

IMPACT OF FOREIGN COMPANIES SELF-SANCTIONING ON RF ECONOMY

Prepared by the KSE Institute team and KSE members of the Board of Directors; 06-12.06.2022

Disclaimer: At the beginning of the Russian invasion of Ukraine KSE Institute launched an analytical project, which was named "SelfSanctions", aimed to collect data on foreign companies operating in the Russian market and limiting or terminating their activities. Examination of data was conducted jointly with specialists from the Ministry of Economy, the Ministry of Foreign Affairs and the Ministry of Digital Transformation of Ukraine.

The database contains a lot of information, we collect daily statistics on changes in the status of foreign companies operating/operated in the Russian market and limiting or terminating their activities. Also, we created the Telegram bot https://t.me/exit_ru_bot for tracking/monitoring of news on priority foreign companies (coverage 1, 2, 3 or 7 days of monitoring). Also, we do regular analysis of changes in share prices and capitalization of parent groups of companies that have or have had business in Russia.

KSE database is partly based on the [Yale's School of Management database](#), [pravda.com.ua](#), [squeezingputin.com](#) and [leave-russia.org](#) websites and other open sources. Data is verified and KSE status is assigned. Data on stocks is taken from Google and Yahoo Finance. At the same time, the KSE database is more complete and comprehensive and contains ~40 percent more information than most other similar databases, as it also includes data on number of staff, revenue, capital and other financial indicators, the latest updates and changes in statuses, links to used sources, and daily updates from the telegram-bot etc.

KSE DATABASE SNAPSHOT as of 12.06.2022

Number of the companies **that continue Russian operations** (KSE's status "stay"¹) – **675 (-1 per week)**

Number of the companies **that have reduced current operations and hold off new Investments** (KSE's status "wait") – **457 (+7 per week)**

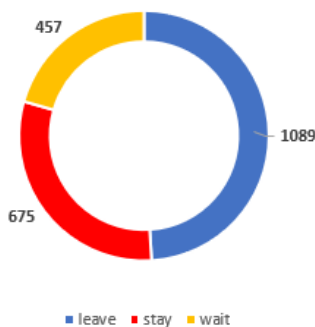
Number of the companies **that have curtailed Russian operations** (KSE's status "leave") – **1 089 (+2 per week)**

As of June 12, we have identified about **2,221 companies, organizations and their brands from 75 countries and 55 industries** and analyzed their position on the Russian market. About half of them are public ones, for ~ 400 public groups of companies, we also identified (where it was possible) their operating business in Russia (the presence of a controlling stake in a legal entity), which allowed us to calculate the value of capital invested in the country (about **\$113 billion**), local revenue (about **\$200 billion**), as well as staff (almost **0.7 million people**). **1,546 foreign companies have reduced, suspended or ceased operations in Russia.**

As can be seen from the tables below, **As of June 12**, companies that declared a **complete withdrawal** from Russia had **\$28.4bn in revenues** and **\$17.7bn in capital**; companies that **suspended their operations** on the Russian market had **yearly revenue of \$62.6bn** and **\$35.3bn in capital**. TOP-70 companies-the largest taxpayers paid ~ **\$20,2bn of taxes annually** - haven't completely withdrawn yet, although suspended or scaled back.

KSE Institute

of foreign companies operated/operating in RF



TOP-10 countries and industries by # of companies from KSE database

Country of HQ	# of companies
USA	579
Germany	235
Great Britain	192
France	131
Japan	108
China	82
Switzerland	82
Italy	80
Finland	79
Netherlands	76

