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Top story



www.afi-development.ru

AFI Development says reaches deal with City of Moscow about two major projects

VTB Capital

News: AFI Development announced that it has reached an agreement with the City of Moscow Government about its two major projects. The company is to:

- * transfer the development rights to Tverskaya Zastava Mall (its second largest project) to Moscow City, with full compensation for development costs which have been incurred;
- * purchase the city's 25% share in AFI Mall and the adjacent car park for USD 310mn.

Our View: Tverskaya Zastava was the most important long-term project in the company's portfolio, with a scheduled completion date of 2014. As of 3Q10, total capex incurred since the beginning of the construction was USD 75mn and had been financed by Sberbank's project financing facilities. AFI Development will remain the owner of the projects surrounding Tverskaya (350,000sqm of commercial and residential space) but the concept has not been finalised and so we do not exclude the risk of similar governmental decisions.

This means that the company's story has shrunk to the success of Mall of Russia, which we think is fully priced in. AFI plans to finance the deal to acquire the 25% stake with a loan, resulting in debt increasing from USD 420mn as of 3Q10 to USD 785mn once the company has secured financing. We calculate that AFI Development generates about USD 185mn normalised NOI,

of which USD 130mn comes from the Mall. This means that operating cash flows will be fully channelled to repaying debt for at least seven years. Although purchasing the stake creates pressure on the company's cash flows, it will in our view mean that parking spaces inside the Mall will be completed earlier, which is important for attracting traffic to the project. ●

Government to consider merger of Moscow airports today

Renaissance Capital

Event: Vedomosti reported that today (28 March) a government meeting led by Prime Minister Vladimir Putin will consider the merger of Sheremetyevo, Domodedovo and Vnukovo airports. Deputy Prime Minister Igor Shuvalov and the Ministry of Transport reportedly differ on this issue: Shuvalov favours the merger, whereas the Ministry of Transport wants to preserve competition among the airports. According to the newspaper, Putin is also to decide on whether a third runway will be built at Sheremetyevo or at Domodedovo first.

Action: Neutral for Aeroflot, in our view.

Rationale: Merging the airports would be difficult; one of the main stumbling blocks is that they are currently under the control



<http://www.svo.aero>

of different owners. According to Vedomosti, citing Troika Dialog and Credit Suisse estimates, Domodedovo would likely get control of the potential merged entity and, therefore, the government would have to purchase an additional stake to get control. Aeroflot, which will get only a minority stake in Sheremetyevo airport once its terminals are merged, would have an even smaller share of the potential merged airport entity. In our view, the effect of the potential merger on the airline will depend mainly on the way Sheremetyevo is managed and how airport traffic and operations are coordinated. We do not think a merger of the airports is likely. Aeroflot would benefit from a third runway at Sheremetyevo, in our view. ●

Ivan Kim

Holdings sell 50% stake in Russia's Novorossiisk Container Terminal

bne

Russian entrepreneur Andrei Kobzar and First Quantum group have fully sold their stakes totaling 50% in the charter capital of the Novorossiisk Container Terminal, a part of the National Container Company (NCC), for \$115m, Prime-Tass reporters, citing a statement from NCC shareholders that did not identify the buyer. ●

Market share of domestic airlines may be limited to 25%

Alfa Bank

According to Kommersant, the State Duma will consider amendments to the regulation of the Russian domestic air passenger market, drafted by the deputy head of the Duma's economic policy committee, Andrey Golushko. The proposed amendments assume the introduction of the maximum limit on the share of airlines on the domestic market of 25%. Moreover, they assume that the domestic market could be opened to international airlines if demand for air tickets exceeds supply.

In 2010, Aeroflot had a 14% share on the domestic air passenger market on a standalone basis, but Aeroflot Group occupied more

than 21%, which is very close to the limit proposed by the new amendments. However, we believe that it is highly unlikely that the proposed amendments will be approved by the Duma, as they contradict government plans to create a Russian air champion based on Aeroflot. The planned acquisition of Rosavia assets will bring Aeroflot's market share to 30%. Moreover, this would need complex adjustments to airline regulation documents, including international agreements. Therefore, we view the news as slightly NEGATIVE for the sentiment around Aeroflot at this stage. ●

Georgy Ivanin

Moscow plans to upgrade its Ring Road

VTB Capital

News: According to Kommersant, Moscow City Hall has decided to upgrade the 109km Ring Road around Moscow. The detailed project is to be prepared by the end of the year.

Our View: The details of the plans are not available, but the project might involve building an extra lane in each direction and upgrading interchanges. With Moscow being a core region for



Mostotrest (a leading constructor of roads and bridges in Russia), we believe that the company has every chances of benefiting from the Moscow authorities' new infrastructure development plans. We are reiterating our positive view on Mostotrest. ●

Vladimir Bepalov

New state fund to target \$90bn in FDI

bne

The head of the Russian development bank Vnesheconombank (VEB) offered some details on the plan for a state-led FDI fund in an interview with the Wall Street Journal.

The idea behind the fund, which President Dmitry Medvedev called for in January, is to boost the confidence of investors by inviting them to get into bed with the state - thus alleviating the risks associated with the country. FDI flows into Russia have been disappointing for years, whilst Medvedev has spent much of his time in office decrying the country's terrible investment climate.

Ahead of the crisis, the government said it was ready to pump \$1 trillion into rebuilding the country's crumbling infrastructure - but that plan was soon derailed by the need to support the budget deficit. Since that time, Russia has won the right to host the 2018 World Cup, which will call for billions more in spending, whilst after years of effort, Russian PPP schemes have yet to gather a head of steam.

Vladimir Dmitriyev, CEO of VEB, said that the government hopes to attract \$60-\$90bn within the next five years through the scheme, to finance projects in Russia. However, foreign partners will not hold stakes in the fund, but only direct stakes in projects.

The fund, which is expected to total \$10bn in federal funds eventually, will hold 15-25% in each project, representing individual investments of \$50-\$500m, Dmitriyev said. Foreign partners are expected to be found amongst large international private and sovereign funds. Dmitriyev claims that a number of them have already expressed interest.

The government is expected to allocate \$2bn this year to start the fund's operations, with plans to invest an equal amount into the fund annually over the next five years. ●

Rail security bill exceeds federal budget

RIA Novosti - Izvestia

Railroads are proving to be a far greater security challenge than airports. A recent Russian Railways meeting reviewed various proposals on security measures, ranging from setting up a special security service for railroad stations, installing metal detectors at all station entrances, clearing the areas in front of stations and building fences along all railroad lines. Izvestia investigated what these projects might cost.

Currently, door frame metal detectors are installed at rail terminals in four Russian cities: Moscow, St. Petersburg, Tver and Vyborg. Not a great achievement, considering there are 18,000 stations, including short platforms, in Russia. Passenger and luggage inspection facilities, radio jamming devices and explosion-proof containers will be provided to 34 railroad stations across the country soon. But it is a slow process. First, Russian manufacturers found themselves unprepared - they are not making enough detectors. Second, all these laws need to be harmonized.

Occasionally, things reach the point of absurdity. Security rules dictate that metal detectors must be installed at all entrances and exits, but that would violate fire regulations. Another problem is that 1.7 sq m of area is needed per passenger to make the

boarding area secure, which requires 1,000 sq m per train, said Sergei Abramov, director of railroad stations. Stations cannot be expanded that much. So the remaining solution is to increase security personnel. Russian Railways is willing to go even further and set up its own security service.

"We believe there is a great demand for such a service," Vladimir Yakunin, Russian Railways chief, told Izvestia. He added that his company annually spends 11 billion rubles of its own money on security. Security personnel currently numbers 62,000.

However, train stations are not the only points where railroads are vulnerable to terrorist attack. A bomb can easily be planted anywhere along a train's route. In 2010 alone, according to law enforcement agencies, 542 instances of "objects placed on rails" were reported, as well as 101 cases of rail sabotage. To counter this, some regions suggested fencing off the entire length of Russia's railroad tracks. Considering that railroads in Russia stretch for over 82,000 kilometers, this would make it a construction project of the century. The funding needed for this comprehensive measure would be 13 trillion rubles. For comparison, the entire 2011 budget of the Russian Federation stands at 8.8 trillion rubles.

So other ways to protect the lines need to be considered. The State Duma has suggested toughening punishment for unsanctioned presence at transport infrastructure facilities. In the United States, for example, it is treated as a criminal offence. The downside is that guards would start detaining all jaywalkers.

