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Top story



www.basel.ru

Basel Aero's airports eye \$2.2bn development by 2030

Marchmont

Investment into development of four airports in Krasnodar region, operated by Oleg Deripaska's Basel Aero group, is to total \$2.2bn by 2030, the company reports.

Of the total funding, \$960m is reportedly to be invested by the company, \$890m is hoped to be raised from concessionaries, and \$350m is to be allocated from the federal budget.

Specifically, Krasnodar airport is to receive \$822m, Sochi airport is to get \$914m, Anapa airport - \$302m, Anapa - over \$36m.

Under plans, the funds are to be invested into construction of terminals, technical equipment and other facilities.

As a result of investment, annual traffic capacity of the four airports is expected to grow by 20 million passengers, including 9 million people in Krasnodar airport, 7 million people in Sochi airport, 2.5 million people in Anapa airport and 700,000 people in Gelendzhik. ●

Sukhoi Civil Aircraft Company delivers first SSJ-100



<http://sukhoi.org>

Renaissance Capital

Event: Yesterday (19 April), Sukhoi Civil Aircraft Company, part of United Aircraft Corporation (UAC), delivered the first Sukhoi SuperJet 100 (SSJ-100) to Armavia, an Armenian aviation company.

Action: The news is positive for UAC, in our view.

Rationale: Sukhoi Civil Aircraft Company intends to deliver 13 SSJ-100 aircraft this year: two will go to Armavia and 11 will

go to Aeroflot. The total portfolio of orders for SSJ-100 aircraft amounts to 170 units. The SSJ-100 project assumes a total of 1,000 deliveries and is oriented towards the export market. The catalogue price of an SSJ-100 is \$31.8mn; however, the first customers will receive a 10-15% discount. The SSJ-100 is a regional jet that can carry 68-103 passengers.

Mikhail Safin

Government to spend RUB300bn on airports, RUB700bn on roads to 2015

bne

Prime Minister Vladimir Putin said in a speech last week that the Russian government will spend some RUB300bn (\$10bn) on airport development over the next four years.

The program envisages the upgrade of 121 runways and the infrastructure of 117 airports, among other tasks, Putin said.

Putin also said the state will spend RUB700bn on federal and regional roads in 2011, up 40% on the year. About 10,000 kilometers of federal and regional automobile roads are to be built in the country over the next five years, and all federal automobile roads are to be upgraded by 2020, he added. ●

Russian Railways board approves sale of stakes in First Freight and Transcontainer

Renaissance Capital

Event: Yesterday (19 April), Reuters reported that Russian Railways (RZhD) had approved the sale of stakes in First Freight and Transcontainer at auction, expecting to receive a minimum of RUB115.5bn (\$4bn) for 75% in First Freight, and RUB10.7bn (\$373mn) for 25% in Transcontainer. Only private Russian companies with at least 15,000 railcars will be allowed to participate.

Action: Potentially positive for Globaltrans and FESCO, and positive for Transcontainer, in our view.

Rationale: We think Globaltrans will be competing for First Freight primarily with Neftetransservis, with a company owned by Gennady Timchenko, and with a company owned by Vladimir Lisin. The Transcontainer stake is reportedly of interest to both FESCO and Globaltrans. The reported valuation of First Freight

implies \$5.3bn for the company's equity - a bit lower than RZhD's previous \$6bn estimate - and 5.3x 2011E EV/EBITDA (assuming almost no debt), vs 7.3x for Globaltrans, on our estimates. The announced price for 25% in Transcontainer puts its value at \$1.49bn, vs \$1.64bn based on its current market price. RZhD clarified that this is the starting bid, and that it expects to get more for the stake to cover a deficit in its investment programme. Transcontainer's shares have been strong for the past couple of weeks, and we believe the news will propel the share price further up. FESCO, which has around \$650mn in cash and already owns 12.5% in Transcontainer, is the front runner, assuming it can raise more capital for the acquisition. As for Globaltrans, the company would most likely need a combination of an SPO and a debt offering to buy either of the assets. ●

Ivan Kim

Russian Railways seeks to raise \$4.5 billion with unit sale

Ria Novosti

Russia's state railway operator Russian Railways on Tuesday gave the green light to the sale of stakes in its Freight One and Transcontainer units, eyeing, chairman Alexander Zhukov said.

Zhukov said Russian Railways is looking to make around 115.5 billion roubles (\$4.08 billion) from the sale of 75 percent in Freight



<http://rzd.ru>

One. He also said the company expected to earn some 10.7 billion roubles from the sale of its 10 percent stake in Transcontainer. ●

