

RusAl Unlikely to Dump Norilsk Board

By [The Moscow Times](#)

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A battle for control of Norilsk Nickel is likely to result in victory for Vladimir Potanin, the tycoon who runs investment holding Interros, a poll of analysts showed Wednesday.

Billionaire Oleg Deripaska's United Company RusAl, which holds about 25 percent of Norilsk, is seeking to dismiss Norilsk's board to spearhead a strategy shift.

But Deripaska looks unlikely to convince enough minority investors to join his cause at a shareholders' meeting Thursday, according to nine out of 12 analysts polled by Reuters.

They said the bulk of minority shareholders, including Norilsk's management, were likely to support Interros, sealing victory for Potanin.

RusAl's proposals for the world's largest nickel and palladium miner include raising dividend payouts, selling non-core assets and increasing capital spending.

But Potanin's Interros, which holds a similar stake in Norilsk to RusAl, wants to keep the

current management board, dividend and strategy in place.

"Potanin's most recent remarks indicate that Interros will vote against the motion [to dismiss the board], as will company management," UralSib analyst Dmitry Smolin said. "Without the support of Interros and management, RusAl's chances to change the board are minimal."

Company management holds 8.5 percent of Norilsk Nickel's shares, and following a June annual shareholders meeting, RusAl said managers used their votes to reduce the aluminum producer's seats on the board.

Norilsk has denied any wrongdoing.

Roughly 4 percent of Norilsk shares are held by a third metals magnate, Alisher Usmanov, who is also believed to support Interros.

Norilsk Nickel and Usmanov declined comment on how they intended to vote at the EGM, and the intentions of the remaining shareholders, who control around 37.5 percent of the company, also remains unclear.

BlackRock, Templeton, BNP Paribas and HSBC are among the major investors in the firm, according to Reuters data.

Earlier this month, advisory firms Glass, Lewis & Co and ISS Proxy Advisory Services urged shareholders to dismiss the current board and bring in new executives.

"A new board that includes additional qualified independent directors can provide the necessary oversight of management and ensure that neither of the two major shareholders can, on its own, control the decision-making on the board," Glass Lewis wrote in an opinion distributed by RusAl.

Alexander Branis, a fund manager at Prosperity Capital Management, said in an e-mail that he had voted to dismiss the current board.

"We believe you need more independent directors to counterbalance two opposed strategic shareholders, increase representation of financial investors and make sure management is acting in the interests of all shareholders," he said.

But U.S.-based Third Millennium Russia Fund manager John T. Connor said he voted against the motion to dismiss the board and might sell his shares if Deripaska prevails.

"I simply do not trust the man to act in the interest of minority shareholders," said Connor, who holds Norilsk Nickel shares in his \$55 million portfolio of Russian assets.

Deripaska has been a controversial figure in the Russian business world ever since he emerged as the victor in the struggle for control of the aluminum industry in the 1990s.

Some shareholders are concerned he wants to drain cash from highly profitable Norilsk to pay off part of RusAl's \$12 billion debt, a charge the company has repeatedly denied.

Germany's Warburg Invest fund manager Marianna Gurmman also voted against the motion

to dismiss the board and said she would re-evaluate her investment should RusAl prevail.

She holds Norilsk Nickel shares in her \$50 million portfolio of Russian, East European and other emerging market assets.

"I can't disclose my immediate actions, but definitely my strategic view on the company will change," Gurmman said. "Now I am a long-term strategic investor. If Deripaska wins, this would probably change."

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