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Budweiser Brewing Company APAC Limited

百威亞太控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1876)

**UNAUDITED RESULTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022
AND
THE THIRD QUARTER 2022 FINANCIAL INFORMATION**

The board of directors (the “**Board**”) of Budweiser Brewing Company APAC Limited (“**Bud APAC**” or the “**Company**”, together with its subsidiaries, the “**Group**”) announces the unaudited results of the Group for the nine months ended 30 September 2022 as attached to this announcement.

The Board wishes to remind shareholders and potential investors that the unaudited results for the nine months ended 30 September 2022 have been prepared based on the Group’s internal records and management accounts and have not been reviewed or audited by independent auditors.

Shareholders and potential investors are advised not to place undue reliance on the unaudited results and to exercise caution in dealing in the securities of the Company.

By Order of the Board
Budweiser Brewing Company APAC Limited
Bryan Warner
Joint Company Secretary

Hong Kong, 27 October 2022

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Jan Craps as Co-Chair and Executive Director, Mr. Michel Doukeris as Co-Chair and Non-executive Director, Ms. Katherine Barrett (Mr. John Blood as her alternate) and Mr. Nelson Jamel (Mr. David Almeida as his alternate) as Non-executive Directors, and Mr. Martin Cubbon, Ms. Marjorie Mun Tak Yang and Ms. Katherine King-suen Tsang as Independent Non-executive Directors.



Bud APAC Reports Nine Months 2022 Result

“We delivered top- and bottom-line growth in the first nine months of 2022 with our diverse geographic footprint and the strength of our portfolio.

In China, COVID restrictions and escalating commodity costs subdued our performance, however we remain confident that our strategy and underlying momentum continue to position our business for future sustainable growth.

Meanwhile, we further accelerated our momentum in South Korea and India with industry recovery and market share gains driving double-digit top- and bottom-line growth in both markets.”

— Jan Craps, CEO and Co-Chair

Volume

72,715 thousand hl beer
+1.4%¹

Total volumes increased by 1.4% in 9M22 with strong performance in South Korea and India partially offsetting the impact of COVID restrictions in China.

Cost of Sales (CoS)

2,607 million USD
+9.9%

CoS increased by 9.9% and CoS per hl increased by 8.5% in 9M22, due to raw material and packaging cost escalations, partially offset by efficiency initiatives and optimized sourcing.

Normalized EPS³

6.64 cents USD

Normalized EPS increased from 6.60 cents USD in 9M21 to 6.64 cents USD in 9M22. Basic EPS increased from 6.44 cents USD in 9M21 to 7.00 cents USD in 9M22.

Revenue

5,313 million USD
+4.3%

Revenue grew by 4.3% and Revenue per hl grew by 2.9% in 9M22, driven by revenue management initiatives in South Korea and premiumization in India, partially offset by unfavorable channel shifts and geographic mix impacts from COVID restrictions in China.

Normalized EBITDA²

1,732 million USD
+0.8%

Normalized EBITDA in 9M22 was in line with 9M21 levels. Normalized EBITDA margin decreased by 110 bps to 32.6%, with commodity cost escalation partially offset by revenue management and efficiency initiatives.

Normalized Profit

878 million USD

Normalized profit attributable to equity holders of Bud APAC increased from 872 million USD in 9M21 to 878 million USD in 9M22. Profit attributable to equity holders of Bud APAC increased from 851 million USD in 9M21 to 925 million USD in 9M22.

Please refer to page 2 of this press release for footnotes 1 to 3 and to the end of this press release for important notes and disclaimers.



MANAGEMENT COMMENTS

In 3Q22, we delivered top- and bottom-line growth overall with volume and top-line growth across all countries. This was driven by continued momentum in South Korea and India, partially offset by a challenging environment in China. COVID channel restrictions in China weighed on revenue per hl and EBITDA, masking the underlying growth trends in our Premium and Super Premium portfolio. Concurrently, strong commercial performance further accelerated our business momentum in South Korea and India.