Another hazard, railroad executives say, is crowded squares outside stations. They suggested clearing the area of all vendors and making the space a no-go area. But Ilya Klebanov, presidential envoy to the Northwestern Federal District, said the issue was too petty to be worth considering. ●

Russia may admit foreign airlines to domestic market

RIA Novosti

Russia may admit foreign airlines to its domestic market if Russian airlines fail to cope with increasing passenger flows on internal routes, Russian business daily Kommersant reported on Thursday.

On Tuesday, the economic policy committee of the State Duma, the lower house of Russia's parliament, submitted a bill intended to amend the legislation on competition and natural monopolies in Russia to limit the maximum share of any airline on the domestic market to 25%.

It also instructed the competition watchdog to work out common air ticket pricing criteria for all airlines and admit foreign companies to the domestic market, if the demand for air tickets exceeds supply, the paper said.

The amendments to the legislation may be approved by the State Duma by the end of 2011.

There are currently no local airlines in Russia with a domestic market share of over 25%. Russia's flagship airline Aeroflot accounts for about 15% of domestic flights followed by UTair with 13% and Sibir with 12.5%. Aeroflot claims, however, that the bill in its current form may jeopardize the company's plans to become a global Russian airline.

"These amendments, after Russia's accession to the World Trade Organization, will not allow Aeroflot to compete with the world's other largest airlines," Aeroflot told the paper, adding that the

airline had transported slightly over 11 million passengers in 2010 compared with the annual passenger flow of Lufthansa or Air France exceeding 50-60 million people.

"In their countries, they hold up to 60% of the market of air carriage but no one would venture to say that there is no free competition in France or Germany," Aeroflot told the paper.

Russia's Federal Anti-Monopoly Service has said it is not against the bill but added that it had not taken any part in its development. The competition watchdog also said that the country's regulatory base had to be improved to resolve the problem of prices on domestic flights.

Andrei Golushko, deputy chairman of the State Duma committee for economic policy and the author of the bill, told the paper that the absence of the necessary regulatory base for aviation business was the cause of "unhealthy competition on the market of domestic flights." "Our analysis indicates that prices soared 50% last year on domestic routes serviced only by one airline while prices on the routes where several air companies were present rose only 8%." Alexei Sinitsky, editor-in-chief of the Air Transport Review magazine, however, disagreed.

"As for the proposal by deputies to admit foreign airlines to the domestic market, this will simply kill the business of Russian air companies, which is unprofitable already today," he told the paper, adding that the move contradicted the Russian Air Code and intergovernmental agreements.

Sheremetyevo and Vnukovo to be merged

Renaissance Capital

Event: RBC Daily and Vedomosti reported today (29 March) that the government has decided to merge Sheremetyevo airport (100% government-owned) with Vnukovo airport (75% held by the City of Moscow). The federal government will pay RUB45-50bn (\$1.6-1.75bn) for the city's stake in Vnukovo. According to Vedomosti, citing Minister of Transport Igor Levitin, the merger of Sheremetyevo and Vnukovo will follow the consolidation of Sheremetyevo's terminals, including Aeroflot's Terminal D. Domodedovo, which is privately owned, is not expected to take part in the merger; Domodedovo might potentially have obtained a controlling stake if all three airports were merged. According to Prime Minister Vladimir Putin, the new airport entity will be modernised and eventually privatised. The government also decided to build a third runway at Sheremetyevo.

Action: Potentially positive for Aeroflot, in our view.

Rationale: Supporters of the airport merger favour the creation of unique hub at the merged entity, whereas other Moscow airports (i.e. Domodedovo) would be relegated to a secondary role. Hence, we think Aeroflot could benefit from the merger in the medium term, since its main airport (Sheremetyevo) will attract additional government investment and is likely to regain its former status as the main airport in Moscow. Moreover, the third runway, which is planned to be built by 2014, should allow Aeroflot to increase traffic. In our view, the major issue for Aeroflot remains the appointment of a professional management company for Sheremetyevo. While we think the government's desire to privatise the merged Sheremetyevo/Vnukovo entity is positive, this will take time. ●

Threat to railway liberalisation?

Renaissance Capital

Event: Vedomosti has reported that yesterday (29 March) an expert committee provided an interim report to Prime Minister Vladimir Putin on Russia's development strategy for 2012-2020, including the reform of the railway transportation industry, as part of broader regulation of natural monopolies. According to the newspaper, the committee favours a return to greater government regulation of transportation, even in currently deregulated segments of the railway industry, which would affect railway car operators. The committee has reportedly suggested setting a price range for cargo transportation, and prefers government regulation to further development of "artificial" competition in the industry.

Action: Currently neutral for Globaltrans and Transcontainer, in our view.

Rationale: The government has yet to make any decision on these proposals. However, the news increases uncertainty regarding the future of this industry, and could create negative sentiment for railway transportation companies. We think that regulated tariffs and the loss of price flexibility are potentially negative for large market players, which could offer a wider range of services and thus distinguish themselves on non-price terms. ●

Ivan Kim

Russia infrastructure news

Deadlines for Vnukovo reconstruction changed again – More uncertainty for Aeroflot?

Renaissance Capital, Russia

Event: Today (5 April), Kommersant reported that the deadline for selecting a general contractor for reconstruction of the runway at Vnukovo airport has been changed again, from 5 May to 25 April. Rosaviation reportedly says that despite delays in the tender process, reconstruction work will be completed on time, by 1 July. In order to meet this deadline, Engeocom will start work on the runway before the tender is held, and the contractor selected through the tender will have to compensate Engeocom for the work it undertakes in the meantime.

Action: Intensive newsflow about the reconstruction of the runway at Vnukovo is creating undesirable noise and uncertainty for Aeroflot's stock price, in our view.

Rationale: Additional speculation about the timeline of the tender and runway reconstruction at Vnukovo creates more uncertainty about how long special flights for state officials will be routed through Sheremetyevo; these special flights will reduce Aeroflot's traffic during the summer tourism season. According to Kommersant, although Rosaviation claims the construction at Vnukovo will be finished on time, some lawyers are sceptical of this, and note the possibility of violations in the tender that could lead to additional delays and costs. Vedomosti reported today that Aeroflot, Utair and Sky Express are already preparing to face the prolongation of reconstruction at Vnukovo.

Ivan Kim

Deconsolidation of Terminal D could take place within next six months

Alfa Bank

According to Vedomosti, the Russian government plans to accelerate the consolidation of International Airport Sheremetyevo (IAS) assets and finalize it within the next six months. This is in line with the decision made on Monday at

a meeting on the development of the Moscow air-hub held by Prime Minister Vladimir Putin. Therefore, the longstanding issue on the deconsolidation of Terminal D from Aeroflot could finally be resolved.

We view the news as POSITIVE for Aeroflot. According to a recent valuation carried out by Ernst&Young, Aeroflot, which controls 52.82% of Terminal D, may receive around 9% of the consolidated IAS. Although currently management does not agree with this valuation, as it targeted to obtain a 25%+1 stake in the consolidated IAS in exchange for its share in Terminal D, we believe this is the most probable scenario. Even in this case, we view it as POSITIVE for the company, as the deconsolidation of Terminal D will improve Aeroflot's balance sheet thus decreasing its total debt load.

Georgy Ivanin

Freight One Valued below \$6bn; RZD Hopes to Sell 75% via Auction

Aton

Yesterday (7 Apr), Vedomosti reported that Vladimir Yakunin, the president of Russian Railways (RZD), said his company insists on selling 75% of Freight One via auction. RZD intends to retain a blocking stake of 25%, he said. Yakunin noted that certain qualification requirements (such as size, reliability and strategic cooperation potential) could be introduced for auction participants. Meanwhile, an unnamed source in RZD told the newspaper that no IPO will be conducted before the auction. We note that if 75% of the shares are sold through an auction and 25% remain with RZD, an IPO is clearly impossible.

In our view, the sale of a controlling stake via auction could raise doubts about the fairness of the privatisation of Freight One. We recall that the Ministry of Economics previously insisted on an IPO as a way to receive a market valuation of the company before the auction and a final decision on the form of privatisation by the government. Yakunin noted that an independent appraiser valued the company at "slightly less than \$6bn". This valuation is within our preliminary estimate of \$5.5-6.5bn; in order to come up with more precise numbers, FY10 numbers will need to be released.

Bottom line

Previously, Globaltrans and a number of other large players

indicated their interest in obtaining control of Freight One. We would expect any auction price to be lower than that of an IPO. This would be positive for the auction participants, but the lack of transparency in an auction scheme could potentially hinder the chances of Globaltrans to obtain control of Freight One. We believe Yakunin's statements are neutral for Globaltrans and we will await the government's final decisions on the matter, which we expect in late April.

