

# Usmanov Forms RusAl Alliance Over Norilsk

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March 14, 2011



Usmanov is handing his Norilsk equity to Metalloinvest, as it ups its stake. **Denis Grishkin**

The conflict between United Company RusAl and Interros over control of Norilsk Nickel took an unexpected turn on Monday, as billionaire Alisher Usmanov's Metalloinvest announced plans to increase its stake in the nickel producer and help develop the company jointly with RusAl.

Usmanov will eventually transfer his personal four percent stake in Norilsk to Metalloinvest, which will increase its stake by buying shares on the stock market, a company spokesman said, declining to specify the size of the stake to be acquired.

The announcement came after Norilsk Nickel on Friday held an extraordinary shareholders meeting initiated by RusAl, which was seeking to elect a new board of directors.

Official results of the meeting will be made public in the coming days, but Metalloinvest said

its chairman, Farhad Moshiri, would likely join the board because his candidacy had received more than 6 percent of the votes, including RusAl's.

RusAl declined to comment on the issue, but a source close to Norilsk Nickel's shareholders said Metalloinvest decided to join the board "to make its structure more balanced," in light of concerns that Norilsk Nickel's management and Interros had taken over control of the nickel giant.

Since Metalloinvest's stake wasn't enough for its representative to be elected, the company asked RusAl to back Moshiri, the source, who spoke on condition of anonymity, told The Moscow Times.

If Moshiri joins Norilsk's board it will strengthen RusAl's position, but it won't significantly affect the conflict between RusAl and Interros, said Dmitry Smolin, a metals and mining analyst at UralSib Capital.

Smolin expects that Interros and Norilsk management are likely to get seven seats on the board, retaining control over the nickel giant, while RusAl and Metalloinvest are likely to get only five seats.

In another unexpected move, Metalloinvest on Monday expressed support for RusAl's position that efficiency of Norilsk management's work should be increased in order for the interests of all shareholders to be taken into account.

"There's currently an agreement between Metalloinvest's and RusAl's shareholders on joint actions to develop Norilsk Nickel," a Metalloinvest spokesman said in e-mailed comments.

Meanwhile Usmanov said Metalloinvest would seek to merge its assets with RusAl and Norilsk Nickel to create the country's biggest mining and metals company.

Norilsk Nickel and Interros declined to comment on the issue.

Three years ago, RusAl head Oleg Deripaska actively promoted a merger of his aluminum giant with Norilsk Nickel. The initiative was opposed by Interros president Vladimir Potanin, who at the time favored a tie-up with Metalloinvest. The deal did not go through, however.

Potanin said last week that he had increased his stake in Norilsk Nickel from 25 percent to 30 percent.

Merging Metalloinvest, RusAl and Norilsk is only possible in the long term — with an initial public offering of Metalloinvest as a prerequisite, Smolin said, because the deal participants need to be able to agree on the holding's valuation.

Usmanov said in late 2010 that the company could float shares this year.

RusAl, which controls 25 percent of Norilsk Nickel, lost board parity with rival shareholder Interros after the nickel producer's shareholders meeting in June and failed to push through an election of a new board of directors at the previous extraordinary shareholders meeting in October.

The aluminum giant nominated four representatives at Friday's shareholders meeting, including Deripaska, corporate development director Maxim Sokov, En+ Group chief executive Artyom Volynets and En+ Group board member Nathaniel Rothschild.

The company also nominated three independent directors, including former Norilsk chairman Alexander Voloshin, who had lost his seat in June.

"We supported Voloshin and hope that he will join Norilsk Nickel's board of directors," Sokov said in e-mailed comments, adding that RusAl was surprised that Norilsk Nickel hadn't announced results of the vote right after the shareholders meeting.

Interros said it would support Voloshin's candidacy as Norilsk Nickel's chairman if he joins the board.

Norilsk Nickel has strong corporate governance, and the role of the chairman is not crucial enough to make his selection a point of contention, the company's spokesman said. "We'll vote for Voloshin if this facilitates dialogue."

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