Figure 1. Consolidated performance (million USD)

	9M22	9M21	Organic growth ¹
Total volumes (thousand hls)	72,715	71,743	1.4%
Revenue	5,313	5,359	4.3%
Gross profit	2,706	2,915	-0.6%
Gross margin	50.9%	54.4%	-252 bps
Normalized EBITDA²	1,732	1,778	0.8%
Normalized EBITDA margin	32.6%	33.2%	-110 bps
Normalized EBIT	1,220	1,245	1.9%
Normalized EBIT margin	23.0%	23.2%	-52 bps
Profit attributable to equity holders of Bud APAC	925	851	
Normalized profit attributable to equity holders of Bud APAC	878	872	
Normalized basic earnings per share (cent USD)³	6.64	6.60	

In 9M22, total volumes grew by 1.4%, with revenue and revenue per hl growing by 4.3% and 2.9% respectively. Our normalized EBITDA increased by 0.8% while our EBITDA margin declined by 110 bps.

In 3Q22, total volumes grew by 6.3%, on the back of a favorable comparable in 3Q21 in both China and South Korea. We maintained normal inventory levels in all our key markets. Revenue grew by 7.2% with revenue per hl growth of 0.8% driven by revenue management initiatives in South Korea, which partially offset the impact of nightlife and Chinese restaurant channel restrictions in China. Normalized EBITDA in 3Q22 grew by 1.6%, driven by our performance in South Korea and India partially mitigating the challenges faced in China. Our normalized EBITDA margin declined by 175 bps in 3Q22.

¹ Unless otherwise stated, the growth rates presented in this document are based on organic growth figures and refer to 3Q22 and 9M22 versus the same period of last year. Please refer to the end of this press release for important notes and disclaimers.

² Normalized EBITDA is a key financial measure regularly monitored by management in managing the Group's performance, capital and funding structure. Normalized EBITDA is calculated by excluding the following effects from profit attributable to equity holders of Bud APAC: (i) non-controlling interests; (ii) income tax expense; (iii) share of results of associates; (iv) net finance cost; (v) non-underlying items above EBIT (including non-underlying costs) and (vi) depreciation, amortization and impairment. Please refer to the "Reconciliation between profit attributable to equity holders and normalized EBITDA" section of this press release for further information.

³ Normalized EPS calculation uses the normalized profit attributable to equity holders of Bud APAC divided by the weighted average number of shares outstanding deducting the shares held in trust held by a trustee (13,220,609,158 shares in 9M22 and 13,220,552,957 shares in 9M21).



Environmental, Social, and Governance (ESG)

In 3Q22, we continued to make solid progress toward our 2025 Sustainability Goals. We installed flexible and lightweight solar panels on the fermentation tanks and rooftops at our Wuhan brewery, yielding a maximum potential capacity of 5.3 Megawatts peak (MWp), and estimated to reduce carbon emissions by approximately 4,000 tons per annum. It is the first time that this lightweight solar technology has been applied in China's beer industry and also within AB InBev's global network.

Our corporate ESG achievements have been recognized by leading organizations. The Company recently secured three Grand Awards at the 2022 Hong Kong ESG Reporting Awards (HERA), namely the Best ESG Report (Large Cap), Excellence in Environmental Positive Impact, and the Carbon Neutral Award.

APAC WEST

In 9M22, our volumes in the APAC West region increased by 0.3%, with revenue increasing by 1.7%. Revenue per hl increased by 1.5% while normalized EBITDA declined by 4.0%.

Compared to 3Q21, volumes and revenue in 3Q22 increased by 5.2% and 4.4% respectively. Revenue per hl fell by 0.8% and normalized EBITDA declined by 1.9%.

China

In 9M22, volumes in China declined by 2.2%, with revenue down by 1.5%. Revenue per hl increased by 0.7% while normalized EBITDA declined by 5.9%.

COVID restrictions in 3Q22 were heavily focused on regions where our premium footprint is most concentrated, including the Southeast, North, and Northwest regions. Likewise, channel restrictions affected mostly our more premium channels such as nightlife venues and Chinese restaurants. However, volumes in 3Q22 still expanded by 3.7% year-on-year, with a more pronounced Core & Value mix, as they benefited from a soft base in 3Q21. Revenue increased by 1.6%, while revenue per hl declined by 2.0%, with our Premium and Super Premium segments negatively impacted by the channel restrictions across the country. Despite the ongoing external pressures, revenue of our Premium and Super Premium segments continued to grow compared to the same period last year and pre-pandemic levels, both on a quarterly and year-to-date basis. Normalized EBITDA declined by 3.1% with anticipated cost headwinds being partially offset by agile commercial investment management.