Globaltrans expresses interest in Freight One and Transcontainer

Alfa Bank

Andrey Filatov, one of the co-owners of TIHL, a major Globaltrans shareholder, said in an interview with Interfax that Globaltrans is interested in further expanding on the Russian rail transportation market through the acquisition of new assets. Freight One and Transcontainer were mentioned as possible targets.

We view the news as NEUTRAL for Globaltrans. This is not the first time the company has expressed an interest in Russian Railways' assets. However, we believe the company will most likely target new railcars instead. Globaltrans has an efficient business model and acquisition of state-owned companies would likely be a particularly challenging exercise given that there are other large buyers with more lobbying power in the sector that are rumored to be the main candidates for acquiring stakes in both Freight One (Mr. Timchenko) and Transcontainer (FESCO).

Georgy Ivanin

Medvedev gives road funds the green light

bne

President Dmitry Medvedev said on Wednesday that he has signed into law a bill on the creation of road funds, ITAR-TASS reports. The law gives the green light for road funds to be created on both the federal and regional levels.

A federal road fund is planned in two parts, with an initial investment of RUB254bn in 2011 from the government to be supplemented by federal budget revenues. The revenues headed to the fund will include income from an increase in oil product excise tax, as well as other taxes connected to the use of federal automobile road infrastructure. A regional road fund should be created by January 1, 2012.

Russia seeks end to monopoly on airport charges

RIA Novosti

The Russian government plans to draft proposals for new legislation by June on restructuring its airports, in a bid to slash ground operations charges on aircraft operators, which is likely to give a massive boost to business and general aviation users, according to a business aviation users' group.

The move has been driven by the Russian United Business Aviation Association, which lobbies for the interests of business aviation in Russia.

"The effect of this, if it happens, will be as big as that of the introduction of new rules for flight in uncontrolled airspace introduced last November," says RUBAA Chairman Leonid Koshelev, who is also president of the Aircraft Owners and Pilots Association, a general aviation lobby group.

Koshelev claims that ground operations charges at Russian airports are monopolized, and as a result, users pay charges "up to five times in Moscow airports what they would pay in Paris, for example." The RUBAA wants a US-style system, where all airports have to have competition for airport services.

The Transport Ministry says it will state its position on the proposed new bill in the designated period after it officially receives it.

The government is also working with RUBAA on new certification rules for small commercial aviation operators.

"We hope that in three to six months those will be in place," Koshelev said.

Russia may soon also sign up to the Istanbul Convention on temporary admission rules for aircraft, which would obviate foreign aircraft entering Russia from undergoing time-consuming and bureaucratic customs procedures, Koshelev says.

Business aviation has grown rapidly in Russia in the last decade, but remains hamstrung by lack of suitable aircraft registration rules, and a host of other legacy Soviet-era legislation which is now obsolete.

Sibirsky Cement might re-establish control over Angarskcement

VTB Capital

News: According to RBC-Daily, Russian Cement Company, a joint venture between Sibirsky Cement and Rostekhnologii, might acquire 50.1% in Angarskcement from RATM Holding for USD 62mn. The deal is expected to be completed in May-June. Sibirsky Cement, which currently holds about 30% in Angarskcement, has been in a bitter conflict with RATM over the control of Angarskcement for years.

Our View: The announced price values Angarskcement at about USD 100 per tonne of capacity (assuming the company has no debt), which we consider to be reasonable. For example, Sibirsky Cement currently trades at EV/capacity of about USD 160 (although we note that Angarskcement is a relatively high cost producer). While it remains unclear whether or not the structure of the potential deal would allow Sibirsky Cement to consolidate Angarskcement, we see the potential acquisition as positive for two reasons, as it would:

__ resolve the long-standing conflict with RATM and allow Sibirsky Cement to unlock the value of its 30% stake in Angarskcement; and

__ further strengthen Sibirsky Cement's positions on the Siberian cement market as the company is likely to operate Angarskcement.

Vladimir Bespalov

Traffic offenders to face stiffer penalties

RIA Novosti - Izvestia

Traffic offenses may soon incur much higher fines, say amendments to the Code of Administrative Violations to be discussed by the lower house of parliament in its second reading shortly. The State Duma bill toughens penalties for incorrect halting, stopping, and parking. But the bottom line is: Moscow and St. Petersburg residents will face much higher penalties than Russians elsewhere.

The plan is to introduce five new fines. A driver crossing the stop line at red traffic lights will be fined 800 rubles. The fine for double and triple stopping and parking will be 1,500 rubles, except for in emergencies. There will be a 1,500 ruble fine for stopping in designated "no-parking" or "no-stopping" zones.

Stopping less than five meters from an intersection will cost 1,000 rubles. Motorists using lanes specially assigned for fixed route taxis or buses will also be penalized. In Moscow and St. Petersburg, they will be fined 3,000 rubles, and in the regions: 1,500 rubles.

Higher penalties will be paid for four more violations. The fine for driving through a red light or when the traffic police say "stop" is to be increased from 700 to 1,000 rubles. Driving into a congested intersection even on a green light, will cost 1,000 rubles instead of today's 100 rubles. Stopping on a pedestrian crossing will also be met with a 1,000 ruble fine (the current fine is 300 rubles). Anyone in Russia's two largest cities unwise enough to stop on a marked crosswalk will be fined 2,500 rubles. The penalty for stopping in a tunnel or on a road, thus creating an obstacle for other drivers, will be 2,000 rubles (instead of the today's 300 rubles).

Vehicles parked incorrectly will still be towed, only in the future this will be done at the driver's expense. It is currently free, how much it will cost is not yet known.

"These fines will be set by the government," Vladimir Kuzin, deputy head of Russia's traffic police, told Izvestia.

Taxi drivers are also in for some change. If their taxicabs do not display information on rules governing the carriage of passengers, the individual drivers will be fined 1,000 rubles, and their bosses: 30,000 rubles. Failure to issue the passenger with a standard receipt will earn them a 2,000 ruble fine. There will be a 3,000 ruble fine for not having the chequered patterns on the sides of their car or the distinctive roof light. Any refusal to carry a passenger for a fixed amount or according to the established fare will be fined 5,000 rubles. Failure to display their license to operate will cost them from 50,000 to 200,000 rubles.

"Practice shows," Kuzin said, "that increased penalties work. The accident rate is falling, and drivers becoming more disciplined. When fines for not giving pedestrians the right of way were raised, drivers became more courteous. An improved driving culture is in the making in Russia now."

Vnukovo runway tender postponed - Special flights for state officials may continue at Sheremetyevo

Renaissance Capital, Russia

Event: Kommersant reported today (4 April) that the tender to select a general contractor for reconstruction of the runway at Vnukovo airport has been postponed from 5 April to 5 May, which

may delay the start of construction work.

Action: Potentially negative for Aeroflot's stock price, in our view.

Rationale: If the reconstruction of Vnukovo's runway is delayed, special flights made by state officials may continue to be routed to Sheremetyevo beyond the previously announced term of 2.5 months (15 April-30 June). This would have a significant impact

on Aeroflot's operations during the airline's seasonally strongest period. Even under the previous terms, Aeroflot was reportedly prepared to lose \$300-400mn (6-8% of 2011 revenue, on our estimates), due to a lower flight frequency during part of the lucrative summer season, and a further delay could affect the entire summer tourism season.

Ivan Kim

Russia roads

Astrakhan region to design \$810m bridge over the Volga in 2011

Marchmont

An \$810m bridge over the Volga river is to be built in Astrakhan region, regional officials report.

Finance for the project is hoped to be raised from private investors, as well as the federal budget.

The bridge is to be built near the village of Streletsky, the officials said.

Under plans, the bridge is to relieve Astrakhan city from heavy-tonnage trucks, that go transit on the North - South transport corridor from Kazakhstan and Shanghai Cooperation Organization countries.

In 2011 the regional authorities are to prepare design and budget documentation. The bridge construction timeframes have yet to be disclosed.

City of Moscow to spend RUB2bn on street light renewal

bne

The Moscow government plans to allocate RUB2bn for the planning and preliminary implementation of a street light renewal

program, Moscow Mayor Sergei Sobyenin says, Prime-Tass reports.

The program, aimed at providing high-quality lighting on all the streets, squares, and yards in Moscow, is expected to be fully launched in 2012, while the first stages should be started in the near future, Sobyenin says.

Dutch UCL Holding unit buys government's 25% stake in Tuapse Seaport

bne

Russian company Nafta T Firm, a unit of Dutch company Universal Cargo Logistics Holding B.V. (UCL Holding), has won an auction to buy the Russian government's entire 25% stake in the charter capital in the Krasnodar Region's Tuapse Seaport, increasing its stake to 90.06%, the Federal State Property Management Agency said, Prime-Tass reports.

