019	(1,839)	50,103	100,637	—	1,146,420	3,227	1,149,647
Cumulative effects of changes in accounting policies			—		(1,993)		(1,993)
Restated Balance as of January 1, 2019	(1,839)	50,103	100,637	—	1,144,426	3,227	1,147,653
Comprehensive income							
Profit for the period			—		61,538	140	61,678
Other comprehensive income	604	(44,563)	(41,790)		(41,790)	(201)	(41,992)
Total comprehensive income	604	(44,563)	(41,790)	—	19,747	(61)	19,686
Transfer to non-financial assets			(271)		(271)		(271)
Transactions with owners							
Dividends			—		(24,736)	(161)	(24,897)
Purchase of treasury shares			—		(14)		(14)
Disposal of treasury shares			—		0		0
Changes through sales of consolidated subsidiaries			—		—		—
Changes in the scope of consolidation			—		—		—
Share-based payment transaction			—		27		27
Transfer from other components of equity to retained earnings			(2,540)		—		—
Other increase (decrease)			—		—		—
Total contributions by owners and distribution to owners	—	—	(2,540)	—	(24,722)	(161)	(24,883)
Total transactions with owners	—	—	(2,540)	—	(24,722)	(161)	(24,883)
Balance as of June 30, 2019	(1,234)	5,540	56,035	—	1,139,180	3,004	1,142,184

(4) Notes to the Condensed Consolidated Financial Statements

(Changes in Accounting Policies)

Asahi Group has adopted IFRS 16 "Leases" (hereinafter, the "Standard") since FY2019 Q1.

(1) Leases as Lessee

Under the Standard, in principle, a single accounting model will be used to treat lessee's leases on balance, and the lessee will recognize a right-of-use asset representing the right to use the underlying asset and a lease liability representing the obligation to make a lease payment.

Asahi Group record a right-of-use asset in Property, plant and equipment and lease liability in Other financial liabilities in Condensed Consolidated Statement of Financial Position

The Group will not restate comparative figures but recognizes the cumulative impact of the application of the Standard as an adjustment to the beginning balance of retained earnings on January 1, 2019.

In addition, the Group plans to apply a practical expedient to grandfather the definition of a lease on transition.

This means that the Standard will be applied to all contracts entered into before January 1, 2019, and identified as leases in accordance with IAS 17 "Leases" and IFRIC Interpretation 4 "Determining whether an Arrangement Contains a Lease."

(2) Leases as Lessor

Regarding the leases which Asahi Group is the lessor, excluding subleases, we do not need to adjust at the time of transition to the Standard.

Asahi Group has processed accounting based on the Standard since application start date.

(3) The impact to the Condensed Consolidated Financial Statements

Due to the application of the Standard, total assets increased 42,923 million yen and total liabilities increased 45,239 million yen, respectively.

The impact on profit for the period and cash flows during this period are immaterial.

(Notes Regarding Going Concern Assumptions)

None

(Significant subsequent events)

The Company resolved by the Board and agreed with Anheuser-Busch InBev (“AB InBev”) to acquire 100% of the shares of AB InBev’s Australian business (trading as Carlton & United Breweries or “CUB”) (“Proposed Transaction”) on July 19th.

(1) Rationale for the Proposed Transaction

Under our new group philosophy, “Asahi Group Philosophy” (“AGP”), introduced earlier this year, the Company articulated our vision of “Being a value creator globally and locally, growing with high value-added brands”. In our renewed Medium-Term Management Policy guided by the AGP, the Company aims to drive sustainable group growth by promoting premiumization and creating cross-selling initiatives across our core premium brands.

The Proposed Transaction is aligned with this strategy by adding the Australian beer and cider business (including intellectual property rights associated with a range of highly attractive brands, such as Carlton, Great Northern) to our existing Australian operations creating a stronger, global business platform with three core pillars in Japan, Europe and Australia.

Australia is an attractive market enjoying sustainable economic growth. The Company already participates in the Australian beer and cider categories (with global premium brands such as “Asahi Super Dry”, “Peroni” and “Pilsner Urquell”) and the non-alcoholic beverage category having undertaken several soft drinks acquisitions since 2009. Moreover, we expect to acquire the broad distribution network of CUB as well as benefitting from the advantage of greater scale in areas such as procurement by collaborating with Asahi’s existing Australian business which is of comparable size to CUB. The acquisition also further enhances Asahi’s management resources by bringing with it a wealth of talented global and local management.

integrating

The Company has integrated strengths of the brands and human resources that we have developed in each of our three core pillars. We aim to deliver sustained growth and enhanced corporate value in the medium to long-term as a “Glocal Value Creation Company”

(2) Overview of the Proposed Transaction

Below is an overview of the principal terms of the Proposed Transaction between Asahi and AB InBev.

- 1 Contract parties: Anheuser-Busch InBev (seller), Asahi Group Holdings or its 100% subsidiary (purchaser)
- 2 Target shares and assets: All of the issued shares in CUB’s beer and cider businesses and the companies engaged in other related businesses, 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.
- 3 Purchase price: AUD 16.0 billion on a cash free and debt free enterprise value basis (c. JPY 1,210 billion※1)
※1: Calculated at the rate of 75.6 AUD/JPY as of 18 July
- 4 Condition Precedent to completion: Approval from the Australian Competition and Consumer Commission and Foreign Investment Review Board of Asahi as the purchaser of the Target Business.

(3) Overview of the Target Business

The Target Business consists of 123 entities as of today.

Provided below is a brief description of one of the major entities comprising the Target Business.

1 Company name	CUB Pty Ltd
2 Registered head office	Melbourne, Australia
3 Business description	Manufacturing and sale of beer and cider

(4) Expected schedule of the Proposed Transaction

The schedule towards the completion of the acquisition is as follows.

1 Execution of the Sale and Purchase Agreement with AB InBev	July 19th, 2019
2 Completion of the Proposed Transaction post fulfilment of condition Precedents	First quarter of 2020 (scheduled)

(5) Financing plan

The Company plans to finance approx. JPY1.2 trillion bridge loan for the Proposed Transaction. After the completion of the Proposed Transaction, we would therefore consider raising JPY300.0 billion of equity credit attributes and the remaining amount by debt, as part of permanent financing of JPY1.2 trillion bridge loan for this transaction, in order to achieve early improvement of financial soundness, maintain current credit rating, and minimize refinance risk.

In connection with the above financing plan, we have completed the shelf registration of common stock (up to JPY200.0 billion) on July 19th, 2019.

(6) Impact on the financial performance

The completion of the Proposed Transaction is expected to take place in the first quarter of fiscal year ending December 2020. Accordingly, there will be no impact of the Proposed Transaction on the non-consolidated and consolidated financial performance for the fiscal year ending December 2019. In the event completion takes place during this year, we have not fixed the impact for the financial performance yet.