During the quarter, we further progressed our expansion strategy, with Budweiser and our Super Premium portfolio growing volume by double digits in expansion cities outside of those regions impacted by COVID restrictions. We also continued to make strides on the digitization front. As of 9M22, our digitized B2B wholesaler and customer engagement platform 'BEES' has been expanded to more than 90 cities and generated more than 1 billion RMB of net revenue. In the month of September, BEES accounted for more than 10% of our revenue.



In parallel, we continue to lead premiumization and innovation in China. With increasing consumer demand for new product offerings and differentiated drinking experiences, we launched “059 Coastline”, a locally inspired craft brand, in Fujian. Representing the province’s district code “059” and iconic coastline, it is brewed with local ingredients such as Dahongpao tea from Wuyi mountain and mangos from Xiamen, highlights Fujian’s distinctive cultural background. The brand’s launch is supported by the opening in July of a new craft brewery with a dedicated brew master for the brand, attracting both locals and visitors to enjoy this unique craft beer destination.

India

The beer industry in India recovered to pre-pandemic levels, and we outperformed the industry in both 3Q22 and 9M22 based on our estimates. We continued to grow the business in India, now becoming the 5th largest market globally for the Budweiser brand. In addition, we translated the continued top-line growth to the bottom-line, delivering strong double-digit growth in volume, revenue, and EBITDA.

APAC EAST

In 9M22, volumes expanded by 10.0% and revenue per hl by 5.4%, delivering 16.0% revenue growth. Normalized EBITDA expanded by 30.2%.

In 3Q22, volumes expanded by 15.0%, with revenue per hl growing by 3.9%, leading to 19.5% revenue growth. Normalized EBITDA grew by 18.3%.

South Korea

In 3Q22, the operating environment continued to improve with all COVID restrictions lifted from on-premise channels. Volumes expanded by double digits with further industry recovery and continued market share growth supported by the strong performance of ‘All New Cass’ throughout summer.

Revenue grew by double digits in 3Q22. Revenue per hl expanded by mid-single digits, driven by revenue initiatives implemented earlier in the year across our core and premium portfolio partially offset by the channel mix impact of a volume shift from in-home to on-premise. EBITDA in 3Q22 increased by double digits with an expanded EBITDA margin despite a tougher comparable from commercial investment phasing.



Bud APAC Consolidated Financial Information

Figure 2. Bud APAC consolidated income statement (million USD)

	9M22	9M21	Organic growth
Total volumes (thousand hls)	72,715	71,743	1.4%
Revenue	5,313	5,359	4.3%
Cost of sales	(2,607)	(2,444)	-9.9%
Gross profit	2,706	2,915	-0.6%
SG&A	(1,592)	(1,769)	2.0%
Other operating income	106	99	9.1%
Normalized profit from operations (normalized EBIT)	1,220	1,245	1.9%
Non-underlying items above EBIT	(8)	(26)	
Net finance income/(cost)	9	(10)	
Share of results of associates	25	28	
Income tax expense	(295)	(361)	
Profit for the period	951	876	
Profit attributable to non-controlling interests	26	25	
Profit attributable to equity holders of Bud APAC	925	851	
Normalized EBITDA	1,732	1,778	0.8%
Normalized profit attributable to equity holders of Bud APAC	878	872	
	3Q22	3Q21	Organic growth
Total volumes (thousand hls)	27,489	25,862	6.3%
Revenue	1,860	1,882	7.2%
Cost of sales	(906)	(845)	-14.2%
Gross profit	954	1,037	1.3%
SG&A	(564)	(619)	-1.9%
Other operating income	39	32	28.1%
Normalized profit from operations (normalized EBIT)	429	450	2.4%
Non-underlying items above EBIT	(3)	(4)	
Net finance income	1	4	
Share of results of associates	13	11	
Income tax expense	(129)	(103)	
Profit for the period	311	358	
Profit attributable to non-controlling interests	11	10	
Profit attributable to equity holders of Bud APAC	300	348	
Normalized EBITDA	593	623	1.6%
Normalized profit attributable to equity holders of Bud APAC	303	352	



Volumes

Total volumes increased by 1.4% in 9M22, which was mostly attributed to strong performance in South Korea and India partially offsetting the impact of COVID restrictions in China. In 3Q22, our volumes increased by 6.3%, lapping a soft base in 3Q21 in both China and South Korea.

