

# RusAl Takes Norilsk Feud to London

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United Company RusAl stepped up its game in an ongoing dispute over the fate of Norilsk Nickel on Wednesday, as it filed a request to a London court to arbitrate its conflict with fellow Norilsk shareholder Interros.

RusAl has accused Interros of foul play since the aluminum major lost a seat on Norilsk's board in a June election, and since then the two have been engaged in a high-profile feud that will likely end with a change in the shareholder structure.

In 2008, RusAl and Interros, which each own 25 percent of Norilsk, agreed that all decisions would be made jointly, that they would have equal representation on the board, and that the board would be chaired by Alexander Voloshin, representing state-owned Vneshekonombank.

But at the June shareholders meeting, RusAl unexpectedly came in with only three board seats, compared with Norilsk's four, causing Voloshin to lose his seat.

Interros has said the vote was conducted in accordance with the rules, but RusAl says it was

unfairly manipulated.

According to the 2008 agreement, the two sides chose the London Court of International Arbitration as arbiter in case of any disputes, a spokeswoman for RusAl said.

RusAl asked the court to force Interros to fulfill the terms of the agreement so that the balance of Norilsk Nickel's board of directors is restored. It may also ask to be compensated for losses incurred because of the breach of agreement.

A date for the court hearing has not been fixed yet, but RusAl "seeks the speedy determination of this dispute in order that the parties' rights and obligations are established by arbitral award as quickly as possible," the company said in a statement.

RusAl may be fighting an uphill battle if it hopes to undo the changes to Norilsk's board, however.

"According to the Russian legislation, a decision made at the shareholders meeting can't be annulled even if it violates the terms of the companies' agreement," said Alexander Kovalev, head of corporate practice at Korelsky, Ishchuk, Astafiev & Partners. "Russian arbitration courts also can't tell shareholders how to vote."

RusAl's claims for compensation may be possible, Kovalev said, but only if they were provided for as part of its agreement with Interros.

"In order to have losses compensated it's necessary to prove that these losses had been borne. ... And just electing a board of directors that RusAl is not satisfied with is unlikely to cause any losses for the company," Kovalev said.

For its part, Interros welcomed the moving of the battlefield to London.

"[RusAl's threats] have finally come to fruition. We're glad. It's better than ceaseless and quite contradictory statements in the media," an Interros spokesman said.

The posturing by both sides in the wake of the shareholders meeting has been fierce. Both RusAl and Interros made high-profile offers to buy out the other's Norilsk stake.

RusAl has tried to get the state involved by reviving an earlier proposal calling for the state to take control of Norilsk and use it to create a state-owned mining champion.

Media reports have quoted Kremlin officials as ruling out such a move, but earlier this month, President Dmitry Medvedev ordered the Prosecutor General's Office to investigate whether any legal violations had taken place at Norilsk's annual shareholders meeting.

Nevertheless, the Kremlin is unlikely to take a side in the ongoing dispute and instead will play the role of peacemaker.

"The Kremlin will be trying to make the sides sit down at the negotiating table and seek the ways to resolve the conflict," said Tatyana Stanovaya, a political scientist with the Center of Political Technologies.

But a peaceful accord is unlikely, and the conflict will probably end by one side selling its stake, she said.

Norilsk Nickel declined to comment on Wednesday.

Meanwhile, a request by RusAl to hold an extraordinary shareholders meeting to re-elect Norilsk's board was approved by the board of directors on Wednesday.

The shareholders meeting will be held on Oct. 21, Norilsk said in a statement.

The announcement came after Norilsk Nickel's independent directors, Gerard Holden and Brad Mills, sent a letter to new chairman Vasily Titov expressing their support for RusAl's request to hold the extraordinary shareholders meeting.

"We believe that further urgent consideration should be given to requesting ... a review of the results of the AGM voting and that this report be commissioned quickly and made available publicly," they wrote in a letter.

They also called for the structure of the next board to include a maximum of three representatives from the management, three Interros representatives, three RusAl representatives and a minimum of four independent directors, including the board chairman.

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