Heineken exits Russia at loss after €1 sale to Arnest Group

Max Kendix

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Heineken has completed its withdrawal from Russia, 18 months after Moscow began its invasion of Ukraine
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Heineken has finally completed its exit from Russia, having sold its operations for a symbolic €1 at a loss of €300 million.

The Dutch brewing giant had spent 18 months trying to sell its Russian business, after announcing plans to leave in March last year after the invasion of Ukraine and pulling its namesake beer.

Heineken said that Arnest Group would take over its Russian business, including seven breweries, for €1. Arnest, based in a small town in the north Caucasus, owns a can-packing business and is the largest cosmetics manufacturer in Russia. It has given employment guarantees for the next three years to the 1,800 Heineken employees in Russia.

Heineken expects non-cash exceptional losses of €300 million as a result of the sale. The deal included an agreement by Arnest to repay, in instalments, €100 million of intercompany debt owing to Heineken.

Heineken's Amstel lager brand will be phased out in Russia within six months. The company, which also owns the Desperados, Sol, Tiger, and Birra Moretti beer brands and the Old Mout, Strongbow and Orchard Thieves cider brands, said no international brands would be licensed to be sold in Russia, except three-year deals for smaller regional brands.

Dolf van den Brink, chief executive of Heineken, said: "We have now completed our exit from Russia. While it took much longer than we had hoped, this transaction secures the livelihoods of our employees and allows us to exit the country in a responsible manner."

The Russian government has made it gradually more difficult and expensive for western brands to leave after the invasion of Ukraine in February last year. For Heineken, the administrative hurdles included the threat of the company being deemed to be in "intentional bankruptcy", which would allow local authorities to appoint external management. The French dairy company Danone and the Danish brewer Carlsberg both had their Russian assets seized suddenly in July.

For a company from what the Kremlin deems as an "unfriendl"' country to leave Russia, it must first seek a valuation from government-appointed consultants. This figure is then halved under rules set by the Russian finance ministry late last year. Then the company must make a cash contribution to the federal budget of at least 10 per cent of the reduced figure.

In the first year of Russia's invasion about forty foreign companies have sold off assets worth more than $100 million, according to figures from the Russian central bank.

Van den Brink said: "Recent developments demonstrate the significant challenges faced by large manufacturing companies in exiting Russia."

Heineken had faced criticism after its Russian subsidiary announced that it had produced 61 new products in 2022, writing on the Russian website that it had been "'a turbulent year, with many new growth opportunities". The subsidiary was ringfenced earlier in the year, stopping the flow of money, royalties and dividends from Russia, meaning that the parent company enjoyed no net financial benefit from its Russian operations.

Mark Dixon, the founder of the Moral Rating Agency, which monitors corporate investment in Russia, said: "Heineken is no hero. It failed to leave Russia for a year and a half. The explanation that it took longer than expected doesn't hold water, because of course it's difficult to find a buyer if you remain so long a pariah state.

"Feet-draggers often want more money than their Russian assets are worth. Indeed, Heineken shareholders ended up with €1 and a €300 million exceptional loss as well as a brand damaged by Russian contagion ever since the invasion. The moral of the story is to do the right thing and fast."

Shares in Heineken, listed in Amsterdam, rose 62 cents, or 0.7 per cent, to €89.44.

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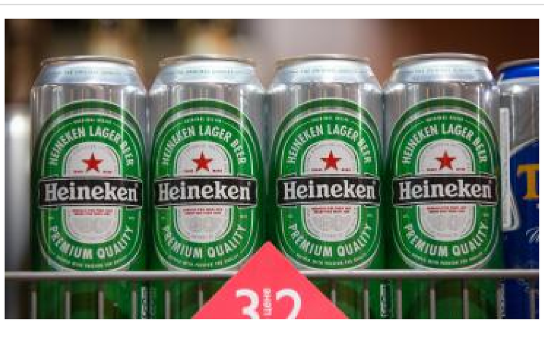

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