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Norilsk Feud Over as Abramovich Rides to the Rescue

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Norilsk Nickel has been paralyzed by a four-year shareholder dispute between two of Russia's richest men over board control and payments to shareholders. **Andrei Makhonin**

Majority owners of Norilsk Nickel said Tuesday that they had agreed to settle a four-year feud over control of the nickel giant, with billionaire Roman Abramovich stepping in by acquiring 7.3 percent of the company.

After entering into a shareholder agreement with RusAl and Interros, Abramovich's Millhouse will transfer the stake it acquires from Norilsk subsidiaries to a special bank account, with two other shareholders contributing an equal amount of shares to bring the deposited stake to approximately 22 percent.

Millhouse will get the right to vote, with the stake deposited in the account to ensure enforcement of the shareholders agreement, RusAl and Interros said in the joint statement.

After depositing the shares, RusAl will see its stake in the nickel company go down to approximately 17.8 percent, and Interros will hold 20.7 percent.

The move will result in Millhouse getting the biggest say in the decision-making process, while Abramovich has widely been seen as an arbiter acting on behalf of the Kremlin which was displeased with the ongoing shareholder battle, said Oleg Petropavlovsky, an analyst with BCS brokerage.

Abramovich, a former governor of Chukotka who is known for his good relations with Putin, might have been allotted the arbiter role so that Norilsk Nickel could focus on its core business, Petropavlovsky said.

The tycoon's purchase of the Norilsk Nickel stake might be another example of a high-profile deal sanctioned by the Kremlin. An earlier case involves Abramovich buying a 49 percent stake in state-controlled Channel One from exiled businessman Boris Berezovsky shortly after Vladimir Putin was first elected president in 2000.

At that time Berezovsky was repeatedly approached by the Kremlin seeking to buy out his stakes in the channel and other companies he owned, Vedomosti reported in 2010, citing a former Audit Chamber accountant.

The conflict between RusAl, owned by billionaire Oleg Deripaska, and Vladimir Potanin's Interros has been intermittently flaring since 2008, with intervention by the government speeding up resolution. Putin said in August he hoped that the owners would reach an agreement soon so that the nickel company could develop.

The Kremlin was pushing for a prompt settlement of the conflict, since it didn't want any more public battles in London courts following colorful revelations that came out during court cases between Berezovsky and Abramovich, and between Deripaska and his former business partner Michael Cherney, earlier this year, Gazeta.ru reported Tuesday, citing a source in one of the shareholding companies.

The new agreement between Norilsk Nickel shareholders, which has yet to be signed, stipulates that the sides will settle all existing disputes and claims "in full," Hong Kong-listed RusAl said in a separate statement made for the stock exchange. RusAl was suing Interros for an alleged breach of the previous shareholder agreement of 2008. A London arbitration court was slated to start hearings Monday.

"The reasons for and benefits of entering into the agreement are to improve the existing corporate governance and transparency of the Norilsk Nickel group, to maximize profitability and shareholders value and to settle the disagreements of the company and Interros in relation to the Norilsk Nickel group," the aluminum company said.

The sides also agreed that Potanin would replace Vladimir Strzhalkovsky as Norilsk Nickel's chief executive.

According to the agreement, Norilsk Nickel's board of directors will consist of 13 members, with RusAl and Interros each getting four seats, while Millhouse will be represented by three directors, RusAl said. The aluminum company and Interros will each nominate one

independent director as well.

"We expect that the new board will review the investment program of the company in the near-term and increase dividend payout ratio," Rye, Man and Gor Securities said in a research note Tuesday. Getting Millhouse as a shareholder will be beneficial for the nickel producer, as a "strong intermediary will be able to balance the interest of large shareholders," the brokerage said.

Meanwhile, Alisher Usmanov, whose Metalloinvest holds 4 percent in the nickel company, expressed his doubts Tuesday that the new agreement would benefit all shareholders.

"Norilsk Nickel's work in the interest of all the shareholders without exception will be the main criteria to assess the agreement. I'm not sure yet that this principle won't be broken this time again," Usmanov told Interfax, adding that Metalloinvest hadn't been invited to participate in the discussion of the agreement.

Norilsk Nickel's board of directors will consider Potanin's appointment as the company's CEO, as well as the sale of the 7.3 percent stake to Millhouse at a market price, according to the statement by RusAl and Interros. The stake was worth about $2 billion based on how it was trading on the Moscow Exchange on Tuesday.

Norilsk Nickel shares gained 1.4 percent to close at 4,876 rubles ($153), outperforming the benchmark MICEX index, which lost 0.7 percent.

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