

# Interros Plays a Card Before Norilsk Shareholder Meeting

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Vladimir Potanin's Interros Holding said Tuesday that it has terminated a cooperation agreement with RusAl, calling for an end to "destructive actions" toward Norilsk Nickel, in which both sides hold a 25 percent stake.

The announcement appeared on Interros' web site two days before the Thursday emergency shareholder meeting of the mining company, which will determine the makeup of the board of directors — the source of the conflict between Interros and Oleg Deripaska's RusAl.

The feud between the two major stakeholders has escalated since the last annual shareholders meeting in June, which left RusAl with three board seats versus Interros' four. In August, Prime Minister Vladimir Putin called for a swift resolution of the spat between the companies, so they could focus on Norilsk Nickel's operations. The "independence" of some of the independent board members has also been called into question.

In the statement, Interros claims that RusAl is attempting to undermine the results of the annual shareholder meeting and “has set out on a large-scale campaign of public criticism of the management of Norilsk, its financial performance, production and sales strategy.”

“Interros firmly believes that any attempt to remove the board of Norilsk just four months after their election, whether through frivolous legal action or an extraordinary shareholders meeting, would be disruptive to Norilsk’s operations and its successful management team and contrary to the interests of the minority shareholders of Norilsk,” the statement said.

Minority shareholders are not likely to be influenced by the Interros statement, since they have already cast their vote for or against early termination of the board of directors, a RusAl spokeswoman said Tuesday.

While companies continue to debate who was the first to breach the cooperation agreement, by announcing its termination, Interros reinforced its desire to preserve board membership in its current state.

RusAl, however, has a different view on the status of the agreement.

"This agreement cannot be unilaterally terminated and cannot be considered annulled after Interros' statement. It remains valid, and we will continue to stick by it," a RusAl spokeswoman said Tuesday.

“RusAl’s request for arbitration against Interros that was filed earlier in August is being considered by the London Court of International Arbitration. We are waiting for the court decision,” RusAl's spokeswoman said.

Minority shareholders' opinions differ on the issues at stake, but they are unanimous about wanting to find a resolution and moving on.

On Monday, the Investor Protection Association sided with RusAl when it confirmed that “several facts of shareholder rights breach” took place during the June shareholder meeting.

“For example, in our opinion, voting via 'quasi-treasury shares' does not correspond with our understanding of good corporate governance,” the association's statement said.

In the first two weeks of October, two leading proxy advisory services, ISS Proxy Advisory Services and Glass, Lewis & Co. also expressed support for the early termination of the Norilsk board of directors and appointment of two truly independent directors.

“Considering the current unhealthy dynamics at Norilsk Nickel's board and the shift of power toward one of the two significant shareholders, it is imperative that independent directors be present on this board,” ISS said in its statement on Oct. 1.

Interros declined to comment Tuesday on what it was hoping to accomplish with its statement and what outcome it was hoping for from the shareholder meeting.

“Regardless of the outcome,” RusAl's spokeswoman told The Moscow Times, “we will continue to concentrate our efforts on increasing the company’s value, raising its corporate governance standards and business efficiency as long as it is in the interest of all

shareholders.”

Analysts agree that money and power are at the heart of the conflict. RusAl has been accused by Norilsk Nickel's management of demanding extravagant dividends to help pay off its \$12 billion debt to international banks.

“One can only guess what is going to happen on Thursday, but things will probably remain the way they are,” said Andrei Tretelnikov, an analyst at Rye, Man & Gor Securities.

“Financially the company is doing very well, so it makes sense to spend the money not on dividends but on development and modernization of technology,” he said.

Norilsk Nickel investors should replace chief executive Vladimir Strzhalkovsky with someone who has more experience in the mining industry, said Nathaniel Rothschild, a board member nominee, according to Vedomosti.

Improving management could restore Norilsk's pre-financial crisis market value of about \$50 billion, Rothschild said. Norilsk is worth \$35 billion, based on Tuesday's share price in London.

Rothschild was nominated to the board by his friend and RusAl owner Oleg Deripaska.

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