Transport: Russian Railways asset sale

UralSib, Russia

75% of Freight One and 25% of Transcontainer to be sold. On Tuesday Russian Railways' board of directors approved the sale of a 75% minus two share stake in Freight One, its 100% subsidiary, and a 25% plus one share stake in Transcontainer (TRCN LI - Not Rated), in which it owns 50% plus one share, via auction by the end of 3Q11. The opening bid for the assets has been set at \$4.1 bln (RUB115.5 bln) for the Freight One stake and \$380 mln (RUB10.7 bln) for the Transcontainer stake. Only entities resident in Russia (but not state corporations) and with a stable financial position and strong presence on the domestic rail freight market (owning at least 15,000 railcars) are qualified to participate in the auction. (Please see our report published yesterday.) May be a trigger for Globaltrans, FESCO, and Transcontainer. We consider this news a potential trigger for Globaltrans shares, as the company is among potential candidates to purchase the assets. It is also a clear trigger for FESCO and Transcontainer. We believe that Globaltrans's chances of acquiring Freight One are limited, considering the size of the deal (Globaltrans has a

current market cap of \$3 bln, net debt of \$400 mln, and a 2011E EBITDA of \$480 mln, versus the initial bid of \$4.1 bln for 75% of Freight One) and the strong competition for the asset. Regarding Transcontainer, although FESCO has been always considered a more realistic candidate for the acquisition due to its 12.5% ownership of the company, we believe that other candidates also have fair chances of buying it. For Globaltrans, an acquisition of 25% of Transcontainer could raise a number of questions, as the container segment is a new area of business for the company. Nevertheless, we would consider horizontal diversification for Globaltrans at a reasonable price as a positive development, as it could be a good avenue for its accumulating cash pile. We also assume that if Globaltrans purchases the stake, it could be used in various partnerships or swap deals inside the industry. Finally, privatization of Freight One will complete railcar-service liberalization, benefitting tariffs and private carriers, including Globaltrans. ●

Russia infrastructure news

Azarov: Kyiv finishing work on issue of high-speed rail line to Moscow

Kyiv Post

Ukraine has nearly finished working through issues related to launching a high-speed rail link between Moscow and Kyiv, Ukrainian Prime Minister Mykola Azarov has said.

"I want to emphasize that Ukraine wants to finish working through the whole array of issues related to putting into operation a high-speed railway, including the introduction of a simplified procedure of border and customs control, as soon as possible," he said after a meeting with his Russian counterpart Vladimir Putin in Kyiv on Tuesday.

Read more: <http://www.kyivpost.com/news/nation/detail/102197/#ixzz1JNqsUfy1>

Foreigners to participate in Moscow-St Pete railroad

bne

Consortiums from China, South Korea, France, and Germany plan to participate in the construction of a high-speed railroad between the Russian cities of Moscow and St. Petersburg, Denis Muratov, CEO of High-speed Rail Lines, a unit of Russian Railways, reports local press.

Companies include China's CNCR and CSNN, South Korea's Hyundai, France's En Exia, and Germany's Deutsche Bahn are interested in the project.

In January, Muratov said that state-owned railroad monopoly Russian Railways planned to announce an international tender to build a railroad in December in a project worth €10bn and €15bn.

Moscow government to build 100 km of roads near ring road

bne

The Moscow City government says it will build about 100 kilometers of new roads near the Moscow Ring Road, or MKAD, Moscow Mayor Sergei Sobyenin said in an interview with the Rossiya television channel, ITAR-TASS reported.

The government plans to build alternative roads and roads leading to residential areas and shopping malls, the mayor said.

He added that the Moscow government planned to attract funds from large shopping malls to finance road construction at the MKAD.

Mostotrest management offered a strong long-term outlook

Metropol

Mostotrest management held a conference call following the release of 2010 IFRS results.

Backlog. Backlog orders increased by 35.6% y-o-y to RUB 235bn after the company won the two largest transport infrastructure construction tenders in Russia with a combined value of RUB 91.3bn. The projects include the RUB 41bn construction of a section of the Moscow - St. Petersburg highway and the RUB 50.3bn Kurortny Avenue alternate road in Sochi. For 2011, the company plans to bid on several projects including the RUB 40bn construction of a roundabout near Vishniy Volochok as well as projects in Nizhny Novgorod and Voronezh. The company also will actively bid for Moscow projects, where 2011 infrastructure spending is projected to be RUB 131bn compared to RUB 43bn in 2010.

M&A and CAPEX. The company's 2011 CAPEX is anticipated at RUB 3bn, or RUB 200mn lower than last year's figure. Management said that the company could acquire road repair and maintenance businesses and expand into the metal framework manufacturing business. Moreover, the company continues to show interest in acquiring a tunnel builder.

Outlook for 2011. According to management guidance, 2011 revenue could increase by 20-22% y-o-y or to RUB 89-91bn, which includes RUB 12-15bn from the Fourth Moscow Ring Road project and RUB 13-15bn from Kurortny Avenue and other projects.

The management outlook was very positive, indicating that the company could move forward to increase backlog orders, benefitting from increased spending on transport infrastructure. We believe that the positive outlook should outweigh 2010 financial results that showed revenue falling by 5% y-o-y. Andrey Rozhkov

NLMK Sells railway subsidiary NTK cheaply; board proposes final 2010 dividend

Unicredit

Topic: NLMK announced the disposal of its transportation company, NTK, for USD 561mn, consisting of USD 325mn in cash consideration and USD 236mn debt. NTK was sold to UCLH, which is a transportation holding owned by Vladimir Lisin, NLMK's controlling shareholder.

