

# RusAl Net Soars, Dividends Wait

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Aluminum giant United Company RusAl said Monday that its net profit skyrocketed to \$432 million in the third quarter from \$29 million a year ago due to solid production results and cost efficiency measures, which along with the complete refinancing of its debt portfolio, allows the company to resume dividends halted during the 2008 crisis.

Revenue increased 16.8 percent from the third quarter of last year to reach \$3.2 billion, the company said in a financial statement.

The results were significantly above market expectations, said Vadim Astapovich, an analyst at VTB Capital.

RusAl's solid performance results primarily from cutting production costs and a weakened ruble, which allowed the company to save on ruble-denominated costs, said the company's chief financial officer, Yevgeny Kornilov.

The third-quarter results illustrate the company's sustainable position on the market after

RusAl completed refinancing of its \$11.4 billion debt portfolio in October, he told The Moscow Times.

Refinancing the debt, which included liabilities to domestic and foreign lenders, is "a big achievement ... which returns the company to normal operations. We're no longer exposed to the pressure of unusual restrictions, which we had before the restructuring," he said in an interview in the company's headquarters.

Completing debt refinancing allowed for RusAl's "operational and financial flexibility," having cleared the way for the aluminum giant to resume dividend payments, which were suspended in 2008, according to the statement.

However, the company is opting not to pay nine-month dividends amid strained market conditions and low aluminum prices but might consider paying interim dividends in 2012 if the macroeconomic situation improves, Kornilov said.

"It's premature to talk about dividends in the current macroeconomic situation," Kornilov said. "One should be rather careful about paying dividends at the moment."

He said the company "was seriously considering" this option in July amid the strong macroeconomic situation, but its liabilities to creditors hindered it from resuming dividend payments.

"Now, after debt refinancing, we have settled the liabilities issues and we have an opportunity to pay dividends. But from the macroeconomic point of view, it's not the right time because aluminum prices are too low," he said.

The decision is understandable because the aluminum market outlook for the first quarter of 2012 has worsened, Astapovich said, adding that it would be reasonable for RusAl to focus on reducing its debt burden.

Aluminum prices have dropped 13 percent from the beginning of the year and 23 percent from the peak of \$2,786 per ton in early May.

Average annual metal prices are expected to reach \$2,460 per ton this year, Astapovich said.

RusAl could consider paying about 15 percent of its 2011 net profit in dividends in the second quarter of 2012 if next year's average aluminum prices reach \$2,475 per ton, he said by telephone.

Kornilov didn't rule out that the company could consider paying interim dividends in 2012.

"We'll return to this issue when the economy recovers. There's the practice of paying interim dividends. We could consider paying quarterly dividends in 2012," Kornilov said.

RusAl's major shareholder En+, which owns more than 47 percent in the company, said it's up to the aluminum producer's board to decide whether to resume payments.

"The issue of paying dividends is within the competence of the board of directors, which will decide whether to pay dividends," said Andrei Petrushinin, a spokesman for En+.

But a source close to RusAl's shareholders said En+ supports the position of the aluminum giant's management.ⓧⓧ

"In terms of lowering aluminum prices and the uncertainty on the financial markets, cutting debt is a priority for the company and it would be reasonable not to pay dividends," said the source, who spoke on condition of anonymity because the matter is confidential.

The company's net debt currently amounts to \$10.9 billion, according to the statement.

RusAl's shareholders Onexim, Glencore and SUAL Partners declined to comment on the issue Monday.

A court on the Caribbean island of Nevis dismissed a claim by United Company RusAl relating to a share buyback by Norilsk Nickel, in which it holds a stake, and a 2010 sale of Norilsk shares to Trafigura Beheer, Bloomberg reported Sunday.

RusAl's claim that a 2010-11 buyback by Norilsk's Corbiere Holdings unit was unlawful is "bound to fail and has no prospect of succeeding," according to court papers. The case won't be heard, the documents show.

The aluminum company also alleged that a 2010 sale of Norilsk shares to Dutch commodities trader Trafigura was a "fictitious transaction," a claim also dismissed by the court, the documents show. RusAl holds 25 percent of Norilsk.

RusAl doesn't agree with the court's decision and will appeal it, Vera Kurochkina, a company spokeswoman, said Sunday. Erzhenia Ischenko, a spokeswoman for Norilsk, declined to comment.

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