Governor sees 2nd St. Pete ring road complete by 2020

bne

The construction of a second automobile ring road around St. Petersburg is expected to be completed by 2020, St. Petersburg Governor Valentina Matviyenko says, Prime-Tass reports.

She is quoted as saying that the route of the ring road should be approved by late May. The investments and the timeline of the project have yet to be finalized, she adds.

Prime-Tass says Matviyenko also announced that a tender for the construction of a road from St. Petersburg to the Leningrad Region town of Tosno, part of the planned Moscow-St. Petersburg expressway, could be announced this year.

Russia's upper house passes bill on road fund creation

bne

The Federation Council, the Russian parliament's upper house, has approved a bill on the creation of road funds, which will become law once it is signed by the president, Prime-Tass reports.

The agency says the basic amount of federal government spending is planned at RUB254.1bn for 2011, but the creation of a regional road fund requires the passing of a separate bill by January 1, 2012.

St.Pete highway project operator OKs offering RUB25bn bonds

bne

The board of directors of Russian company Western High-Speed Diameter, the operator of a project to build St. Petersburg's Western High-Speed Diameter highway, has approved offering five 25-year bond issues worth RUB5bn each, Prime-Tass reports, citing a company statement.

Three groups bid for St. Pete highway tender

bne

South Korea's Samsung and two Russian consortia are the three bidders in the tender for the construction of the central part of the Western High-speed diameter in St. Petersburg, which is estimated at RUB127bn, RBC Daily reports.

The paper says one of the Russian groups bidding involves the Baltic Concession Company Magistral (BCC Magistral) founded by the Baltic Dredging Company (BDC) 100% owned by Andrei Kobzar and Terra Nova, part of the First Quantum Group. Together with BCC Magistral, the consortium will include St. Petersburg-based Mostootryad No.19, the Austrian A-Porr Ag, the Belgian Jan De Nul N.V., Renaissance Construction, Vinci Concessions SAS, and OOO Sberbank Investments.

The other bidder is a consortium The Highway of Northern Capital represented by VTB, VTB Capital, Northern Capital Gateway and the French Bouygues Travaux Publics. Northern Capital Gateway has already won a concession tender for the reconstruction and operation of St. Petersburg airport Pulkovo.

Russia trains

Globaltrans: Fair value increased on recovering freight traffic, fleet expansion and lower WACC

Metropol

We increase our fair value for Globaltrans by 14% to USD 22.00 per share for year-end 2011 from our previous fair value of USD 19.33 per share. The revised fair value implies 15% upside and we reiterate our BUY on the stock. We have become more optimistic on the name given greater-than-expected expansion in the railcar fleet and improvements in operating efficiency in 2010.

Strong 2010 fleet expansion with aggregate growth of 30% y-o-y. The company increased its average rolling stock operated significantly over 2010, by 30% y-o-y to 36,792 units. We had projected the average rolling stock operated to reach only 32,296 units for 2010. The unanticipated increase was based on railcars acquired under operating leases, the number of which grew by 159% y-o-y to 12,541 units. According to the company, the rising number of cars acquired under operating leases due to favorable market conditions and rising prices for rolling stock.

We revised the 2011 average rolling stock operated by 31% to 44,298 units

For 2011, the company plans to acquire 5,000 railcars, increasing the total number of railcars owned to 43,116 units, while the number of leased railcars will depend on market conditions. Although we believe the recovery in rail freight volume will continue in 2011, our model is based on a more conservative scenario projecting that the company will decrease the number of leased railcars by 5,540 units, substituting new stock. We expect that average rolling stock operated should increase by 20% y-o-y to 44,298 railcars, which is 31% higher than our previous estimate of 32,261 units.

We revised 2011E adjusted revenue upward based on fleet expansion and the higher number of loaded trips

We revised 2011E adjusted revenue upward by 11% to USD 1,089mn from USD 984mn based on the expanded rolling stock fleet. At the same time, we reduced the number of loaded trips due to company guidance and decreased the average price per trip by 5.5% to RUB 24,152 on a lower-than-expected average price per trip in 2010. Now we expect 2011E adjusted revenue to increase by 21% y-o-y.

Management suggests that revenue could increase 20% y-o-y for 2011E

Although management did not provide specific financial guidance for 2011, the company indicated that freight volume had increased by 10-12% at the beginning of 2011 and tariff indexation is 8% y-o-y for 2011. This suggests that company revenue from rolling stock operations could increase by 20% y-o-y for 2011E.

Our forecast for the revenue over 2012-2015 was also revised upward. Now we expect that adjusted revenue to increase to USD 1,535mn for 2015 compared to earlier estimates of USD 1,346mn. The main factors for adjusted revenue increase should be freight tariff increase and recovery of freight transportation resulting in growing number of loaded trips

Andrey Rozhkov

Globaltrans: FY10 Results and Conference Call

VTB Capital

Globaltrans has published strong 2010 financial and operating results. Following its typical results pattern, the stock has gained 18% since mid-March. However, while still not too demanding on multiples (2012F EV/EBITDA of 6.4x), the stock's future gains might be impeded by the lower than expected mid-term tariff growth and the lack of near-term drivers. Hold recommendation reiterated.

Globaltrans has published its 2010 financial and operating results, which beat our forecasts and Interfax consensus on virtually all lines. Adjusted revenues grew 32% YoY to USD 903mn (8% above both our and consensus forecasts) on the back of cargo turnover increasing 20% YoY to 97.4bn tonne-km, marking the third year of market share gains (the industry grew 8%). EBITDA rose 37% to USD 392mn, 5% above our and consensus forecasts. The adjusted EBITDA margin increased from 41% last year to 43%, mostly because the empty runs ratios for the entire fleet dropped from 72% to 62%, helped by gondola empty runs falling from 46% to 42%. Net income attributable to shareholders more than doubled to USD 177mn, 3% above our forecast and 1% below consensus.

The subsequent conference call was followed by an informative Q&A session. Management elaborated on its strategy of balancing railcar acquisitions and leasing so as to continue gaining market share at minimal cost. Acquiring railcars is viewed as opportunistic below USD 71,000. Since September 2010, Globaltrans has acquired 1,500 railcars at approximately USD 64,000/unit and has contracts to purchase another 3,500. Prices currently stand around USD 78,000 and we believe they will be firm throughout the year, so Globaltrans is likely to lease any other railcars used to expand its business.

Management mentioned that the liberalisation of the railway market would lighten the burden for customers. This supports

our concern that recent changes in the industry operating environment have questioned the argument that medium-term tariff growth will be strong (this would have accentuated the existing railcar deficit and large fleet replacement needs of (ex-Russian Railways) Freight One and Freight Two). Indeed, Russian Railways has recently allowed operators to prolong the use of railcars on the assumption of additional capital repair being made, to the advantage of Freight One and Freight Two. Furthermore, the industry is becoming more competitive, with new large players such as Independent Transportation Company and NefteTransService emerging. Finally, the unification of empty run tariffs, while increasing railcar turnover in the system (and thus improving railcar operators' efficiency), would decrease the overall deficit of railcars, hence lowering related capex requirements and pressure on railcar prices while easing the upward pressure on tariffs. Oil tanks might serve as an example of the tariff settling mechanism in a highly competitive market: in that segment, Globaltrans' tariff per trip typically increases by 3-4% per year vs. 8-9% growth in the headline tariff.

So, although we agree with management that the below inflation growth of tariffs will be compensated for by increased efficiency and the potential liberalisation of locomotive traction, we think that this will end up bringing disappointments as the consensus view is that tariffs will grow at least in line with inflation. Thus, despite the strong operating and financial results, given the lack of near-term drivers we are reiterating our Hold recommendation on Globaltrans at this point in time.

Elena Sakhnova

Gorky Railways to spend \$156m on structures in 2011

Marchmont

Interregional rail operator Gorky Railways has announced plans to invest \$156m in construction and reconstruction of engineering structures and earthbed in 2011.

Under plans, in 2011 the company is to overhaul bridges over then rivers over the Nerl, Vetluga and Volga rivers, as well as crossover bridge on Argyz - Druzhinino section.

Gorky Railways is a part of national rail operator Russian Railways.

Latvia MP says Riga-Moscow fast train project not realistic

bne

The Riga-Moscow fast train project is not realistic and profitable, besides, it might spoil implementation of Rail Baltica project, said parliament budget and financial (tax) committee chairman Janis Reirs in an interview with the Latvian public radio on Monday, BNS reported.