In other news, NLMK also announced that its board proposed a final 2010 dividend of RUB 1.2/share (USD 0.43/ADR), which implies a dividend yield of 1% and overall 2010 payout of 30%. The record date is 16 June.

Our view: We see the disposal of NTK as slightly negative for NLMK, as the deal implies an 18% discount to Globaltrans' EV/railcars of USD 90,000/railcar, while it would also be a minor decrease to NLMK's vertical integration.

Conclusion: We maintain our Hold recommendation and 12M TP of USD 31.6.

Government to auction stakes in shipping companies, ports in May

bne

Russia's privatisation of its shipping sector is well in hand and gathering momentum. In May the government says it will hold auctions for government stakes in three shipping companies and a sea port reports PRIME-TASS.

Sheremetyevo continued to outperform Domodedovo in 1Q11

Renaissance Capital

Event: Today (14 April) RBC Daily reported that Sheremetyevo and Domodedovo had nearly equal passenger traffic in 1Q11 (4.305mn and 4.461mn, respectively), but Sheremetyevo's growth rate was stronger, at 20.6% YoY in 1Q11, vs 4% YoY growth at Domodedovo and a 5% reduction in traffic at Vnukovo. Sheremetyevo reportedly attracted the highest share (47.3%) of international passenger traffic to its Moscow hub in 1Q11.

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

Rationale: We think Domodedovo's significant relative underperformance vs Sheremetyevo is temporary and is mainly due to the cancellation of flights to and from Egypt, which have accounted for 12% of Domodedovo's passenger traffic in the past. We believe the situation could change in April, after the reopening of the route. Effective management of Sheremetyevo and its long-term successful performance are still an issue for Aeroflot, with

70% of the airline's passenger traffic going through the airport. Sheremetyevo's traffic growth decelerated in March (+19.7% YoY) vs February (+21.8% YoY), even though February is seasonally a weaker month. Still, we think passenger growth at Sheremetyevo is solid and is rather supportive for our expectations of Aeroflot's operating results, ahead of the release of official data.

Ivan Kim

Russia infrastructure finance & statistics

Aeroflot: NRB plans to issue five-year bonds exchangeable for Aeroflot shares

UralSib, Russia

Plans to issue up to \$210 mln in Eurobonds. Yesterday National Reserve Bank (NRB), controlled by Alexander Lebedev, announced plans to issue five-year Eurobonds exchangeable for Aeroflot (AFLT RX - Buy) shares. The Eurobonds will be denominated in \$200,000 with a maturity date of 12 May 2016 and a 4.25-5% quarterly coupon. The initial offering is for \$160 mln, with an option to increase it by other \$50 mln. Bond holders will have an option to exchange them into Aeroflot shares starting from 41 days after the closing date (12 May 2011) and ending 10 days prior to the maturity date. The reference price is to be taken as the weighted average on MICEX between the launch and pricing dates, and exchange premium is 25-30%.

NRB's stake in Aeroflot might decrease by up to 6%. Based on the terms of the issue, bond holders would have incentive to swap into Aeroflot shares if the stock price exceeds \$3.14-3.26/share (counted as the current market price plus 25-30%). We estimate that if the placement will be for the maximum amount of \$210 mln and all the exchangeable bonds are converted into Aeroflot shares, this would imply an up to 6% stake in the company; and as a result, NRB's stake in Aeroflot may decrease from current of about 15% to 9%.

Marginally positive for Aeroflot. We believe for NRB this would be a good exit opportunity from Aeroflot shares. We also think, if the bond holders use the option to switch into Aeroflot shares, it would be positive for the company's share liquidity. In addition, through participation in this bond issue, Aeroflot could get treasury shares, needed for M&A, while also receiving 4.25-5% coupon payment per annum. At the same time, the price of that

switch may be considered as unattractive by the company. We anticipate Aeroflot share price may exceed the \$3.14-3.26/share level after the consolidation of Aeroflot with the six companies from Rostechologies. We consider this news as positive for the company.

Anna Kupriyanova

Mostotrest publishes strong 2010 results

VTB Capital

News: Mostotrest has published its first results since the IPO in November 2010, and management subsequently held a conference call. Pro forma revenues were down 1% to USD 2,466mn and EBITDA grew 16% to USD 297mn, while net profit after consolidation adjustments rose 22% to USD 146mn.

Our View: While revenues were affected by exogenous factors, which resulted in delays in construction works, the robust 12% EBITDA margin underpins our view that Mostotrest is a quality play on the infrastructure construction market and stands on strong fundamentals.

Management's update on projects under construction was quite encouraging. We highlight, as an example, that work on Moscow's Fourth Ring Road, which gave the market some cause for concern, is on track: in 2011, RUB 10bn (USD 357mn) of spending has been approved for this project and management estimates another RUB 2-5bn (USD 71-179mn) will be approved.

The group's revenues have a bright outlook: at the end of last year, the consolidated backlog stood at RUB 235bn (USD 7.7bn) with the majority of contracts due in 2012-13. Management is also eyeing several large projects, including a RUB 40bn (USD 1.4bn) project on the Moscow-St Petersburg highway. No specific comments were made about Moscow's road infrastructure as the strategy is still being elaborated, but management is clearly looking forward to the tenders. So, we believe that the company's guidance of 20-22% revenue growth in 2011 might prove conservative.

