

Prokhorov Negotiating to Sell Stake in Polyus Gold

By [The Moscow Times](#)

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Mikhail Prokhorov **Sergei Porter**

Mikhail Prokhorov's Onexim Group is in talks with two potential buyers to sell its nearly \$4 billion stake in the country's largest gold miner, Polyus Gold.

The company's announcement Wednesday signals that the businessman-turned-politician has abandoned his attempt to use Polyus as a platform for a global merger.

Valuations of gold miners are languishing at their lowest in 17 years in relation to rallying gold prices.

The announcement may also herald an all-Russian alliance involving co-owner Suleiman Kerimov, as the industry faces rising costs to unlock challenging new deposits in the Far East and reacts with unease to a political climate widely seen by foreign players as hostile.

Prokhorov, with a fortune estimated by Forbes magazine at \$13 billion, ran on a liberal ticket

and placed third in the presidential election, won by Vladimir Putin, in March. His political future is uncertain, leading to speculation that he would like to reduce his financial exposure in Russia.

In a statement, Onexim said it is "in preliminary discussions regarding a possible sale of some or all of its interest in Polyus Gold, with two potential purchasers in respect of an interest of less than 20 percent each in Polyus Gold".

Onexim, which owns 38 percent of Polyus, did not identify the two potential buyers, while a spokesman for Polyus declined to comment.

On Tuesday, the investment firm of Kerimov, a billionaire from Dagestan and owner of football club Anzhi Makhachkala, denied being in talks to buy the Polyus stake, which is worth about \$3.8 billion.

In a statement Wednesday, Kerimov's company Nafta Moskva, through which he owns 40 percent of Polyus, said it was in talks to finance a potential buyer of Onexim's stake but was not interested in buying the stake itself.

"Nafta is currently in preliminary discussions with one of the potential purchasers of Onexim's shareholding ... with a view to Nafta providing financial or other support (on terms to be agreed) to that purchaser," Nafta said in a statement.

Polyus obtained a coveted London listing in June, a step toward inclusion in the FTSE 100 index, which Prokhorov had hoped would give the company a liquid acquisition currency for a major international merger.

"We have always talked about this, that Polyus ideally does this, that it enlarges through a global merger," Prokhorov said that month.

He said at the time, however, that no talks were under way and acknowledged that depressed valuations for gold miners were an obstacle to a deal.

Polyus' shares made little headway after getting a place on the FTSE 100 index, but they have rallied nearly 20 percent since Aug. 28 to value the company at \$10 billion, suggesting that the market believes a deal is in the works.

"There is enough evidence to conclude that Prokhorov would like to sell," said Barry Ehrlich, a metals and mining analyst at Alfa Bank in Moscow.

Analysts speculate that Kerimov may seek to put together a "concert party" of investors to buy out Prokhorov, citing the precedent of last year's merger of Uralkali and Silvinit to create the world's second-biggest potash producer.

Forbes magazine said Tuesday that Kerimov had agreed on a loan from state bank VTB to finance a deal. It did not disclose any figures, and VTB declined to comment.

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