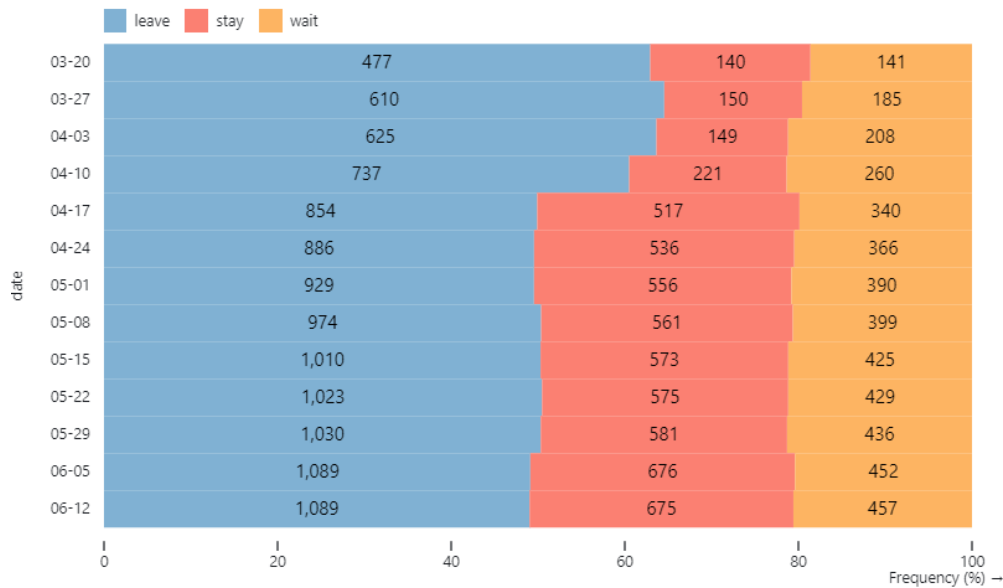
Industry	# of companies
FMCG/Consumer goods	244
Finance and payments	161
IT	155
Energy, oil and gas	131
Industrial equipment	125
Automotive	115
Pharma, Healthcare	112
Electronics	101
Food&Beverages	101
Consulting, Law	73

¹ - KSE status "leave" - Companies that have published on the company's official website (or their release has appeared in a foreign publication such as FT, NYT, etc.) that are completely shutting down in Russia or companies that have officially announced that they are temporarily reducing operations in Russia
 - KSE status "wait" - Companies that have published on the company's official website (or their release has appeared in a foreign publication such as FT, NYT, etc.) that they are reducing only part of their business operations by continuing to work on other operations or companies that have reported delaying future investment / development / marketing, while continuing their core business
 - KSE status "stay" - Companies that ignore exit / downsizing requirements in Russia, as well as companies that have officially stated that they remain in Russia or news of their exit have not been found

The following table is based on data available for ~400 TOP public companies operated/operating in RF²:

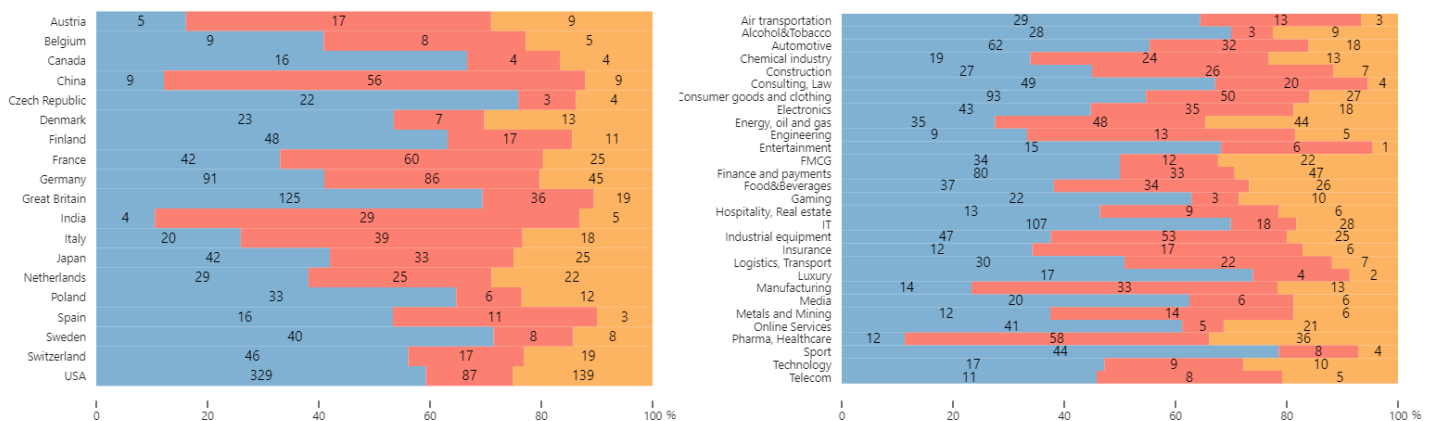
KSE Institute	Status by KSE	Number of staff	Revenue, USD m	Capital, USD m
	leave, including:	350 237	91 039	53 000
	complete withdrawal	158 310	28 426	17 681
	suspended operations	191 927	62 613	35 319
	wait	171 344	70 735	40 008
	stay	147 667	35 363	18 204
	N/A	11 748	3 366	1 815
	Total	680 996	200 502	113 027