"Rail Baltic project is a priority, on which the Baltic states have been working for a long time already. I believe that the Riga-Moscow project is not realistic, it has not financial grounding. My personal opinion is that this project would ruin Rail Baltica project," said Reirs.

He said that the projects on upgrading railway traffic submitted in the European Union (EU) are four times larger than the available resources. "Our hesitation with Rail Baltica project will place us at the end of the queue or deletes us from it completely," he said.

In his opinion, it would be impossible to attract European money for the fast train to Moscow.

The Baltic states launched a feasibility study of the Rail Baltica project in April 2010. The study is headed by an international project management committee comprising representatives from all three Baltic states. The project provides for building a new 1,435 millimeter gauge railway linking Estonia, Latvia and Lithuania.

The Latvian project group includes representatives from the Transport Ministry, Latvijas Dzelzceļs railway company, the State Railway Technical Inspectorate and experts from other institutions and NGOs are attracted.

The European Commission in late 2008 made a decision on TEN-T budget co-financing for the Rail Baltica project and its feasibility study.

The Rail Baltica feasibility study is included in the TENT-T 2007-13 program approved by the European Commission, which will also cover 50 percent of the costs of the study with the remaining 50 percent of costs to be shared by the three Baltic states. The feasibility study cost is 396,000 euros.

Rail Baltica project aims to link the baltic states with Warsaw and Berlin. Experts believe the fast train line Rail Baltica, connecting Latvia and the largest European countries, would ensure more efficient integration of the Baltic states into Europe. The existing railway network in the Baltic states is built according to the Russian standards and the railway traffic is relatively slow and technically incompatible with Polish and German railway networks.

Meanwhile, during the meeting of Latvian Economics Minister Artis Kampars and Russian President Dmitry Medvedev in late December last year an agreement was reached that a fast train should be built between Riga and Moscow before the World Football Championship in Russia in 2018.

Mechel confirms it has completed 120km of track in Ulak-Elga railroad dispute

Citi

Mechel has asked a higher arbitration court to rule on the Yakutugol vs. Khingan dispute. In the dispute, Khingan claims ownership of certain structures on the Ulak-Elga railroad, which is the instrument for Mechel to achieve commercial production at its Elga coal deposit. As part of its submission to the court, Mechel said that it has already built 120km of the railroad so far.

Mechel won an auction to develop Elga in 2007 and paid US\$2bn for the license. Approximately 50km of railroad was already completed, but needed to be restored in 2007. This indicates to us that it has taken Mechel 12-18 months (adjusted for crisis and repairs) to build 70km of track. With 195km remaining this indicates to us that it will take Mechel c.3-4 years to complete the railroad to the Elga coal deposit.

Police boost Moscow subway security ahead of bombing anniversary

RIA Novosti

Security has been stepped up on the Moscow rapid transit system ahead of the anniversary of the March 29, 2010, twin suicide bombings in which 40 people died.

A police spokesman said there has been increased police and security presence on the subway.

Police have been warned of a possible terror attack by two Islamist female suicide bombers on Tuesday and have their Photofits.

Chechen warlord Doku Umarov claimed responsibility for the suicide bombings on two Moscow subway stations on March 29 last year. He is also said to have ordered a deadly bomb attack on Moscow's Domodedovo International Airport in January of this year that claimed 37 lives.

Russia, Latvia transport ministers to discuss train project

bne

Russian Minister of Transport Igor Levitin, who arrives here on Wednesday for a two-day working visit, is to meet with Uldis Augulis, Latvian Minister of Railways, to discuss a Riga-Moscow express train project, as well as matters concerning cooperation between the two countries with a view to improving transport infrastructure, Itar-Tass reported.

Levitin is to visit Riga at the invitation of Artis Kampars, Latvian Minister of Economics. An official in the Economics Ministry press service has told Itar-Tass that the two sides on Thursday will consider matters relating to preparations for a session of the Latvia-Russia intergovernmental commission on economic, scientific, technical, humanitarian and cultural cooperation, which is slated for the beginning of June. Levitin and Kampars are the Commission's Co-Chairmen.

Kampars pointed out, "Latvian President Valdis Zatlers visited Russia in December last year. The long and purposeful work done by the Latvia-Russia intergovernmental commission resulted in the signing of a number of interstate treaties during the visit. During a (forthcoming) meeting with Levitin at the level of the Commission's Co-Chairmen, it is planned to reach agreement on further priorities in the Commission's work and fix subsequent steps in our work".

Alexander Veshnyakov, the Ambassador of the Russian Federation to Latvia, and Pyotr Aven, Chairman of the Russian side of the Russo-Latvian business council, will also take part in the meeting between the Co-Chairmen of the Intergovernmental Commission.

A meeting between Levitin and Augulis will be also held on Thursday. An official in the press service of the Latvian Ministry of Railways has told Itar-Tass that the sides will discuss a Riga-Moscow express train project and cooperation between the two countries for the purpose of improving the transport infrastructure linking the two capitals. The Latvian Ministry points out that Latvia and Russia conduct a substantive dialogue at ministerial level and at the level of intergovernmental commission experts. This is conducive to giving a boost to bilateral interaction in the transport sector.

Augulis said earlier, "On April 6-7, Russian Transport Minister Igor Levitin will visit Latvia. We shall discuss the development of railway infrastructure. Both sides take a similar view of this: it is impossible to increase goods turnover via the ports of Latvia".

The Russian Ambassador to Latvia and executives of the Russian Railways Company will be present at the Levitin-Augulis meeting.

Russian Railways shelves 4,000 freight cars due to defective parts

bne

State-owned railroad monopoly Russian Railways has removed from operation 4,068 freight cars produced in 2009-2010, Prime-Tass reports, citing a company statement that said there had been 14 incidents involving broken or defective cast parts since the start of the year.

The railroad monopoly said it has decided to stop using freight cars produced at Ukrainian machine building company Azovobshchemash with parts manufactured by AzovElectroStal and freight cars produced at Altaivagon, a railway equipment plant based in Russia's Altai Region.

Russian Railways to double high-speed St.Pete-Helsinki service in May

bne

Russian state-owned railroad monopoly Russian Railways plans to double the number of high-speed trains traveling between St. Petersburg and the Finnish capital of Helsinki beginning May 29, Prime-Tass reports, adding that the company statement said there would be four daily trips scheduled in each direction between the two cities.

Russian Railways to launch Moscow-Berlin-Paris route in December

bne

State-owned railroad monopoly Russian Railways plans to launch traffic on the Moscow-Berlin-Paris route in December, Prime-Tass reports, citing company Vice President Mikhail Akulov.

Trains are expected to run three-five times per week and take 41 hours to reach Paris, Akulov is quoted as saying.

Russian Railways to sell stakes in 10 subsidiaries at auctions

bne

State-owned railroad monopoly Russian Railways plans to sell stakes in 10 subsidiaries at open auctions, Prime-Tass reports.

The company said in a statement it planned to sell 100% minus one share stakes in five car repair plants, two mechanical plants, rail ties supplier Transwoodservice, freight carrier Refservice, as well as a 25%-minus-one-share stake in facilities design company Roszheldorproject.

Russian Railways' cargo shipments up 5.5% y-o-y in January-March

bne

State-owned railroad monopoly Russian Railways' cargo shipments increased 5.5% on the year to 294.6m tonnes in January-March, Prime-Tass reports, citing a company statement.

Coal shipments totaled 75.6m tons of coal (up 1.5%), oil and oil products 63m tons (up 0.8%), iron and manganese ore 26m tons (up 8.1%), and ferrous metals 19m tons (up 9.1%), the reports says.

The agency adds that the company's cargo transportation in January-March rose 9.0% on the year to 513.2bn tonne-kilometers.

Russia planes

Aeroflot leaves Egypt off the schedule

Aton

Vedomosti reports (5 Apr) that Aeroflot does not plan to conduct regular flights to Egypt this summer. Rosaviation only allowed flights to Egypt after Aeroflot had prepared its summer flight schedule, but the airlines said it might organise additional charter flights to that destination. In previous years, only about 2% of Aeroflot's revenues came from routes other than those to the Americas, Europe and Asia, so we do not expect this development to affect the company's operations.

CEO confirms Russia's Aeroflot IFRS net profit doubles in 2010

bne

The net profit of Russian flag carrier Aeroflot Russian Airlines more than doubled to more than \$280m from \$122m in 2009, as calculated under International Financial Reporting Standards (IFRS), Aeroflot CEO Vitaly Savelyev said, Prime-Tass reports.

Domodedovo, transport min should continue talks on 3rd runway, Putin says

bne

The management of Moscow's Domodedovo Airport should continue talks with Russia's Transportation Ministry on the construction of a third runway, Prime Minister Vladimir Putin says, according to Prime-Tass.

