

# The ones who stayed

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## Who earned the most?

Energy and banking companies, as well as tobacco and food manufacturers, lead in terms of net profits. French company Total earned the most money in Russia, doubling its net profit year-on-year to 269 billion rubles (3.03 billion euros).

Total sold stakes in some Russian projects and gave up oil contracts, but did not leave Russia entirely. The company still owns 19.4% of Russian LNG producer Novatek, as well as shares in joint projects: 20% of Yamal LNG and 10% of Arctic LNG 2. The company said in a statement that European sanctions and Russian laws don't allow it allowed to find it non-Russian buyer of shares.

"An ill-considered abandonment of these interests would enrich Russian investors, which is contrary to the purpose of the sanctions," the March 2022 statement said. The company's CEO, Patrick Pouyanné, also said last fall that Total will start its work in Russia continue to power Europe at the request of "European governments". Seventy percent of the gas from one of Russia's LNG plants is sent to the European Union. While exports of cheaper pipeline gas from Russia to Europe fell by almost half, LNG shipments increased by 20%.

Another contender in the top 100 is Raiffeisen Bank, which more than doubled its net profit to 141 billion rubles (1.59 billion euros). This is the second-best result in the industry, surpassed only by Russia's Sberbank. The Austrian bank made money because the largest Russian banks were decoupled from SWIFT.

According to Reuters, in March 2023 the European Central Bank asked Raiffeisen to develop an "action plan to conduct business" in Russia in view of the demands from the USA. Austrian officials considered the request to be "unjustified foreign interference," sources told Reuters. A representative of the Austrian Ministry of Finance also said that many countries continue to trade with Russia and that appropriate financial institutions are required for this trade to take place. A week later, Raiffeisen announced its decision to "assess the possibility" of selling or removing from assets its Russian branch.

Lay's advert featuring Russian soccer player Andrey Arshavin. Photo: PepsiCo

The most profitable food company was PepsiCo (USA). Net profit tripled in 2022 to 45 billion rubles (507 million euros). Last spring, the production of Pepsi, Mirinda and 7UP soft drinks in Russia was stopped. The only exceptions were dairy and baby products. But in the summer of 2022, sales of Evervess and Frustyle drinks started in Russia.

Coca-Cola also opted for the rebrand, but net income increased by just 3%. As customers debated whether the new version of the drink tasted the same as the old one, German company Heineken entered the soft drink race and launched its own cola. In 2022, the beer company managed to increase its net profit by 1.8 times. Original Coca-Cola and Pepsi drinks are now available in Russian shops; They are imported by different companies from different countries.

The sudden increase in profits of some companies producing consumer goods is due to the fact that their Western competitors, unless they completely left the country, reduced their activities in Russia, explains Ivan Fedyakov, CEO of the analysis agency INFOLine *Novaya Europe*. He cites Mondeléz (Milka, Alpen Gold, Oreo) as an example: net profit increased threefold to 27 billion rubles (304 million euros). However, the growth of this index does not always mean a successful sale, explains Fedyakov. The increase in net profit may also be related to the reduction in investments in production and advertising in the face of uncertainty.

Of the big tobacco companies, British Imperial Brands was the only one to withdraw from Russia. Meanwhile, its competitors significantly increased their net profits last year: Japan Tobacco by half, up to 43 billion rubles (484 million euros), British American Tobacco by 81%, up to 14 billion rubles (158 million euros). At the same time, Russians are now buying more European-made cigarettes. The number of tobacco deliveries from Germany doubled in the first three months of 2023 compared to the previous year.

## Loans to the military and humanitarian aid

The willingness of many foreign companies to do business in Russia during the war has drawn criticism from the international community. Ukraine's National Corruption Prevention Agency (NACP) has compiled a list of "war sponsors". The agency is calling for sanctions against these companies because they "provide goods and services of paramount importance to the government and private sectors, and in addition increase the government budget."

In particular, the NACP accused Raiffeisen of recognizing the self-proclaimed "People's Republics" of Donetsk and Luhansk ("DPR" and "LPR"), offering Russian soldiers "favorable credit terms" and "playing along with Russian propaganda". In response, the bank clarified that it was acting in accordance with the Russian law on payment holidays for participants in the "special operation on the territory of the DPR and LPR".

The list includes one Hungarian company, with Greece holding the highest number with five companies. Until those companies are banned from the list, the two countries have decided to block approval of the 11th package of sanctions against Russia, Politico reported.