If since the beginning of the Russian invasion of Ukraine, the percentage of companies that closed operations in Russia has risen sharply by mid-March, in the last month the ratio of those who leave or stay is virtually unchanged. although we still see a periodic increase in the share of those companies that remain in the Russian market. However, about a half (49.0%) of foreign companies have already announced their withdrawal from the Russian market, but another 30.4% are still remaining in the country.



The actions of companies by sector (based on the KSE database, with at least 50 companies representing the industry and with at least 40 companies per country) are shown in the graphs below.

Decisions of Western companies by country and sector:



² We started to collect information for more companies and will update the database with extended information soon. Also, we started to monitor additionally whether companies really stated any actions to exit the country (currently we observe a very small number of such companies). So far we found information only about a few companies which started selling their business in Russia. Even for most of them – it's just an intention or they just started the process of sale. Everything else is mostly the statements or some preliminary steps. More details will be available soon once we analyze more data/information and find the reputable sources for verification.

WEEKLY FOCUS. AIR TRANSPORTATION AND AIRCRAFT INDUSTRY

Russia's aviation industry is one of the most affected by the sanctions. Many countries closed airspace to Russian flights, while Russian companies cannot repair and buy planes. After February 24, almost all international airlines and major aircraft builders left the Russian market. **However, 31 international airlines are still operating in Russia, and four more plan to resume operations in June.**

For instance, some of the neighboring countries continue flights to Russia: **Belavia** (Belarus), **Armenia** (Armenia), **Avia Air Traffic** (Kyrgyzstan), **Flyone Armenia** (Armenia), **Qazaq** (Kazakhstan), **Qanot Sharq** (Uzbekistan), **SCAT** (Kazakhstan), **Somon Air** (Tajikistan) та **Uzbekistan Airways** (Uzbekistan). In addition, two airlines from Azerbaijan plan to return to the Russian market in June³: **AZAL** and **Buta Airways**.

Other companies that continue flights to Russia include **Air Algerie** (Algeria), **Air Arabia** (OAE), **Air Serbia** (Serbia), **AnadoluJet** (Turkey), **Ariana Afghan Airlines** (Afghanistan), **Conviasa** (Venezuela), **Corendon Airlines** (Turkey), **EgyptAir** (Egypt), **El Al Israel Airlines** (Israel), **Emirates Airlines** (OAE), **Etihad Airways** (OAE), **FlyDubai** (OAE), **Gulf Air** (Bahrain), **Iraqi Airways** (Iraq), **Mahan Air** (Iran), **Mongolian Airlines** (Mongolia), **Pegasus Airlines** (Turkey), **Qatar Airways** (Qatar), **Royal Jordanian** (Jordan), **Turkish Airlines** (Turkey), **Cham Wings** (Syria) та **Air China** (China). According to Russian media, one of the largest African airlines, **Ethiopian Airlines**⁴, and the Jordanian carrier **Fly Jordan Airlines**⁵, will return to the Russian market in June. A new airline **Southwind** has been created in Turkey for Russian passengers⁶. It may start flights this summer.

Russian airlines are looking for sanctions-busting ways. In particular, some of them are planning to move their business to Turkey⁷ to be able to buy new aircraft and spare parts. Another way is to switch to Russian-made planes. For example, **Aeroflot** plans to purchase 300 ships made in Russia⁸: SSJ100 (Superjet 100), MS-21 and Tu-214. The manufacturers claim that these vessels will be entirely produced in Russia.