Dmitry Kamenshchik, chairman of Domodedovo's board of directors, said that without a third runway the airport's traffic capacity could be limited, the agency reports. Experts disagree, Putin told the businessman, adding that ongoing repairs to one of the two existing runways are expected to be complete by 2014.

Transportation Minister Igor Levitin said the construction of a third runway would require the highway leading to Domodedovo to be expanded because of increased passenger traffic.

Separately, Putin said that the airport in the Moscow Region city of Ramenskoye could be used for low-cost charter flights.

Moscow Region government OKs Kubinka business airport project

bne

The government of the Moscow Region has approved a project to build Russia's first airport dedicated to business aviation at the Moscow Region's Kubinka airfield, Prime-Tass reports.

The agency says the airport is expected to begin operations in 2012, while investments into the project are estimated at RUB6.5bn.

Passenger numbers in Russia increased 7.7% y/y in February

Alfa Bank

Yesterday, Rosaviation released February numbers for Russia's air market. Total RPK increased 9.8% y/y to 8.9bn pkm, the number of passengers increased 7.7% y/y to 3.3m.

A significant deceleration in the market growth rate, from 15.8% in January to 7.7% in February, was expected due to the

cancellation of flights to Egypt and Tunisia due to political unrest in these countries. According to Association of Tour Operators of Russia, weekly passenger flow to Egypt and Tunisia is usually 72,000 people in February-April, or 8-10% of Russia's monthly passenger traffic. Other destinations, such as Thailand, failed to offset this decline. We expect March will also be a weak month, as the ban on the sale of tours to Egypt was lifted by Minsporttourism only yesterday.

We view the news as slightly POSITIVE for Aeroflot, as the company published its February operating results last week. Aeroflot has managed to outperform the market owing to its higher diversification of destinations and lower exposure to Egypt and Tunisia, where the main carriers are Transaero and S7.

Russia to buy two presidential jets from European manufacturer

RIA Novosti

Russia will purchase two Airbus jets for its leadership in a deal worth \$235 million with a European aircraft manufacturer despite promises to help its own struggling aeronautical industry.

The Russian government announced on Thursday it is buying two Airbus A319ACJs from EADS, headquartered in Toulouse, France, as well as building two Russian Ilyushin Il-96-300 airliners for President Dmitry Medvedev.

The entire deal, including the building of four Mi-8 MTV-1 helicopters, will cost the Kremlin's property department 18.6 billion rubles (\$652.6 million).

Last year, Kremlin property manager Vladimir Kozhin said Russia may buy Ukraine's Antonov An-158 jet for the Russian leadership, and was eyeing the purchase of Sukhoi's most up-to-date Superjet 100 airliners.

Russian court rules to stop Moskovia Airlines bankruptcy case

bne

Russia's 10th Arbitration Court of Appeals has upheld a lower court ruling stopping a bankruptcy case against Moskovia

Airlines, Prime-Tass reports, adding that the court rejected the appeal by Finance Leasing Company.

Sukhoi Superjet 100 to start Aeroflot flights in May

RIA Novosti

Russia's flagship airline Aeroflot said on Tuesday it will begin regular commercial flights of the Sukhoi Superjet 100 in mid-May.

The company has placed orders for 40 models of the aircraft, which will initially conduct flights between Moscow and the central Russian city of Nizhny Novgorod.

The Superjet, championed by Prime Minister Vladimir Putin, is designed to replace the Soviet-era mid-range planes that entered service in the 1960s and 80s.

Sukhoi is seeking to sell at least 800 planes, more than half to foreign airlines.

It currently has over 120 confirmed orders, with the first Superjet to be delivered to neighboring Armenia's air carrier Armavia by the end of April.

Transaero lists on MICEX

Aton

Yesterday (29 Mar), Transaero listed its shares on MICEX. Previously, it was listed only on the RTS and no trading activity was reported.

Transaero controls 18% of the Russian passenger airline market (in passenger-kilometres) and is the second-largest domestic airline after Aeroflot Group (27% market share). According to Interfax (29 Mar), the company listed its treasury shares; Transaero currently holds 13.8% of its capital as treasury stock.

The company reportedly has not abandoned plans to hold a full-scale IPO. During the day trading was weak with volumes reaching only \$46,000. Based on the closing price, Transaero's market cap reached \$950mn.

In our view, the news is unlikely to affect Aeroflot or UTair in the

short term. Transaero has a relatively poor disclosure policy (the last reported period was 2009), high debt, an old airliner fleet and has recorded net losses since 2007. However, we may reassess our view when the company reports its 2010 IFRS results.

Transportation Ministry simplified charter flight rules

Metropol

Russian Transportation Ministry simplified charter flight rules, allowing airline to fly charter flight without approval from airline, which is appointed for regular flight to the same destination. This rule will be applied to 28 countries, which are most popular for the Russian tourists.

Rules liberalization could result in increasing number of charter flights from small and medium airlines especially in summer month high season. Due to that we expect increasing competition among medium and small airlines and charter flights passenger yields decrease.

At the same time we expect that charter airlines could gain part of regular passenger turnover from the largest airlines. However, given strong passenger turnover growth outlook, we believe that it will not result in passenger turnover decrease at largest airlines. Moreover, largest airlines could increase its charter flights to keep its market share stable. Given that, we believe that news is neutral for largest Russian airlines in the long-term.

Andrey Rozhkov

Upside risks to Aeroflot potential losses from re-basing of government flights to Sheremetyevo

Alfa Bank

According to Kommersant, the tender for the reconstruction of one of the runways at Vnukovo has been postponed from April 5 to May 5, implying a longer period during which government flights from Vnukovo will be taken at Sheremetyevo airport.

We view the news as NEGATIVE for Aeroflot. In late February, when news on the transfer of government flights as of April 15 from Vnukovo to Sheremetyevo broke, we estimated this would last about 2.5 months and would cost Aeroflot, which is based at Sheremetyevo, \$40-120m in terms of revenue, or 1.1-3.4% of our 2011 revenue projections. We based our estimates on the potential decrease of flight frequency due to government flights. Now, the upper limit of potential losses for Aeroflot has increased, as the repair period at Vnukovo will cover almost the entire high season, not just half of it, as was previously expected.

Georgy Ivanin

UTair signs \$426 mln deal to buy 20 ATR aircraft

RIA Novosti

Franco-Italian aircraft manufacturer ATR will supply 20 new short-haul ATR-72-500 turboprop airliners to Russian airline UTair under a \$426 million deal signed on Thursday.

Currently, UTair uses 17 ATR aircraft of different variants in Russia and Ukraine. UTair plans to use some of the new planes in Ukraine.

UTair's fleet includes 184 aircraft. In 2011, the company plans to acquire 14 medium-haul Boeing 737, three long-range Boeing 757-200 airliners, and also three regional Bombardier CRJ-200 aircraft.

Russia ships

FAS sues NCSP subsidiary for abuse of dominant market

Renaissance Capital

Event: Prime-TASS reported yesterday (4 April) that the Federal Antimonopoly Service (FAS) has brought an action against IPP Novorossiysk, a subsidiary of Novorossiysk Commercial Sea Port (NCSP), for violating Article 10 of the Law on Protection of Competition (i.e. for abuse of its dominant position). FAS has received a collective appeal from several bunker suppliers, which claim that IPP infringed upon their interests by improper cancellation of service contracts for receiving, storing and shipping oil products in December 2010. IPP owns and operates the only specialised liquid bulk terminal at Novorossiysk port that is dedicated to bunkering, including transshipment of oil products through special terminals. FAS initiated the action following an investigation.

Action: Neutral for NCSP's stock price, in our view.

Rationale: Violations of the competition law can be penalised with turnover fines equivalent to 1-15% of a company's turnover in the previous period. Based on IPP's most recently available RAS numbers (for 2009), indicating annual revenue of \$71mn, we roughly estimate the impact of the potential fine on NCSP's 2011 EBITDA to be not more than 2% in the worst-case scenario, whereby IPP would be fined 15% of annual turnover. We also do not think IPP is likely to be hit with such a large fine, so the direct impact on NCSP should not be significant.

Ivan Kim

Moscow building materials firm ups stake in Azov Seaport to 66.81%

bne

Moscow-based construction materials producer S has increased its stake in the charter capital of the Azov Seaport to 66.81% by buying the Russian government's 25.5% stake for RUB100.39m, Prime-Tass reports, citing the Federal State Property Management Agency.

