

Peace Deal on Horizon for Norilsk

By [The Moscow Times](#)

November 25, 2012

The  **Moscow Times**

Roman Abramovich may step up as a white-knight minority shareholder to resolve a four-year power struggle at Norilsk Nickel in a deal that would also name the Arctic miner's primary owner, Vladimir Potanin, chief executive.

Sources close to the talks said good progress had been made over the weekend in arranging terms of the peace deal.

Abramovich, owner of the Chelsea football club, is a core shareholder in FTSE 100-listed Evraz. He would act as a buffer between Potanin and Oleg Deripaska, who also controls a stake in the world's largest nickel and palladium miner, the sources say.

Potanin and Deripaska have been at loggerheads since the latter's Hong Kong-listed aluminium firm, RusAl, bought a 25 percent stake in Norilsk just before the 2008 global crash in a cash-and-stock deal worth about \$14 billion.

RusAl is now losing money and is burdened by \$10.7 billion in net debts, while Deripaska

never won a real say on the Norilsk board and instead was overruled by Potanin, who launched a series of share buybacks with the backing of company management.

Deripaska also refused offers by Norilsk to buy back the stake at what would have been a relatively modest loss, infuriating his partners in RusAl. One, Viktor Vekselberg, quit earlier this year as RusAl chairman.

Analysts say movement in the shareholder deadlock at Norilsk may reflect Kremlin concern over an ugly court battle just as Russia's metals and mining sector is struggling with a nasty cyclical downturn.

If Abramovich bought the 7 percent stake on offer, which is worth about \$2 billion, that would introduce a shareholder at Norilsk who has a history of good relations with President Vladimir Putin. Abramovich's spokesman declined to comment.

Under the terms of the deal, the parties would also agree to increased dividend payouts over the next three years, meeting a demand long pressed by Deripaska.

Norilsk currently pays no less than 20 to 25 percent of earnings to shareholders. One of the sources said that could rise to 50 percent, although a second doubted that this was possible.

Both Norilsk and Interros, Potanin's holding company, said the 51-year-old tycoon may replace Vladimir Strzhalkovsky as CEO at Norilsk, a company he first invested in through the loans-for-shares privatizations auctions he orchestrated in the 1990s.

"This scenario is being considered as part of a possible agreement," Interros representative Larisa Zelkova said Monday.

Norilsk spokeswoman Alisa Fialko said it was too early to say when a decision will be made.

"Strzhalkovsky knows about this scenario of personnel changes. He understands the main shareholder's desire to become head of the company," she said.

Potanin now owns 28 percent of Norilsk, which has a market value of nearly \$28 billion. After the buybacks, 17 percent of its equity is now held in treasury, and the main shareholders have agreed to cancel 10 percent of that by next April.

Two sources familiar with the shareholder discussions said Abramovich may buy the remainder of the treasury stock, equivalent to a 7 percent stake before the stock cancellation and nearly 7.8 percent afterward.

The two sides want to bridge their differences before a London arbitration court opens hearings next week into a case dating back to 2010 in which Deripaska accuses Interros of renegeing on deal to run Norilsk in the interests of all shareholders.

Sources say a full agreement is unlikely before then.

Original url: <https://www.themoscowtimes.com/2012/11/25/peace-deal-on-horizon-for-norilsk-a19658>