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Rothschild Critical of Buyback

By The Moscow Times

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A blast furnace at one of Norilsk's factories shooting festive sparks. The fate of the buyback offer is not yet clear. **Sergei Porter**

Norilsk Nickel may put minority shareholders at a disadvantage through a proposed general buyback, said Nathaniel Rothschild, chairman of billionaire Oleg Deripaska's En+ Group.

Norilsk said yesterday it may offer the buyback to all shareholders if United Company RusAl rejects its at least $12 billion offer to buy out RusAl's 25 percent stake in Norilsk.

Billionaire Vladimir Potanin, who holds almost 30 percent of Norilsk and controls management, is locked in a feud with fellow shareholder and RusAl owner Deripaska over governance and use of the nickel producer's cash. Norilsk said Monday that RusAl chairman Viktor Vekselberg supports the offer made on Dec. 16.

The proposed share repurchase may result in management and Potanin's Interros Holding consolidating "just less than 50 percent of the voting interest in Norilsk and effective control without the payment of a customary control premium or the right for minority shareholders

to exit at a fair price," Rothschild said Tuesday by e-mail.

Erzhena Mintasova, a spokeswoman for Norilsk Nickel, declined to comment.

Norilsk said Monday it won't be able to propose "such lucrative terms" for RusAl to exit its investment in Norilsk if the aluminum producer rejects the current offer, which expires Tuesday, Norilsk said in a statement.

Rothschild said the general buyback on top of Norilsk's Dec. 20 agreement to sell 8 percent held by its own subsidiaries to Trafigura Beheer "could result in as much as $1 billion of value destruction." Norilsk has provided insufficient details on the agreement with Trafigura, an Amsterdam-based commodity trader, he said.

Norilsk may offer to repurchase stock from all shareholders at as much as 15 percent more than the market price, similar to what it offered RusAl, Kommersant reported Dec. 24.

EuroSibEnergo, billionaire Oleg Deripaska's electricity utility, increased its offer to buy power generator OGK-3 from Norilsk Nickel.

EuroSibEnergo offered Norilsk $2.1 billion for 79.2 percent of the wholesale power generator and is ready to close the deal as early as April 29, chairman Andrei Likhachev said in a letter obtained by Bloomberg News and confirmed by the company.

Deripaska's utility pledged a breakup fee of $50 million as part of its bid if a deal isn't completed on time, according to the letter.

Inter RAO UES, the state-controlled power company, said Monday that it "significantly" improved its bid for OGK-3. Inter RAO offered to swap $2.27 billion of shares for Norilsk's stake, management board member Ilnar Mirsiyapov told reporters in Moscow on Tuesday.

Norilsk, controlled by billionaire Vladimir Potanin, may decide Tuesday on the offers, Mirsiyapov said. Potanin and Deripaska have been battling for control of Norilsk's operations and cash flows.

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