NCSP: New Board of Directors Elected at EGM

Aton

Last Friday (25 Mar) an extraordinary shareholders meeting was held by NCSP. During the meeting a new board of directors and auditing commission were elected.

The election resulted in the following composition of the board:

Transneft (two representatives):

- Mikhail M. Arustamov, first vice president of Transneft JSC
- Vitaliy N. Kisenko, head of Legal Department of Transneft JSC

Summa Capital (two representatives):

- Ziyavudin Magomedov, chairman of Summa Capital Investment Group
- Boris A. Tikhonenko, general director of Primorsk Trade Port Ltd

The state (two representatives):

- Victor A. Olerskiy, deputy transportation minister
- Alexander A. Davydenko, head of the Federal Sea and River Transportation Agency

Independent director:

- Yuri A. Soloviev, president of VTB Capital

Bottom line

The board's new structure reflects the company's shareholding structure. Summa Capital and Transneft, which currently hold 50% of NCSP on parity terms, together received four seats. The state received two places instead on the one it previously controlled. Alexander Shokhin, an independent director, was replaced by VTB Capital's President Yuri Soloviev. We also note that this time, the management of Novorossiysk port took no seats on the board (previously, two seats were held by NCSP management). The board's structure revealed no surprises so the news is neutral for the stock, in our view.

Over 120 ships stranded in heavy ice in Gulf of Finland

RIA Novosti

More than 120 vessels have become stranded in ice in the Gulf of Finland, with their number growing by 20 ships every day, the St.

Petersburg seaport administration said on Monday.

The Gulf of Finland has been iced over for more than a month, with dozens of ships waiting for assistance because they are unable to ply their way through the heavy one-meter-thick ice floes. The situation in the gulf deteriorated last week after a cyclone from the Norwegian Sea hit the region.

A total of 11 icebreakers, including the Taymyr-class Vaigach nuclear powered icebreaker, have been sent to the area to help the stranded ships out. As of early Monday, 121 vessels out of 135 sailing in the gulf have been trapped in the ice, the port administration said. Only seven ships are currently sailing through the area, moving through ice channels hewed by the icebreakers.

Strong winds and snow over the gulf have hampered rescue operations, the port administration added.

Russia cancels auction for Tver Port due to lack of interest

bne

Russia's Federal State Property Management Agency has cancelled an auction to sell the government's 25.5% stake in the charter capital of Tver Port due to a lack of bids, the agency said in an official publication. Prime-Tass reports that the starting price had been set at RUB20.587m.

Russian shipping company seen launching Kaliningrad-St. Pete line

bne

Russian Shipping Lines, located in the Kaliningrad Region, is expected to launch a high-speed Kaliningrad-St. Petersburg line, Prime-Tass reports, citing the press office of the regional economy ministry as saying total investments in the project are estimated at \$700m.

The report did not say when the service might begin.

Russia's antitrust service OKs sale of three shipping cos

bne

Russia's Federal Antimonopoly Service (FAS) has cleared the way for three separate companies to acquire stakes in three domestic shipping companies, Prime-Tass reports.

The service said in a statement that it has given approval for the Leningrad Region's Passenger Port to acquire a 37.58% stake in St.-Petersburg-based North-Western Shipping Company; for Nizhny Novgorod Region-based V.F. Zagranperevozki to acquire a 39.89% stake in the regional shipping company Volzhskoye Parokhodstvo; and for Cyprus' Volgo-Balt Transport Holding to acquire a 34.11% stake in the Kaliningrad Region's Western Shipping Company.

TTDKh buys 25.5% stake in Yeisk Seaport for RUB41m

bne

Russian Taganrog-based company TTDKh has purchased a 25.5% stake in Yeisk Seaport from the Russian government for RUB41.175m at an auction, the Federal State Property Management Agency, Prime-Tass reports.

Vostochny Port freight traffic up 13% y-o-y in January-March

bne

Freight traffic through Russia's Vostochny Port increased 13% year-on-year to 3.764m tonnes in January-March, including 3.241m tonnes through its specialized coal terminal, Prime-Tass reports, citing a port statement.

CIS infrastructure

Chornomorsky shipyard shareholders approve 2011 production plans

bne

The planned production volume of Chornomorsky Shipbuilding Yard (Mykolaiv) in 2011 is estimated at UAH196.3m, Interfax reports, citing a company statement issued following a shareholder meeting.

The planned volume of shipbuilding is estimated at UAH148.3m, repairs at UAH40m, and other work and industrial services at UAH8m, the news agency reports.

EBRD ready to double funding of rail projects in Ukraine if sector reformed

bne

The European Bank for Reconstruction and Development (EBRD) says it is ready to double its funding of rail projects in Ukraine if the sector is reformed, Interfax reports, citing the press service of State Railways Administration, Ukrzaliznytsia.

Georgia - Danish A.P. Moeller-Maersk A/S becomes a new owner of Poti Sea Port

Liberty

About 80% of the shares were acquired by "APM Terminals," which is a part of A.P. Moeller-Maersk A/S business conglomerate. A.P. Moeller-Maersk A/S operates in various fields, including transport and energy sectors and has offices in 135 countries. 20% of Poti Sea Port shares will remain in UAE's Rakia

Group ownership, which will have its representative in the top management of the port. Rakia has acquired 51% stake in 2008 for US\$90 mln, while the remaining 49% - for US\$65 mln in 2009. Poti Sea Port's new owner will have to invest US\$50 mln in the port, according to Poti Mayor Vakhtang Lemonzhava. Obligation to invest US\$50 mln is included in the agreement. However, the amount of the transaction itself has not been disclosed yet.

HPC-Ukraina says share-swap talks with Russia's Global Ports failed

bne

HPC-Ukraina stevedore company, a subsidiary of Germany's Hamburg Port, was in talks on an exchange of shares with Russia's Global Ports Investments plc, but the talks have failed, HPC-Ukraina President Klaus Schmoecker says, Interfax reports.

"There was no agreement with GPI. We want to confirm that HPC is still managing [a terminal at Odesa maritime merchandise port]," Schmoecker is quoted as saying.

He adds that HPC is continuing to study proposals from other companies on joint participation in various projects.

Kerch-based Zaliv Shipyard posts 50% rise in sales in 2010

bne

Zaliv Shipyard in Kerch, Crimea, increased its net sales income by 49.8% in 2010 over the previous year, to UAH42.02m, Interfax reports. The company adds that its net profit fell by 53.4%, to UAH15.82m.

Kyiv River Port gets 2 new owners

bne

Two large stakes in OJSC Kyivport (Kyiv River Port) changed hands in late March, the port says.

Interfax reports that the State Commission on Securities and the Stock Market says Office Line (Kyiv) sold a 24.9999% stake in the company, which was acquired by Davidson Distribution LLC (the United States). In addition, the news agency says, K.S. Kamerton (Kyiv) sold its stake of 24.0821% to IVEX INK (the Virgin Islands).

Azarov to sign agreement in China on construction of Air Express

Kyiv Post

Ukrainian Premier Mykola Azarov has expressed hope that during his visit to China he will sign an agreement on the construction of a railway between Kyiv city and Boryspil and an orbital road in the capital.

"In the near future, in fact in a week, I'll visit China and we'll sign an agreement on the construction of the Kyiv-Boryspil railway and on the building of an orbital road in Kyiv," he said at a meeting of Ukrainian constructors in Kyiv on Tuesday.

Read more: <http://www.kyivpost.com/news/city/detail/101619/#ixzz1lp3iLmiH>

Kryukiv announces railcar servicing JV with Georgian firm

BG Capital

Kryukiv Wagon (KVBZ) and Georgian Carriage Building Company plan to set up a JV to service passenger and freight wagons, Interfax reported. The JV will service rolling stock on the route between Baku (Azerbaijan), Tbilisi (Georgia), and Kars (Turkey).

Alexander Paraschiy: The new Georgian exposure should allow Kryukiv to take advantage of growing demand for high quality repair works in the Caucasus region. At the moment, however, the potential benefits from the JV look largely immaterial for the Ukrainian side.

Kyiv authorities hope to launch construction of road to Zhuliany Airport in two

Kyiv Post

Kyiv City State Administration is planning to start the construction of a new road from Chervonozoriy Avenue to Zhuliany Kyiv International Airport in two months.

"Facilities subordinate to the Defense Ministry of Ukraine are located near the road. We have held two meetings with them [the ministry officials], and today the issue is at the stage of completion. The project is ready and it has been approved. And I think that in a month and a half or two months construction of this road will start," First Deputy Head of the main transport department of Kyiv City State Administration Ivan Shpylioviy has said.