Russian airlines have problems not only with their own fleet but also with the leased vessels. Aeroflot canceled all flights to Sri Lanka⁹ in June after a leased plane was arrested in Colombo. After all, the court allowed the plane to return to Russia, but Aeroflot did not restart flights. Back in March, the Russian authorities allowed to re-register leased aircraft, thus allowing Russian airlines not to return them to lessors. At the same time, airlines risk losing these planes, as they may be arrested in another country after landing.

Despite sanctions and closed flights to many countries, **31 international airlines fly to and from Russia.** Most companies that continue to operate in the Russian market are from Russia's neighboring and friendly countries. Four more airlines plan to return to the Russian market in June. Therefore, by the end of the month, 35 international airlines will operate in Russia. Russian airlines are taking steps to dodge sanctions. They plan to switch to Russian-made aircraft and are considering moving their offices to Turkey, which will allow them to buy new planes and spare parts for repairs without barriers.

³ https://azertag.az/ru/xeber/AZAL_vozobnovlyayet_polety_v_Rossiyu-2162489

⁴ <https://www.atorus.ru/node/47982>

⁵ <https://tourism.interfax.ru/ru/news/articles/88468/>

⁶ <https://www.aviacionline.com/2022/04/southwind-is-born-turkey-creates-airline-targeting-russian-tourists/>

⁷ <https://www.bloomberg.com/news/articles/2022-06-08/russian-airlines-consider-turkish-relocation-to-skirt-sanctions#xj4y7vzkg>

⁸ <https://www.reuters.com/business/aerospace-defense/russias-aeroflot-raise-up-3-billion-via-new-share-issue-2022-06-07/>

⁹ <https://simpleflying.com/aeroflot-sri-lanka-aircraft-seizure/>

What's new last week - key news from Daily monitoring (updated on a weekly basis)

06.06.2022

***Dow Jones & Company** (USA, Finance and payments) Status by KSE - *wait*

Dow Jones has refused to provide Russian banks with data on sanctions. They now face new restrictions and fines

<https://forbes.ua/news/dow-jones-vidmovivsvya-postachati-rosiyskim-bankam-dani-pro-sanktsii-im-teper-zagrozhuyut-novi-obmezhennya-ta-shtrafi-06062022-6416>

07.06.2022

***Amrest** (Poland, Public catering) Status by KSE - *wait*

Sold Pizza hut franchise to russian company, have other brands

<https://www.kommersant.ru/doc/5392616?from=main>

***International Skating Union** (Netherlands, Sport) Status by KSE - *leave*

The International Skating Union (ISU) has agreed to extend the ban of Russian and Belarusian athletes from its competitions until a decision from the Council or Congress to overturn it, but a motion to change its rules on suspending officials failed to secure the supermajority required.

<https://www.insidethegames.biz/index.php/articles/1124147/isu-russia-belarus-congress-suspension>

08.06.2022

***Valmet** (Finland, Industrial equipment) Status by KSE - *leave*

"Valmet will withdraw from Russia completely and will continue to implement the withdrawal in stages as the review of implementation options is fully completed."

<https://gofro.expert/en/news/valmet-hp-curtail-business-in-russia/>

***Google** (USA, Online Services) Status by KSE - *wait*

Russia has attempted to wall off its internet from the world but appears to recognize the potential backlash from citizens for banning the most popular services. For its part, Google has spoken out against Russia's actions but also has strategic and moral incentives to remain.

<https://edition.cnn.com/2022/06/03/tech/google-russia-youtube/index.html>

***Evonik Industries** (Germany, Chemical industry) Status by KSE - *stay*

A ban on Russian gas would harm Europe and its industry, according to Christian Kullmann, CEO of Evonik Industries AG, Germany's second biggest chemical manufacturer, on Saturday, June 4th.

At the beginning of March this year, representatives of Evonik Industries AG resigned from the Board of Directors of JSC Don Biotechnology.