Management also guided that capex would follow its undemanding RUB 3bn (USD 10mn) programme this year. Finally, the target EBITDA margins above 10% were not revised. We nevertheless believe that they could fall below that level by 2012 due to cost pressures and the state trying to reduce contract prices.

Overall, we view these results as encouraging for our Buy recommendation, which we are reiterating along with our 12-month Target Price (that implies 43% upside potential from current levels).

Mostotrest Satisfactory Results Enhanced by Promising Guidance

Troika, Russia

Although Mostotrest did not meet our top line expectations with its 2010 IFRS results reported this week, its fundamentals remain strong. After building up a \$7.7bn order backlog, the company is looking to deliver at least 20% revenue and EBITDA growth in ruble terms this year on rising construction volumes from key contracts in Sochi and Moscow (toll highway). We raise our target price 5% to \$10.00 per share and reiterate our BUY recommendation on the stock. Our concerns center on the sustainability of the EBITDA margin this year and the company's exposure to the Moscow transport infrastructure market, which is being reviewed at the request of the new mayor, although the Moscow government plans to triple the municipal budget for transport infrastructure.

__ Ambiguous 2010 IFRS financials... Mostotrest's consolidated pro forma revenues declined 5.7% in 2010 to R74.8bn (\$2.5bn), underperforming our forecast by around 5% due to a delay in the construction of several projects. Although the EBITDA margin decreased to 8.0% in 2H10 from 17.7% in 1H10, the consolidated EBITDA margin improved from 10.3% to 12.0% in 2010. Profit cyclicity over the year was in line with trends from the previous year due to accounting specifics, though in 2010, it additionally stemmed from a delay in construction contracts in Moscow, which have temporarily been put on hold for review by Sergei Sobyanin, the city's new mayor. On the other hand, we were inspired by Mostotrest's solid R13.3bn (\$450m) net cash position generated by its IPO proceeds and advance payments from clients related to future contracts.

__ ...outweighed by strong outlook for 2011. The company forecasts revenue growth of at least 20-22% in 2011, with a stable EBITDA margin of 10-11%. It is looking to take part in new tenders this year, e.g. construction of the second stage of the Moscow - St Petersburg toll road (R40bn) and the Voronezh bypass (R10.15bn), while the Moscow government plans to triple the municipal budget for transport infrastructure and resume large scale tenders this year, in which Mostotrest will also participate. As of end 2010, Mostotrest's order backlog totaled R235bn (\$7.7bn), up 35.6% and covering three years of revenues.

__ Target price raised 5% to \$10.00 per share. Our upgrade is mainly based on a revision of the company's estimated net cash position at end 2011 to \$175m and a reduction in the WACC from 12.5% to 12.2% driven by a fall in the cost of debt from 10.0% to 8.5%. We have lowered our 2011 EBITDA estimate by 3% to \$374m.

__ Risks. The sustainability of the EBITDA margin in 2011 may be affected by delays in construction contracts, as well as growing costs for materials and subcontractor services. Financing of the Fourth Ring Road in Moscow may be downsized, which could potentially reduce the company's order backlog by around 10-12%.

Novorossiisk Commercial Seaport 2010 IFRS results: weak

Troika, Russia

Novorossiisk Commercial Seaport has reported expectedly weak 2010 IFRS results.

Revenues fell 5.9% to \$635m, negatively affected by a 5.5% drop in tonnage and ruble appreciation. The ban on grain exports that the Russian government imposed in August 2010 was the main driver, resulting in \$40m in lost revenues. However, the company reduced tonnage of iron ore by 12.8%, liquids by 5.3%, and ferrous metals by 10%. This was in contrast to impressive turnover in containers (up 72%), non ferrous metals (28.8%) and mineral fertilizers (22.9%), which added \$23m to the top line.

The gross margin contracted 300 bps to 62%, due mainly to the ban on highly profitable grain exports. In 4Q10, the gross margin was 53.1%, compared with 59.7% in 4Q09. However, the EBITDA margin improved slightly in 2010, rising 130 bps to 65.3% as SG&A costs declined 32% due to the reversal of losses on advances for PPE and changes in provisions.

The conference call left us with a positive impression, and generally highlighted the company's main issues.

__ Over the next two to three years, the management will focus on reducing leverage, targeting a 2013E debt/EBITDA of 1.5-2.0.

_ Tonnage should remain flat in 2011, while average tariff growth might be 5%.

Container handling is the fastest growing segment at 25 30% this year, and there is a chance that grain exports will resume in 2H11.

_ The investment program is on track, with \$200m set to be invested this year. A fuel oil terminal will be launched in 4Q11, while the timeframe for building a container terminal is unclear.

_ At present, Novorossiisk Commercial Seaport (including Primorsk Commercial Port) is operating at 75 80% capacity (without the grain terminal).