Read more: <http://www.kyivpost.com/news/city/detail/101393/#ixzz1ldSYE5XX>

Luhanskteplovoz delivers 40 diesel locomotive sections to Mongolia

Concorde Capital

Luhanskteplovoz (UX: LTPL UK) completed the delivery of 40 out of 60 diesel locomotive sections to Ulan-Bator Railway, the company reported in a press release yesterday, with the remaining share to be delivered within the next several months.

Vitaly Gorovoy: This order accounts for 60% of Luhanskteplovoz' diesel locomotive production plans for 2011 and is valued at USD 113 mln (of which USD 98 mln should go to the 2011 top line).

We note the high production pace by the company: achieving a third of our estimate of its annual production plan within the first quarter. We will continue to monitor Luhanskteplovoy' output; the 1Q pace could imply that the manufacturer could beat our full year production forecast of 100 diesel locomotives in 2011. We project Luhanskteplovoy' top line in 2011 at USD 190 mln, up 76% y-o-y. As this order was announced in November 2010, we believe it is already priced in by the market.

Nation thwarts competition, forcing air travelers to pay more to get to destinations

Kyiv Post

Competition on the domestic passenger airline market is stifled and may get even more stifling, with government delays in reaching an open skies accord with the European Union.

The result: higher air fares and fewer low-cost carriers for travelers.

At issue is a March 11 decision, announced by Deputy Prime Minister Borys Kolesnikov, in which Ukraine pledged not to ink an open skies deal with the European Union until Ukrainians are granted visa-free travel to the 27-nation bloc.

Read more: http://www.kyivpost.com/news/business/bus_general/detail/101315/#ixzz1IG1jXyTc

Podilsky bridge in Kyiv will be completed in 2012

Kyiv Post

The Podilsky bridge in Kyiv is to be opened to traffic in 2012, Prime Minister Mykola Azarov has said.

"One more bridge will be commissioned next year. In general, Kyiv should have four more bridges, and they will be built," he said at the seventh annual conference organized by the Dragon Capital investment company in Kyiv on Thursday.

Azarov said that on Thursday he would open traffic on the Darnytsia bridge from the right to the left bank of the Dniro River.

Read more: <http://www.kyivpost.com/news/city/detail/101243/#ixzz1IADDnHYE>

Wizz Air changes base airport from Boryspil to Kyiv

bne

Kyiv-based Wizz Air Ukraine Ltd., part of Hungarian budget airline Wizz, has changed its base airport in Ukraine from Boryspil to Kyiv's Zhuliany Airport, Interfax reports, citing a Wizz spokeswoman.

The agency says the move was made to reduce servicing costs.

CE infrastructure

EU sees road, rail freight transport starting recovery in 2010

bne

At EU level, the economic crisis resulted in a decrease in road and rail freight transport in 2008 and 2009, after several years of an upward trend, Eurostat reports. In the EU27, road freight transport was down by 10% in 2009, after a fall of 2% in 2008. Rail freight transport was down by 17% in 2009, after a drop of 2% in 2008.

However, Eurostat reports that quarterly data indicate that both transport modes have begun to recover from the effects of the economic crisis. For both road and rail freight transport, there was a gradual improvement throughout 2009, confirmed in the two first quarters of 2010, the statistical office of the European Union says. Compared with the same quarter of the previous year, road freight increased by 3% in the first quarter of 2010 and by 4% in the second quarter, while rail freight rose by 8% in the first quarter and by 14% in the second quarter.

Motorway link between Vienna, Czech border to open in 2016

bne

The motorway link between Vienna and the Austrian-Czech border should be opened in 2016 already, Erwin Proell, the governor of Lower Austria, said after meeting South Moravia governor Michal Hasek in Valtice, southern Moravia, CTK reported.

Proell and Hasek signed a memorandum on the importance of completing the R52 high-speed road to Mikulov at the Czech side of the border and the construction of the A5 motorway on the Austrian side.

The last phases of the work on the R52 road should be finished by 2018, Hasek said.

The construction of the new roads should secure a much faster connection above all between Vienna and Brno, the capital of the South Moravian region.

Austrian motorway A5 (Nordautobahn), which will lead to Vienna's orbital motorway network, should connect to the Czech R52 road at the Mikulov/Drasenhofen border crossing.

Another phase of the A5 motorway construction between the village of Schrick and the state borders will start in 2013, Proell said.

The construction of the Drasenhofen border crossing will start in 2014, he added.

On the Czech side, a ring road around Mikulov is to be built first.

"Preparations for it (the ring road) will start in 2012. The next phases are planned for years 2016 to 2018," Hasek said.

He also emphasised that the construction of the prepared motorway link between Vienna and Brno would last even much longer were it not for the pressure or regions on central governments.

After their meeting, the two politicians ceremonially opened a new road connecting Valtice and the Lower Austrian village of Katzelsdorf which opened to traffic in November last year.

Poland plans PLN3bn airport in central Poland by 2020

bne

According to the Infrastructure Ministry, Poland requires a new centrally located airport, Polish News Bulletin reported. The Infrastructure Minister Cezary Grabarczyk says the ultimate decision about construction of a new airport will be taken by the new government. However in his opinion such a project should be given serious consideration. In order to cope with growing air traffic construction of the new airport should be concluded by 2020, and this means work should start within the next two years.

According to Sebastian Gosciniarek, an air transport expert, Poland not only needs a large central airport, but there is also a need to invest in regional airports. The market will be growing fast enough to ensure traffic at smaller airports as well. Construction of the new airport may cost around ZL3bn, not much more than expansion of the Okecie Airport. According to Grabarczyk the new project may be financed according to a public-private partnership.

Slovak Minister Says Bratislava Bypass Could be Funded as PPP Project

bne

The planned construction of the D4 highway bypass of Bratislava could be financed from private money within a public-private partnership (PPP) project, Transport Minister Jan Figel (KDH) admitted Tuesday during the traditional Partnership Day of the Association of Construction Entrepreneurs of Slovakia on the opening day of the 32nd Coneco construction fair in Bratislava's Incheba, SITA reported. "PPP projects seem to be the best option here. We cannot draw EU funds, or the drawing is limited, for infrastructure in Bratislava," he explained why the so called 'zero' highway bypass of the Slovak capital should be build through public-private partnership. He said that the plan to invest private money in construction of this highway in a way that it is advantageous for all sides is based on international experience in such projects.

The minister also talked about halting two highway PPP projects regarding D1 highway due to disadvantageous financial terms. He viewed them critically from several angles, he told the businessmen. "The model, which was more focused on operation, will be assessed and financially settled according to the performance of the construction. It is then easier, more optimal and more predictable to divide risks between procurer and contractor, i.e. concessionaire and state. It is possible probably also because we have already had the e-toll system for a year," stated Figel.

Director General of the National Highway Company (NDS) Alan Sitar opined that PPP projects are a financial tool like every other, they are neither good nor bad; everything depends on how the parameters are set and on the type of the project, he told the SITA news agency. The Transport Ministry considers using public-private partnerships for several constructions that could be realized by NDS, he added.

Slovakia opens 254 mln euro highway tender

bne

Slovakia has launched an international tender to pick a contractor for a planned highway project worth 254 million euro (\$360.3 million), the Public Procurement Office (UVO) said on Tuesday, Reuters reported.

The National Highway Company (NDS), in charge of the project, said interested bidders must have a track record of at least two construction works worth at least 50 million euros.

Companies can ask for information, further details and registration by April 21 and submit their binding proposals by June 27, when the NDS said will evaluate all bids received.

The planned 11.2 kilometres-long (6.96 miles) road project in eastern Slovakia, is part of the euro zone country's wider scheme to connect the capital Bratislava and the second biggest town of Kosice in the years to come.

The government of Prime Minister Iveta Radicova, in power since July, scrapped last year a 3.3 billion euro public-private road-building partnership with a team led by French construction conglomerate Bouygues .

The venture was part of the central European country's wider plan introduced by the previous cabinet of Prime Minister Robert Fico to speed up road building and narrow regional disparities.

Radicova's cabinet said previous contracts were unfavourable for the state, regarding them as too expensive.

SE infrastructure

EBRD invests in Turkish municipal transport with EUR50m loan to Bursa

bne

The European Bank for Reconstruction and Development (EBRD) says it has joined forces with the European Investment Bank (EIB) and the municipality of Bursa - one of Turkey's major industrial centres - to expand the city's light railways and produce improved and more environmentally-friendly transport services for Bursa's commuters.

The bank's statement said it is extending a 15-year senior loan for a total of EUR50 million as part of a multi-source financing package that also includes a EUR100m million loan from the EIB, for the Light Rail Transit (LRT) project in Bursa.