

Nationalization of Russian Assets of Investors from Unfriendly States Continues

July 24, 2023

[On May 9, 2023, we wrote about Decree of the President of Russia No. 302 that created a framework for nationalization of Russian assets belonging to persons from “unfriendly” states \(the “Decree”\).](#) At that time the only assets to which nationalization applied were the shares in strategic energy companies Unipro, controlled by the Government of Germany, and Fortum, controlled by the Government of Finland. Media reported this was retaliation by Russia against the steps by Finland and Germany relating to seizure of specific Russian assets abroad.

On Sunday evening of July 16, 2023, President Putin signed Decree No. 520 extending the list of entities to which the Decree applies and effectively imposing temporary administration by the Russian Property Agency over:

- 100% of shares in Danone Russia JSC, 99.99% of which are currently held by Produits Laitiers Frais Est Europe (France) and 0.01% – by Danone Trade LLC (a wholly owned Russian subsidiary of Danone Russia JSC);
- 100% of participatory interests in Brewing Company Baltika LLC, 98.56% of which are currently held by Carlsberg Sverige Aktiebolag (Sweden), 1.35% by Hoppy Union LLC (wholly owned Russian subsidiary of Carlsberg Sverige Aktiebolag) and 0.09% by Carlsberg Deutschland GmbH (Germany).

If you have any questions concerning this memorandum, please reach out to your regular firm contact or the following authors

ABU DHABI

Yulia Solomakhina
+971 50 107 0058
ysolomakhina@cgsh.com

Nikita Klepalov
+971 50 210 7065
nklepalov@cgsh.com

WASHINGTON

Chase Kaniecki
+1 202 974 1792
ckaniecki@cgsh.com

LONDON

Polina Lyadnova
+44 20 7614 2355
plyadnova@cgsh.com

 clearygottlieb.com

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Both groups have major operations in Russia. Danone was the second largest dairy processor in Russia with sales of RUB 85.1 billion (~USD 940 million) and a 5.2% market share in processed milk and a 76% market share in drinkable yogurts in 2021, and Baltika was the second largest brewer in Russia with sales of RUB 82.6 (~USD 910 million) and a 27.3% market share in 2021.

Both groups announced their plans to exit Russia and suspended new investment in Russia in 2022. Moreover, Carlsberg Group reportedly signed an agreement to sell its stake in Brewing Company Baltika LLC subject to an approval from the Russian Governmental Commission for Control over Foreign Investments. It is not clear whether such exit plans may proceed now and on what terms after the government has taken over the management of the Russian entities.

Other assets of, and equity interests in, foreign businesses from unfriendly states may be added to the list, especially if such foreign businesses have announced plans to exit Russia and if the foreign shareholders' instructions are disruptive to the Russian economy. The industries that are most often mentioned by commentators as potential targets of nationalization include oil and gas, chemical industry, machine building, infrastructure, telecom, banking and food. A number of foreign

players in such industries were able to exit in 2022 and beginning of 2023.

To read more about sanctions imposed by the U.S., UK and EU on Russian persons in connection with the Russia-Ukraine conflict and Russian countersanctions, please visit [Sanctions Developments Resulting From the Conflict in Ukraine - Russia](#).

If you have any questions concerning this memorandum, please feel free to contact the authors – Chase D. Kaniecki, Polina Lyadnova, Yulia A. Solomakhina, – or your regular contacts at the firm.

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