Troika's view: We believe that the unimpressive 2010 IFRS results are priced in. The company's 2011 guidance leads us to believe that Novorossiisk Commercial Seaport will make around \$580m in EBITDA, implying a 2011E EV/EBITDA of 8.5, versus 11.5 for global ports. The next trigger for the stock will be operating data, which should show an upward trend in tonnage compared with falling numbers in 1Q11.

OJSC MOSTOTREST announces full year results for 2010

Press release

OJSC Mostotrest (hereinafter referred to as "the Company" or together with its subsidiaries OOO CORPORATION ENGTRANSSTROY ("ETS") and OOO Transstroyemkhanisatsiya ("TSM") hereinafter referred to as "Mostotrest" or "the Group") publishes its financial and operating results for the year ended December 31, 2010. This press-release has been prepared on the basis of unaudited pro forma consolidated financial statements (the pro forma financial statements) of OJSC Mostotrest ("MSTT") and its subsidiaries(a).

SUMMARY

Mostotrest, Russia's leading transport infrastructure construction group, produced a strong operating and financial performance in 2010, growing market share, increasing profits, and winning a number of new high profile tenders. The Group continued its strategic drive to increase the scale and scope of its operations, acquiring ETS and TSM during the year. The integration of these businesses proved very successful, increasing the Group's backlog, broadening its service offering and enabling it to tender for, and win, several major infrastructure projects. Mostotrest ended the year in a very strong financial position and, with minimal debt and substantial net cash, helping the Group to deliver growth in 2011.

Operating Highlights:

Market share up to 8.4%(b) from 7.8% in 2009 - driven by growing volumes of works carried out with the own work forces(b).

Backlog increased by 35.6% to 235.0 bln. rubles(c) - reflecting Mostotrest's strong integrated business platform and diversified operations.

Awarded the two largest transport infrastructure construction tenders in Russia at a combined value of 91.3 bln. rubles(c) including the 41 bln. rubles(c) construction of a section of the Moscow - Saint Petersburg highway and the 50.3 bln. rubles(c) construction of Kurortny Avenue alternate road in Sochi.

Financial Highlights:

Double-digit revenue growth in Group's priority business segments - in its priority business segments, the Group achieved very strong trading with revenue up by 15.4% in bridge and road construction, 42.7% in railways and 113.5% in airports. Headline revenue dipped slightly by 5.2% to 74.9 bln. rubles (2009: 78.9 bln. rubles) as a number of projects were carried over into 2011.

Gross Profits grew 4.2% from 10.6 bln. rubles in 2009 to 11.1 bln. rubles in 2010 driven by a 6.6% decrease in cost of sales - driven by increase in the share of work conducted in-house, which in turn reduced the expenses of subcontractor services. Gross profit margins increased from 13.4% to 14.8%.

EBITDA(d) grew by 10.4% to 9.0 bln. rubles, with margin increasing from 10,3% to 12.0% - driven by growth in gross profits and reduction of administrative expenses.

Adjusted net profit (i.e. profit from continuous operations without taking into account dividends paid in ETS and TSM, non-controlling interest and amortisation from consolidation) increased by 17.2% to 4.4 bln. rubles.

Net cash volumes (cash and cash equivalents less loans and borrowings) stood at 13.3 bln. rubles at year end 2010 - this figure was 6 times higher than the figure at year end 2009. Such high level of net cash gives the Group great opportunities for further business growth.

Recent acquisitions integrated and demonstrated sound financial performance - ETS (51.0%) and TSM (50.1%) acquired in Q2 2010 contributed to the strong overall performance of the Group.

CEO COMMENT

Commenting on the results, CEO of OJSC Mostotrest Vladimir Vlasov said: "Although in 2010 the construction sector was still suffering from the consequences of the economic downturn, the markets in which Mostotrest operates proved to be very stable and this was reflected in our own performance and results.

2010 was an important year for Mostotrest. We made impressive progress towards our goal of becoming the leading integrated infrastructure group in Russia, increasing our market share and backlog, growing our revenues in our core segments and

broadening our service offer into new infrastructure segments. The strategic acquisitions of ETS and TSM have bedded down well and we are already capturing the synergies - our integrated business model benefits from the additional general contracting expertise and access to new markets. This in turn increases our ability to bid for and win the largest tenders as we demonstrated in 2010.

We expect our markets to continue to grow in coming years, underwritten by both macroeconomic forecasts of growth and by large scale infrastructure projects that the authorities are committed to implementing, such as the 2014 Winter Olympic Games in Sochi, the APEC-2012 Summit in Vladivostok, and the 2013 Universiade in Kazan.

In 2011 the Russian government expects to increase significantly the level of federal spending on transport infrastructure, and Moscow, Russia's biggest city, also sees investment into construction infrastructure more than tripling over the coming year. Mostotrest's leading market presence and its very strong finances mean that it is ideally placed to take advantage of these favourable market conditions and to grow the business further in 2011".

