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Russian Tycoons Agree on Sale of Arctic Mining Stake

By ANDREW E. KRAMER

MOSCOW — In what would be one of the biggest mining deals in Russia this year, the metals tycoon Mikhail D. Prokhorov announced on Tuesday that he would sell 16.6 percent of the Arctic mining giant Norilsk Nickel to his former business partner, Vladimir O. Potanin.

The two tycoons agreed last year to divide their holdings in Norilsk, a Russian factory founded by Stalin, whose value soared along with high commodity prices. Norilsk is the world's largest producer of nickel, a key alloy in stainless steel.

Under the terms, as laid out in a statement from Mr. Prokhorov's investment company, Onexim, Mr. Potanin agreed to pay \$10 billion for the 16.6 percent, in \$6.5 billion cash and 35.2 percent of the shares in another mining company, Polyus Gold.

The deal valued Norilsk Nickel at \$315 a share, well above Monday's closing price of \$216, and despite a recent drop in nickel prices, concerns of an economic slowdown and diminished demand for stainless steel.

Yet, in an indication of the confusion over the true value of Russian assets given the lack of transparency and political risk, Norilsk Nickel shares slumped 2.3 percent. Shares in Polyus Gold rose 1.1 percent

Late last month, investors revalued Russian mining companies after the prime minister, [Vladimir V. Putin](#), accused a large steel and coal mining company, [Mechel](#), of tax evasion, causing its share price to collapse. The accusation, and what it did to company shares, rekindled fears that the government may be aiming to nationalize larger companies in the sector.

The Norilsk mine and smelter, in the town of the same name in Siberia, has been the subject of a drawn-out ownership struggle among several of Russia's richest men. It had been majority owned by Mr. Prokhorov and Mr. Potanin since privatization in the mid-1990s, with each partner owning just above 25 percent. Last year, they decided to split their holdings and form separate business empires.

Mr. Potanin said his decision to split was prompted by Mr. Prokhorov's arrest in the French ski resort of Courchevel on suspicion of making prostitutes available at a Russian Orthodox Christmas party. Mr. Prokhorov was later cleared of all charges.

Tuesday's announcement only added to the confusion surrounding the 18-month-old dispute between Russia's captains of industry for control of one of the world's most valuable mines.

Mr. Prokhorov had said last year he would sell 25 percent of Norilsk to another Russian businessman, Oleg V. Deripaska, and the two men in April said they had closed the deal. That prompted speculation Mr. Deripaska

would seek to gain control over Norilsk and merge it with his aluminum operation, Rusal, to form one of the world's largest nonferrous metals companies.

Thus, the announcement left analysts unable to explain how Mr. Prokhrov had come upon an additional 16 percent of one of the country's largest companies.

"It's all questions at this stage," Michael Kavanagh, the senior metals analyst at UralSib bank in Moscow, said in a telephone interview. "The 16 percent came as a big surprise."

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