

## Russian oligarchs to settle \$1.4bn dispute.

Russian billionaires Vladimir Potanin and Oleg Deripaska have reached a new shareholder agreement, bringing to the end a \$1.4bn dispute over rights at Norilsk Nickel before it went to a London court.

The agreement was signed by Norilsk Nickel's core shareholders Deripaska's RusAl and Potanin's Interros. Under the deal, Potanin was named Norilsk's General Director instead of Vladimir Strzhalkovsky. Currently Potanin owns a 28% stake in Norilsk through his Interros Holding and Deripaska has 25% through aluminum producer Rusal PLC. Millhouse Capital owned by billionaire Roman Abramovich purchased a 7.3% stake in Norilsk Nickel worth about \$2 billion in a bid to settle a four-year battle between Deripaska and Potanin.

The latest deal reduces the voting power of Potanin's holding company, Interros, (now 28%) and that of Deripaska's Hong Kong-listed aluminium group, Rusal, currently 25%. In return, Deripaska will get the higher dividends he has long sought. Potanin, who has controlled Norilsk since he won it in the "loans for shares" privatisation scheme he ran as a top official in the 1990s, will be chief executive.

The two sides have suspended legal proceedings. A London arbitration court had been due to open hearings into a case dating back to 2010 in which Deripaska accused Interros, Potanin's investment company, of reneging on a deal to run Norilsk in the interests of all shareholders.

Potanin and Deripaska have been locked in a shareholder dispute since Rusal bought a 25% stake in Norilsk just before the 2008 global crash, in a cash-and-stock deal worth around \$14bn.



The acquisition was meant to herald a merger into an all-Russian major able to compete with global miners such as BHP, but that plan was crushed by the financial crisis.

Loss-making Rusal is now burdened by \$10.7bn in net debts, a figure greater than its market capitalisation of \$8.9bn. The company is also battling a fall in aluminium prices. Deripaska has resisted parting with the stake in Norilsk, now worth around \$7bn, the lion's share of Rusal's equity value.

## Abramovich gains control in what appear to be an endorsement from the Kremlin

in a deal that hands biggest voting share in \$30bn Norilsk Nickel, the Chelsea football club owner now has the biggest voting stake in Norilsk Nickel, a company valued at \$30bn (£18.5bn). Norilsk was one of the biggest prizes handed to insiders in the post-Soviet carve-up of Russian industry, which created a generation of oligarchs.

Vladimir Putin had said he wanted an end to a feud between two of Russia's richest men, Vladimir Potanin and Oleg Deripaska over board control and payments to shareholders in the firm. Their deal appears to bear the stamp of the Kremlin, with the well-connected Abramovich acting as enforcer to end the dispute.

Potanin and Deripaska agreed that Abramovich would buy a 7.3% stake, in the form of treasury stock, at market price. That stake is now worth around \$2bn.

The three parties will each contribute equal stakes, amounting to 22% of Norilsk, to an escrow account that will be controlled by Abramovich's investment firm, Millhouse. The move will give him the largest say over how the company is run.

Under the terms, Rusal, Interros and Millhouse Capital will place 22% of Norilsk Nickel in a specially created bank account, RBC daily reported, citing a source familiar with the matter. It means each of them would contribute about 7.3%. Millhouse would use this stock for voting, according to the source.

Rusal and Potanin are committed to keep their stakes in Norilsk Nickel for five years and Millhouse for three years after the date of the agreement, "*subject to certain exceptions*," Rusal said without providing any details.

The parties also agreed on changes to the composition of the 13-member Norilsk board. Interros and Rusal will each get four seats and Millhouse will have three seats, according to Rusal's statement. Rusal and Interros will also nominate independent directors for the remaining two seats with one of the independent directors serving as chairman.

The Russian tycoons have been fighting since 2008, when Deripaska bought a 25% stake in Norilsk Nickel from Potanin's former business partner, Mikhail Prokhorov. Rusal claimed that Potanin violated its rights to board representation and demanded \$1.4bn compensation.

"Millhouse will control the compliance with the partnership agreement while voting with this block of shares," Potanin and Deripaska said in a joint statement issued by their firms.

Abramovich, who with a fortune of \$12.1bn is the 68th-richest man in the world, according to Forbes magazine, is widely viewed as having the strongest ties to the Kremlin of any Russian oligarch.

The deal cements his position as one of Putin's favourites. Now a co-owner of the FTSE 100-listed steel company Evraz, Abramovich won control of the oil firm Sibneft after its privatisation in the 1990s. He sold Sibneft in 2005 to Gazprom, the state gas export monopoly, for \$13bn. Two years before that, he bought Chelsea.

Russia's richest man, Alisher Usmanov, whose Metalloinvest owns a 4% stake in Norilsk, in the past tried to mediate between the Norilsk shareholders.

Rusal said in an earlier statement that the deal would ensure Norilsk paid stable dividends for the years 2012-14. Shareholders agreed that Norilsk would pay at least 50% of its annual net income as dividend, according to a source close to one of shareholders.

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

Norilsk will cancel the rest of its treasury shares, amounting to about 10%. Interros and Norilsk are not to sell shares for five years, and Millhouse is not to sell for three years, the companies have agreed.