Russian Sea Group: 2H10 IFRS results and 1Q11 trading update: improvement after weak 1H10

UralSib, Russia

EBITDA and net income still negative. Russian Sea Group (RSEARX - Not Rated) yesterday released its 2H10 IFRS results (in fact the numbers were for the 18 months ending 31 December 2010) and a 1Q11 trading update, which showed volume improvement after a rather weak 1H10. Revenues in 2H10, which were announced previously, increased 13.6% to RUB10.2 bln (up 13% YoY in dollar terms to \$332 mln). The gross margin expanded 1.8 ppt HoH but narrowed 5.5 ppt YoY to 12%. Supported by a recovering gross margin and volumes, EBITDA remained negative at minus \$4 mln, though this was much better than 1H10's figure of minus \$12. Net loss was even larger than in 1H10.

Revenue growth decelerates QoQ. Revenues rose 15.2% YoY to RUB4.45 bln in 1Q11 (up 17.9% in dollar terms to \$153 mln), which was slower than the 28.2% YoY ruble growth in 4Q10. The ready-to-eat segment was the main growth driver thanks to 20% YoY price inflation in this category compensating for an 8.6% YoY volume drop due to discontinued sales of lower-price products. The fish-farming segment showed debut revenues of RUB2.4 mln (around \$80,000), which was an important first step towards vertical integration.

Recovery continues in 2011. Russian Sea improved its operations in 2H10, driven by contracts with new trout and frozensalmon suppliers aimed at providing the company with the volumes it

lacked in 1H10. However, its financials remained weak in 2H10. Its margins should be supported this year by increasing volumes and a shift in assortment towards higher-margin products.

The increasing output from its fish-farming operations could become the main margin driver.

Sovcomflot (Baa3/-/BBB-): FY10 Financial Results

VTB Capital

Sovcomflot Group, Russia's largest seaborne shipping company and leading global player in seaborne energy transportation, released its FY10 IFRS financial results. In a year that was described by Sovcomflot's management as "the weakest freight market in the past decade," the company's credit profile continued to rely on high profitability and strong liquidity.

SCFRU 17 (YTM -5.82%, +311bp to swaps) trades 75bp over Gazprom.

In our view, the struggling freight market and index fallout risk implied by the planned IPO justify the current Eurobond pricing.

Gross revenue and EBITDA struggled to beat 2009 numbers, posting a 7% YoY increase and a 3% YoY decline, respectively. The time charter equivalent (TCE) revenue was almost flat YoY, delivering growth of just 1%.

Partially as a result of lower profitability, but also due to somewhat higher debt, Sovcomflot's net leverage marginally increased to 4.6x in FY10, which is low relative to peers in the shipping industry. In addition, it is important to take Sovcomflot's secure liquidity profile into the equation as it is supported by strong cash flow generation along with a very smooth and unchallenging debt repayment schedule through 2015 (Figure 5).

Against the backdrop of the performance of the global tanker shipping industry, Sovcomflot's results come out as generally positive. The company outperformed many of its international peers that reported declining gross revenues and EBITDA, while at the same time posting higher net leverage (Figures 2, 3).

For an unsecured creditor, the main risks stem from the slow recovery of the freight market, a relatively large amount of secured debt and potentially increasing capex.

Steppe Cement publishes solid 1Q11 trading update

Troika Dialog

Steppe Cement released a solid trading update for 1Q11 yesterday. Cement sales volumes climbed 6% y-o-y to 187 kt during the quarter, while realized prices rose 24% y-o-y to \$63/tonne.

Troika's view: The numbers indicate improving cement market fundamentals, with realized prices up significantly. As we

mentioned previously, Jambyl Cement, a new entrant to the market, is experiencing commissioning delays, while the government is increasing spending on infrastructure. This is all positive for the sector, and we do not rule out the possibility that prices could remain elevated throughout the year. However, until Jambyl Cement has launched operations and has set out a clear marketing strategy, uncertainty will remain, and widespread investor anxiety over Steppe Cement's underperforming share price is understandable. In addition, Steppe Cement's 2010 financials are expected to be poor, with the bottom line in the red and EBITDA of only \$8 mln. This has created a situation in which the market is pricing in the negative developments too much, leaving the opportunity for sizable upside, in our view.

Russia roads

All bidders for St. Pete highway pass preliminary selection

bne

All three companies that submitted bids to participate in the construction of the Western High-Speed Diameter highway in Russia's second largest city of St. Petersburg have passed the preliminary selection process, an official with the city's investment and strategic project agency says, Prime-Tass reports.

The agency says that Baltic Concession Company Magistral, Mainline of the Northern Capital and South Korea's Samsung C&T Corporations can now submit bids for the highway's construction before the June 29 deadline, with the results of the tender to be announced on July 29.

Chuvashia to get \$175m from federal budget on road works in 2011

Marchmont

Authorities in the Republic of Chuvashia expect to receive a total of \$175m from the federal budget on road works in 2011, regional officials report.

Under plans, \$163m is to be spent on construction, reconstruction, repairs and maintenance of federal roads in Chuvashia.

Another \$4.1m is reportedly allocated from the federal budget on repairs of street roads in the city of Cheboksary, and \$8.1m is assigned on repairs of yard territories neat apartment buildings.

Chuvashia's Doriss gets \$32m road contract in Yakutsk

Marchmont

Republic of Chuvashia road building company Doriss has received a \$32m contract on construction and reconstruction of roads in the city of Yakutsk, news agency RIA Novosti reports.

