

# Putin Opposes Deripaska's Dividend

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August 31, 2010



Prime Minister Vladimir Putin, center, touring a copper smelter at Norilsk Nickel. **Alexei Nikolsky**

Prime Minister Vladimir Putin dipped a careful toe into the heated and high-stakes battle for control of Russia's largest miner on Tuesday, telling Norilsk Nickel's warring shareholders during a visit to the plant that it paid unusually high dividends last year.

The comments supported the position of billionaire Vladimir Potanin's Interros, which fought off a proposal by rival owner United Company RusAl to pay 115 percent of last year's profit in dividends.

"Following the year's results, a decision was made to pay a dividend: It represented — attention — 50 percent of income," Putin told management at a meeting in Norilsk, according to the government's web site.

To drive home the point, Putin rattled off a list of other global miners' dividends. Swiss-based Xstrata paid 7.6 percent of its net income, Britain and Australia's Rio Tinto offered shareholders 18 percent. Australia's BHP Billiton paid out 38.2 percent of profit, and

Kazakhmys paid 6.6 percent, he said.

Putin reiterated that he was reluctant to get involved in the owners' dispute, which has been simmering since RusAl became a Norilsk shareholder in 2008. But the prime minister has repeatedly said Potanin and RusAl CEO Oleg Deripaska must settle their spat amicably to prevent harming the strategic company.

He also ordered the mining company to do more for the heavily polluted city of Norilsk and asked it to submit ideas for taxes on nickel and copper exports, which were eliminated in 2008.

The company's shares closed down 1.7 percent in Moscow, worse than the MICEX Index's loss of 0.1 percent on the day.

RusAl and Interros, which both own stakes of at least 25 percent in Norilsk, have made progress in resolving their dispute over the past week, Putin said.

The prime minister had planned to visit the company last week but was forced to postpone the trip because heavy fog prevented his plane from landing.

"At my request, the company's shareholders, management and the government have worked together on the company's complicated problems over this week, and it seems to me that there's a certain movement forward," Putin said without elaborating.

Both RusAl and Interros declined to comment on the issue.

But in a sign that tensions remain, Deripaska's plane was initially denied permission to land in Norilsk late Monday. The local airport is owned by Norilsk Nickel.

Just an hour before his flight, Deripaska received a telegram from the airport's director saying the airport had not cleared the landing, offering no explanation, RusAl said late Monday.

"Deripaska's jet was cleared to land in Norilsk due to the public attention and intervention of the governmental bodies," RusAl said in a statement.

Airport officials denied the accusations.

Deputy Prime Minister Igor Sechin, who oversees industry in the government, reiterated on Tuesday that the state does not plan to buy Interros or RusAl out of Norilsk. The government will not intervene in the dispute, he said, unless it begins to hurt the city of Norilsk, which depends almost exclusively on the nickel mine.

"The main shareholders will reconcile their positions. We don't interfere in corporate processes. That's the shareholders' business," Sechin said, Interfax reported.

He also said he "hadn't thought" about having a third major shareholder enter Norilsk.

Alisher Usmanov's Metalloinvest bought up close to 5 percent of the company in 2008 ahead of a possible merger, but it has since said it does not plan to boost its stake further.

Meanwhile, both Deripaska and Potanin said Tuesday that they saw no need for a third big

owner at Norilsk, the world's largest producer of nickel and palladium.

"To make it even more fun?" Potanin asked reporters, following a question about the possibility of a third big shareholder.

"The conflict doesn't exist for me personally. ... There are different approaches to how the enterprise should develop and be managed," he said, adding that Interros felt shareholders should not be interfering in the company's operations.

Potanin also reiterated his readiness to buy out RusAl's stake in Norilsk.

"RusAl said that it didn't want to sell, it's a long-term investment for them. But if such plans appear, we'll talk," he said.

Deripaska said Tuesday that he planned to hold talks with Norilsk's minority shareholders to have the structure of Norilsk's board of directors changed following an extraordinary shareholders meeting scheduled for October.

He criticized the current structure of the board, which saw RusAl get three representatives, compared with Interros' four.

Combined with Norilsk management's three directors, Interros can effectively run the 13-member board, analysts have said.

Deripaska said that having three directors from Norilsk management is "senseless," and he repeated a proposal to add more independent directors to the board.

RusAl accused Interros and Norilsk management of foul play in the last board elections in June, and President Dmitry Medvedev has ordered prosecutors to investigate the dispute.

Interros and Norilsk deny the accusations and have responded by saying RusAl is seeking to run the company — including by demanding excessive dividends — at the expense of other owners.

But Putin said Tuesday that the government was happy with its minority investment in the miner. State-run Vneshekonombank, whose supervisory board Putin chairs, made a 200 percent profit on the stake it bought in 2009 to prop up the share price.

"I gave the order to Vneshekonombank back then and we bought up [shares]. ... We bought them for a reason, specially to support you — 3 percent on the market at a difficult time for you, 'at war' in the crisis," he said.

The state development bank still owns a stake of 0.12 percent in Norilsk, Putin said, adding that it earned about 15 billion rubles (\$486 million) on the sale. ▣ VEB used money from the National Welfare Fund to buy up shares in Russian blue chips during the crisis to help support stock prices.

Putin also took a tough line with the company, demanding improvements on the environment and support in reinstating key export taxes.

Norilsk management signed a new agreement with the Federal Inspection Service for Natural Resources Use, an environmental watchdog, to reduce its pollution.

The enterprise may face a fine if it does not modernize its facilities, Putin said.

"Either the plant will be modernized, or a decision will be made at some stage to increase environmental fines substantially," he said at the meeting.

The prime minister also suggested linking export duties on Norilsk's key products — nickel and copper — to global metals prices.

"If this formula doesn't appear in the nearest time, if it's not worked out, then I'll have to settle it with my colleagues, who are proposing their own solutions to the problem, which Norilsk Nickel's shareholders and management may not like," he said.

Original url: <https://www.themoscowtimes.com/2010/08/31/putin-opposes-deripaskas-dividend-a1050>