Revenue

Revenue increased by 4.3% in 9M22 with revenue per hl growing by 2.9%. In 3Q22, our revenue grew by 7.2% with revenue per hl increasing by 0.8% as revenue management initiatives in South Korea partially offset the negative mix impact from nightlife and Chinese restaurant channel restrictions in China.

Cost of Sales (CoS)

CoS increased by 9.9% or 8.5% on a per hl basis in 9M22. In 3Q22, CoS increased by 14.2% or 7.4% on a per hl basis, primarily driven by raw material and packaging cost escalations, partially offset by efficiency initiatives and optimized sourcing.

Selling, General and Administrative Costs (SG&A)

SG&A decreased by 2.0% in 9M22 and increased by 1.9% in 3Q22, from agile cost management and commercial investment optimization in the context of COVID restrictions in China.

Other operating income

Other operating income increased by 9.1% in 9M22 and 28.1% in 3Q22, due to phasing.

Non-underlying items above EBIT

Figure 3. Non-underlying items above EBIT (million USD)

	9M22	9M21
Cost arising from COVID response activities	(1)	(1)
Restructuring	(7)	(25)
Impact on profit from operations	(8)	(26)



Normalized profit and profit

Figure 4. Normalized profit attributable to equity holders of Bud APAC (million USD)

	9M22	9M21
Profit attributable to equity holders of Bud APAC	925	851
Non-underlying items, before taxes	8	26
Non-underlying taxes	(55)	(5)
Normalized profit attributable to equity holders of Bud APAC	878	872

Earnings per share

Figure 5a. Basic earnings per share (cent USD)

	9M22	9M21
Basic earnings per share	7.00	6.44
Non-underlying items, before tax	0.06	0.20
Non-underlying taxes	(0.42)	(0.04)
Normalized basic earnings per share	6.64	6.60

Figure 5b. Diluted earnings per share (cent USD)

	9M22	9M21
Diluted earnings per share	6.99	6.43
Non-underlying items, before tax	0.06	0.20
Non-underlying taxes	(0.42)	(0.04)
Normalized diluted earnings per share	6.63	6.59



Reconciliation between profit attributable to equity holders and normalized EBITDA

Figure 6. Reconciliation of normalized EBITDA to profit attributable to equity holders of Bud APAC

	9M22	9M21
Profit attributable to equity holders of Bud APAC	925	851
Non-controlling interests	26	25
Profit for the period	951	876
Income tax expense (excluding non-underlying)	350	366
Share of result of associates	(25)	(28)
Net finance (income)/cost	(9)	10
Non-underlying items income tax income	(55)	(5)
Non-underlying items above EBIT	8	26
Normalized EBIT	1,220	1,245
Depreciation, amortization and impairment	512	533
Normalized EBITDA	1,732	1,778

Normalized EBITDA is a key financial measure regularly monitored by management in managing the Group's performance, capital and funding structure.

Normalized EBITDA is calculated excluding the following effects from profit attributable to equity holders of Bud APAC: (i) non-controlling interests; (ii) income tax expense; (iii) share of results of associates; (iv) net finance cost; (v) non-underlying items above EBIT (including non-underlying costs); and (vi) depreciation, amortization and impairment.

Normalized EBITDA and normalized EBIT are not accounting measures under IFRS accounting and should not be considered as an alternative to profit attributable to equity holders as a measure of operational performance, or an alternative to cash flow as a measure of liquidity. Normalized EBITDA and normalized EBIT do not have a standard calculation method and Bud APAC's definition of normalized EBITDA and normalized EBIT may not be comparable to that of other companies.