Employees of foreign branches in Ukraine are also demanding that these companies stop working with Russia. In response to pressure from Ukrainian employees, the German supermarket chain Metro has resorted to threats, said Ukrainian businessman and former minister Dmytro Dubilet. According to him, the German office stated that Ukraine would be deprived of central procurement and supplies of goods, which could lead to a complete halt to business in the country.

Western companies have also been criticized for using humanitarian pretexts to cover up their willingness to stay in Russia. In particular, Moral Rating Agency founder Mark Dixon criticized PepsiCo for making chips in Russia in an interview with The Wall Street Journal: "If chips are essential, what food isn't?"

## What keeps companies in Russia?

Foreign companies are not allowed to sell their businesses or shares in Russian companies without the approval of the Government Foreign Investment Commission. In the summer of 2022, Russia's Finance Minister Anton Siluanov confirmed that officials were demanding a discount of at least 50% from companies from "unfriendly" countries.

Later, these requirements became even stricter. In December 2022, two selectable conditions were added to the 50 percent rebate: either a company that wants to leave Russia pays 10 percent of the sum as a "voluntary donation" to the Ministry of Finance, or the buyer is granted a payment delay of several years. This year companies were deprived of this choice – the "voluntary contribution" became mandatory. The Russian government gave foreign companies two options to sell.

- If a business is sold at a discount of less than 90%, it must pay a "voluntary contribution" – 5% of the appraised value.
- If the discount is 90% or more, the contribution must be 10%.

The second option suggests that a company will leave Russia with nothing, explains Valery Zinchenko, senior partner of the Pen & Paper Bar Association *Novaya Europe*.

"Basically, we are creating conditions that allow foreign-invested companies to continue working here, so exiting is not profitable for foreign companies," Siluanov previously admitted.

The companies that were vocal about withdrawing from Russia early in the war said too soon, says economist Vladislav Inozemtsev *Novaya Europe*. "Nobody understood what it means to leave Russia." Now the companies that want to do this have to use the most unprofitable option: a potential buyer will not agree to a discount of less than 90%, says the expert. Exceptions are Russian companies that operate on the international market and want to make a serious impression, notes Inozemtsev. For example, the Russian company Novatek, which sells LNG to Europe, bought the British Shell company's stake in the Sakhalin-2 project for 94.8 billion rubles (1.07 billion euros).

According to a special decree of Russian President Vladimir Putin, the money from the sale of the foreign stake in the project had to be transferred to a special Russian account. But Shell was allowed to withdraw the money abroad after Novatek's owner, Leonid Michelson, personally appealed to Putin, the Russian newspaper Kommersant reported at the time.

According to the government portal Digital Budget on May 27, as of December 2022, foreign companies paid the state "voluntary contributions" worth 33 billion rubles (371 million euros). The net worth of the top 100 companies from "unfriendly" countries is over 5 trillion rubles (\$60.1 billion). If they all decide to leave Russia while their companies are valued around that price, they will end up paying about 250-500 billion rubles (\$3.1-5 billion) in "voluntary contributions."

The companies willing to take a loss to leave Russia will have to wait indefinitely for a deal to be approved. Zinchenko said there was a queue of at least 3,000 companies that had to be considered by the commission "without strict review deadlines". "Related to unclear policies, foreign companies face a large number of denials and obstacles in their attempt to obtain the necessary approval."

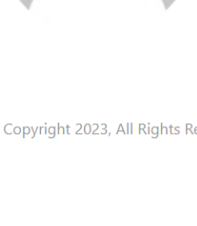
"The commission meets three times a month and doesn't review more than seven applications per meeting – so you can do the math," the Financial Times previously reported, citing a source.

Another obstacle for American companies is the US government. The Treasury Department's Office of Foreign Assets Control (OFAC) said companies would need a special license from OFAC to pay the "voluntary contribution."

"Basically, Putin invented a whole new way of confiscating property. When such events happened in Venezuela or in African countries, total nationalization followed. Apparently Western companies have filed lawsuits and won [those] governments. But Putin has come up with a very cunning plan. The government allegedly does not rob you of anything, but creates conditions that force you to sell your assets to who knows who for a ruble," concludes Inozemtsev.

Infographics: Artyom Shchennikov

Source : novayagazeta.eu



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