

# State Eyes Norilsk Nickel Stake Amid Ownership Fight

By [The Moscow Times](#)

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Russia is considering buying a stake in Norilsk Nickel, the country's biggest mining company, amid an ownership battle between two of its largest shareholders, three people familiar with the matter said.

The government has approached Norilsk shareholders about buying a stake in the company, said the sources, who declined to be identified because the talks were private. Oleg Deripaska, the biggest shareholder in United Company RusAl, has discussed selling RusAl's 25 percent stake to state-owned companies, one of the people said. Two of the people said talks concerned other shareholders' stakes, not RusAl's.

President Dmitry Medvedev held talks in January 2009 with Deripaska and Vladimir Potanin, whose Interros Holding owns 25 percent of Norilsk, on proposals to create a merged commodity producer from six Russian companies. The plan was abandoned a month later.

Deripaska and Potanin are now involved in a dispute over the composition of Norilsk's board.

"Quite a lot of people in government would like for Norilsk to evolve into a national mining champion," said Chris Weafer, chief strategist with UralSib. "We're getting to the point where that decision has to be taken, and this agitation is reflected in the shareholder dispute. The state must choose by 2012 or call it off."

Norilsk shares rose as much as 3.5 percent Friday and closed up 1.3 percent at 5071.83 rubles on the MICEX. The MICEX Index finished Friday almost unchanged at 1380.86.

Prime Minister Vladimir Putin's spokesman, Dmitry Peskov, said he had "nothing to say" when asked about the possible purchase of a stake in Norilsk. Erzhenia Mintasova, a Norilsk spokeswoman, said the company "doesn't comment on the actions of our shareholders."

Maxim Sokov, RusAl's head of strategy, said the Norilsk stake was a strategic asset and that there were no plans to sell it.

"We strongly believe that the only reason the government could decide to look at buying a stake in Norilsk Nickel is because of the potential damage to the company being caused by past and possible future backstage deals between Interros and management of Norilsk Nickel," Sokov said in an e-mail.

Interros denied any plans to sell its stake in Norilsk.

"We never considered that issue because we've been investing in this company quite heavily," Andrei Bugrov, managing director of Interros, said by phone Wednesday.

State-controlled companies, including Russian Technologies, have begun talks with Potanin and minority shareholder Alisher Usmanov's Metalloinvest about purchasing their shares in Norilsk, one of the people said.

Usmanov acquired about 5 percent of Norilsk in 2008 when the conflict over control of the company emerged between Deripaska and Potanin. Usmanov, asked by Potanin to act as a so-called white knight to stave off Norilsk's merger with RusAl, called for the nickel company to consider a tie-up with Metalloinvest, Russia's biggest iron-ore producer.

Usmanov proposed the idea to Medvedev in January 2009, along with Deripaska and Potanin. Talks were abandoned after Metalloinvest and Norilsk couldn't agree on merger terms. Metalloinvest cut its ownership in Norilsk to 4 percent after the nickel company's share buyback in 2008.

Yulia Mazanova, a spokeswoman for Metalloinvest, declined to comment, as did Valery Kartavtsev, a spokesman for Russian Technologies.

Vladimir Zhukov, an analyst with Nomura International in Moscow, said RusAl might sell its Norilsk stake if it receives a good price. RusAl is trying to repay \$12 billion of debt.

"Keep in mind that this would allow RusAl quickly to reduce its leverage and resume investment in a large pipeline of products currently shelved until debt reduction covenants are met," Zhukov said.

"As the buyer would have to come from Russia, and given the lack of cash at most of the other private mining companies, the most natural buyer would be one of the state-controlled commercial banks, which are already involved either as creditors or shareholders in Norilsk or RusAl," he said.

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