Notes

To facilitate the understanding of Bud APAC's underlying performance, the analyses of growth, including all comments in this press release, unless otherwise indicated, are based on organic growth and normalized numbers. In other words, financials are analyzed eliminating the impact of changes in currencies on translation of foreign operations, and scope changes. Scope changes represent the impact of acquisitions and divestitures, the start or termination of activities or the transfer of activities between segments, curtailment gains and losses and year over year changes in accounting estimates and other assumptions that management does not consider as part of the underlying performance of the business.

Whenever presented in this document, all performance measures (EBITDA, EBIT, profit, tax rate, EPS) are presented on a "normalized" basis, which means they are presented before non-underlying items, unless otherwise indicated. Non-underlying items are either income or expenses which do not occur regularly as part of the normal activities of Bud APAC. They are presented separately because they are important for the understanding of the underlying sustainable performance of Bud APAC due to their size or nature. Normalized measures are additional measures used by management and should not replace the measures determined in accordance with IFRS as an indicator of Bud APAC's performance.

In particular, normalized EBITDA and normalized EBIT are not accounting measures under IFRS accounting. Normalized EBITDA and normalized EBIT should not be considered as an alternative to profit attributable to equity holders as a measure of operational performance, or an alternative to cash flow as a measure of liquidity. Normalized EBITDA and normalized EBIT do not have a standard calculation method and the Group's definition may not be comparable to that of other companies.

Values in the figures and annexes may not add up, due to rounding.

Legal disclaimer

This release contains "forward-looking statements". These statements are based on the current expectations and views of future events and developments of the management of Bud APAC and are naturally subject to uncertainty and changes in circumstances. Forward-looking statements include statements typically containing words or phrases such as "will likely result", "are expected to", "will continue", "is anticipated", "anticipate", "estimate", "project", "may", "might", "could", "believe", "expect", "plan", "potential", "we aim", "our goal", "our vision", "we intend" or similar expressions that are forward-looking statements. All statements other than statements of historical facts are forward-looking statements. You should not place undue reliance on these forward-looking statements, which reflect the current views of the management of Bud APAC, are subject to numerous risks and uncertainties about Bud APAC and are dependent on many factors, some of which are outside of Bud APAC's control. There are important factors, risks and uncertainties that could cause actual outcomes and results to be materially different, including but not limited to, the effects of the COVID pandemic and uncertainties about its impact and duration and the risks and uncertainties relating to Bud APAC as described in the prospectus of Bud APAC dated 18 September 2019, 2021 Annual Report and other documents that Bud APAC has made public. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

The forward-looking statements should be read in conjunction with the other cautionary statements that are included elsewhere, including Bud APAC's prospectus dated 18 September 2019, 2021 Annual Report and any other documents that Bud APAC has made public. Any forward-looking statements made in this communication are qualified in their entirety by these cautionary statements and there can be no assurance that the actual results or developments anticipated by Bud APAC will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Bud APAC or its business or operations. Except as required by law, Bud APAC undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or developments or otherwise.



Budweiser Brewing Company APAC Limited
百威亞太控股有限公司

Press Release

Hong Kong / 27 October 2022 / 7.00am HKT

CONFERENCE CALL

Thursday, 27 October 2022

11:30am Hong Kong

Please refer to dial-in details on our website at <https://budweiserapac.com/Upcoming/index.html>

About Budweiser Brewing Company APAC Limited

Budweiser Brewing Company APAC Limited ("Bud APAC") is the largest beer company in Asia Pacific, with leadership positions in Premium and Super Premium beer segments. It brews, imports, markets, distributes and sells a portfolio of more than 50 beer brands, including Budweiser®, Stella Artois®, Corona®, Hoegaarden®, Cass® and Harbin®. Bud APAC has expanded beyond beer into new categories such as ready-to-drink, energy drinks and spirits in recent years. Through its local subsidiaries, Bud APAC operates in its principal markets, including China, South Korea, India and Vietnam. Headquartered in Hong Kong SAR, China, Bud APAC operates 48 breweries and employs over 25,000 colleagues across APAC.

Bud APAC is listed on the Hong Kong Stock Exchange under the stock code "1876" and is a Hang Seng Composite Index member that is incorporated under the laws of the Cayman Islands. The company is a subsidiary of Anheuser-Busch InBev, the public company listed on Euronext which has over 600 years of brewing heritage and an extensive global presence.

For more details, please visit our website at: <http://www.budweiserapac.com>.