<https://menafn.com/1104331460/German-business-cautions-against-Russian-gas-ban>

https://gorodn.ru/razdel/novosti_kompaniy/konflikty/38269/

***IBM** (USA, IT) Status by KSE - *leave*

IBM winding down Russian operation, laying off employees

<https://newsroom.ibm.com/Update-on-IBMs-Business-Operations-in-Russia>

***Japan Bank for International Cooperation** (JBIC) (Japan, Finance and payments) Status by KSE - *wait*

JBIC (govt bank) has suspended loans to a Russian natural-gas project in Siberia operated by Russian energy company Novatek.

<https://www.marketwatch.com/story/japan-govt-bank-extends-halt-of-loans-to-russian-lng-project-271654676014?mod=markets>

***Invesco** (USA, Finance and payments) Status by KSE - *wait*

Invesco shuts its Russia ETF (exchange traded fund)

<https://www.etfstream.com/news/invesco-to-terminate-russia-etf-as-index-and-swap-providers-call-time/>

09.06.2022

***Huawei** (China, Electronics) Status by KSE - *wait*

The Chinese company Huawei has started closing its official outlets in Russia

https://www.unian.net/techno/gadgets/kitavskaya-kompaniya-huawei-nachala-zakryvat-svoi-oficialnye-torgovye-tochki-v-rossii-11859264.html?utm_source=telegram&utm_medium=social&utm_campaign=unian_channel

***Match Group** (USA, IT) Status by KSE - *stay*

Match Group defied calls to abandon Russia amid invasion. Now it's paying

<https://www.dallasnews.com/business/local-companies/2022/05/04/match-group-defied-calls-to-abandon-russia-amid-invasion-now-its-paying/>

***Microsoft** (USA, IT) Status by KSE - *wait*

Microsoft Slashes Russia Operations After War Clouds Outlook. More than four hundred employees to be affected

<https://www.bloomberg.com/news/articles/2022-06-08/microsoft-slashes-russia-operations-after-war-clouds-outlook>

<https://www.reuters.com/technology/microsoft-cuts-russia-operations-due-ukraine-invasion-bloomberg-2022-06-08/>

***KPMG** (Netherlands Consulting, Law) Status by KSE - *leave*

KPMG Completes Exit From Russia

https://www.wsj.com/articles/kpmg-completes-exit-from-russia-and-belarus-as-war-on-ukraine-drags-on-11654709541?mod=hp_minor_posts8

***Volkswagen** (Germany Automotive) Status by KSE - *leave*

Volkswagen is offering 6mo pay-offs to employees at Nizhny Novgorod plant in Russia if they agree to quit voluntarily
<https://www.reuters.com/business/autos-transportation/volkswagen-offers-pay-offs-employees-who-quit-major-russia-plant-paper-2022-06-08/>

10.06.2022

***DMG Mori Seiki** (Japan, Industrial equipment) Status by KSE - *leave*

Japanese machine tool manufacturer Mori Seiki has completely stopped doing business in Russia

https://www.asahi.com/articles/ASQ687S46Q68ULFA025.html?iref=comtop_AcsRank_04

***Mantsinen** (Finland, Industrial equipment) Status by KSE - *leave*

Finland-based material handling equipment maker Mantsinen Group says it is “in the process of divesting our Russian businesses and [is] negotiating the sale of our subsidiaries.”

<https://mantsinen.com/2022/06/09/mantsinen-group-sells-its-business-in-russia/>

11.06.2022

***Eutelsat** (France, Telecom) Status by KSE - *stay*

Eutelsat is ready to immediately stop the rebroadcasting of the Russian channels RTR Planeta and Rossiya 24 on its satellites on June 25. It will act as soon as the implementing act is adopted by the Council of the EU. Eutelsat provides satellite TV to Russia and is reluctant to remove Russian propaganda channels unless there are regulations from EU.

https://www.lemonde.fr/economie/article/2022/05/10/eutelsat-defend-sa-neutralite-dans-la-diffusion-des-chaines-de-television-russes_6125474_3234.html

Get more details on a daily basis:

[KSE Telegram bot on news monitoring @exit_ru_bot](#)

[Twitter of SelfSanctions project](#)