The works are scheduled to be completed by 2013.

Mostotrest to repair bridge over the Moloma river for \$1.5m

Marchmont

Bridge building company Mostotrest has got a \$1.54m state contract to repair the bridge over the Moloma river on Vyatka highways in Kirov region, the company reports.

The repair works are scheduled to be carried out between April and August 2011.

Pskov region's federal highway to get \$71m overhaul in 2011

Marchmont

A total of \$71m is to be allocated from the federal budget on repairs of federal highways in Pskov region in 2011, regional officials report.

Under plans, the funds are to be used to overhaul 238-kilometer federal roads, as well as six bridges.

Part of the funds is reportedly to be spent to provide proper lights along the federal highways.

Rostov region to spend \$26m on road works in Bagayevsky district in 2011

Marchmont

Authorities in Rostov region have announced plans to allocate \$26.4m on road works in Bagayevsky municipal district in 2011.

Total investment into the road reconstruction is estimated at \$50m.

Under the project, the funds are to be invested into reconstruction of a road section Rostov-on-Don - Semikarakorsk - Volgodonsk and construction of a bridge over the Manych river.

The project is scheduled to be completed in late 2012.

Saratov region to get \$140m from Federal Road Fund

Marchmont

Authorities in Saratov region expect to get \$141m from the Federal Road Fund in 2012-2013, regional officials report.

Specifically, in 2012 the region is to receive \$53m from the Fund, and in 2013 - \$88m, the officials said.

Under plans, the funds are to be spent on construction, reconstruction, repairs and maintenance of roads in the region.

St. Petersburg to test drive new contracts for road builders

bne

St. Petersburg City Hall will hold tenders under a new form of contract for the construction of new roads and transport hubs by the end of the year, reports Vedomosti.

"Under the terms of such contracts - a type of public-private partnership - the winner of the contract builds the project at its own cost, and then is gradually compensated from the budget," Alexei Chichkanov, a representative of the committee for investment and strategic projects, said.

"In this way, budget spending is spread out over an extended period, and the contractor can make adjustments to the project, taking into account advances in technology and new building materials leading to an overall reduction in building costs. Under the terms of an ordinary contract, only the administration is allowed to make changes to the project after deciding on a team of developers," he said.

"The investor will be reimbursed within three to five years after the road opens, during which time they will be in charge of its use," added Deputy Governor Yury Molchanov.

The first projects built under the new program could be inner-district roads in the Yuzhny district built by Start Development; underground roads to the low-rise Baltros complex, the Novaya Izhora complex and the Slavyanka complex; and a slip road to the Sampsoniyevsky bridge, Chichkanov said.

Each contract is worth up to RUB1bn (\$35.4m). Road building companies don't have enough money to cover such large expenses, and they'll have to borrow the money, said Mevludi Bliadze, general director of Pilon. "The building contractors may not be able to come up with the initial deposit; the scheme is only

viable on condition of guarantees from the budget," he said.

However, Molchanov disagreed, saying, "Under a standard contract, they can take out a loan. The administration won't offer any financial guarantees."

"Even in this format, a government contract is still a good deposit," said Pavel Lavrov, branch manager at Petrocommerce Bank.

Tula region's \$41.4m 2011 roads plan

Marchmont

A total of \$41.4m is to be spent on roads repairs, maintenance and construction in Tula region in 2011, regional officials report.

Of the total funding, \$38.6m is reportedly to be allocated from the federal budget.

Under plans, the funds are to be spent on construction, reconstruction and repairs of roads and road structures.

Volgograd region to spend \$18m on bridge over the Volga

Marchmont

Authorities in Volgograd region have announced plans to allocate \$17.8m from the regional budget to continue construction of a bridge over the Volga river.

Under plans, the funds are to be invested into construction of the second launch complex of the first phase of the bridge.

The money amount is not sufficient to ensure high tempo of construction but will prevent construction shutdown, the officials said.

Russia trains

Baikal-Amur Mainline – 2 needs \$35bn investment

Marchmont

Total needed investment into construction of the second line of the Baikal-Amur Mainline (BAM-2) and development of the BAM infrastructure is estimated at about \$35bn, newspaper Vedomosti reports.

Investment estimate has reportedly doubles, initially the project investment was estimated at \$16bn.

The project is to be carried out under public-private partnership.

Under the BAM-2 project, the funds are to be spent on construction of the second line of BAM, as well as to electrify certain sections of the railroad and replace trains.

Globaltrans Interested in TransContainer: We Wonder Why

Aton

In this short note, we discuss Globaltrans' recent interest in TransContainer. We argue that investors should view this as a negative signal.

The chairman of Globaltrans' board, Alexander Eliseev, says that his company is interested in obtaining a controlling or blocking stake in TransContainer (Prime TASS, 11 Apr). This mirrored an earlier statement by Andrei Filatov, one of the owners of N-Trans Holding, which holds a controlling stake in Globaltrans: Filatov said that Globaltrans was interested in Freight One and TransContainer (Interfax, 5 Apr). We view Globaltrans' desire to gain control of TransContainer as negative for the former for several reasons:

- The business models of Globaltrans and TransContainer are totally different; synergies are unlikely.
- Globaltrans planned to concentrate on developing its own business model, so its interest in TransContainer is unexpected.
- TransContainer is overpriced, in our view, and competition for control may make it even more expensive.
- TransContainer's acquisition would add little value to Globaltrans, but is likely to increase its leverage.
- Quality of corporate governance is now under question.

Bottom line

In our opinion, the potential acquisition of a stake in TransContainer is likely to have a negative effect on Globaltrans' fundamentals. We also think this kind of unexpected decision signals that corporate governance at the firm may be weaker than the market perceives and that it may be necessary for us to increase our WACC estimate for Globaltrans to account for these corporate governance concerns. However we feel that acquisition of Freight One in 2011, expansion of own fleet and participation in the locomotive traction market are higher priorities for the company than acquisition of TransContainer, and thus we think this deal's realisation is unlikely.

Gorky Railways to invest \$36m in suburban facilities in 2011

Marchmont

Interregional rail operator Gorky Railways has announced plans to invest \$36m in development of its suburban rail facilities in 2011.

Under plans, specifically, the funds are to be invested into reconstruction of Kazan junction facilities, as well as rail section Petushki - Nizhny Novgorod.

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

Mintrans Confirms RZD's Interest in Selling TransContainer in 2011; Freight One Likely to Be Privatised via Auction

Aton

Transport Minister Igor Levitin has confirmed RZD's interest in

selling 25% of TransContainer this year, Bloomberg reported yesterday (14 Apr). At the same time, Levitin suggested that RZD's 50% stake should be sold as one block rather than breaking it up, as this may facilitate raising more funds. He noted that RZD and Mintrans have yet to reach consensus regarding the sale's timing or form. In a report today (15 Apr), Vedomosti quoted RZD's Vice President Valery Reshetnikov as saying that the company believes the TransContainer stake should be sold via auction.

Levitin also commented that the state will not organise an IPO for Freight One this year; thus, during the meeting planned for 19 Apr, RZD's board of directors will assess the possibility of selling 75% less one share of Freight One via auction. RZD had intended to sell its stake in Freight One in 3Q11. Levitin also added that the state may consider selling 10-12% of RZD after the sale of control in the subsidiary companies, which in our opinion implies the RZD stake could be sold in late 2012 or in 2013.

Bottom line

The news is supportive for TransContainer, 12.5% of which was consolidated by FESCO at the time of the former's IPO in Nov 2010. In Mar 2011 Globaltrans expressed an interest in obtaining a controlling or blocking stake in TransContainer. The latter currently trades at \$11.3/GDR, about 20% higher than our estimate of its fair value and 41% above its IPO price. If Globaltrans bids against FESCO for TransContainer, the price could be pushed even higher. In anticipation of the sale of control, investors may focus on the potential competition for TransContainer, which may be supportive for the market price of its shares.

The news about the sale of the state-controlled stake in Freight One via an auction is marginally positive for Globaltrans. In our view, the price of an auction is likely to be lower than that of an IPO, allowing Globaltrans, which is interested in control in Freight One, to reduce its cash outflow.

Summa Capital interested in buying First Cargo stake from RZD

bne

Russian investment group Summa Capital is interested in acquiring a stake in First Cargo Company, Russia's largest operator of rail cargo transportation, Summa Capital CEO Marat Shaidiev says, Prime-Tass reports.

Russian Railways, which owns 100% of First Cargo, suggested selling a 75% stake at an auction with certain limitations, Russian Railways President Vladimir Yakunin said earlier in April. The Russian government has not yet approved the sale.

TransContainer: Operating Results for 1Q11 Show Substantial but Expected Growth

Aton

On Monday (11 Apr), TransContainer released its operating results for 1Q11. Container turnover rose by a substantial 23.5%. Imports were up a notable 63.6% YoY fuelled by growth in private consumption and the unfreezing of capex programmes; Exports grew by 31.7% YoY on a recovery in international demand for chemicals, metals and pulp (goods traditionally exported in containers).

We also note that domestic turnover gained 13.9% on the back of improved business activity in Russia's industrial sector. In 1Q11, TransContainer retained its 52% total market share (the same level as reported in 2H10), which we assess as neutral for the company.

Bottom line

We note that these impressive results were generally expected by the market and high reported growth was mostly attributable to the low base effect of 1Q10. Based on our rather conservative estimates for FY11, we expect TransContainer to ship 1.33mn TEUs. Given that container flows follow rather stable seasonal patterns, the 1Q11 numbers suggest 1.40mn TEUs for 2011 (only 5% higher than our estimate). In the short term, the market could react positively to these numbers, but if container flows do not accelerate later in 2011, the market may be disappointed by diminishing growth rates.

Russia planes

Aeroflot to seek compensation from Sukhoi

Renaissance Capital

Event: RBC Daily reported today (18 April) that Aeroflot is preparing proposals for its BoD and the government regarding fines for Sukhoi Civil Aircraft. Aeroflot's claims are related to delays in the delivery of Sukhoi Superjets, and discrepancies between the actual technical specifications of the aircraft and those stated in Aeroflot's contract with Sukhoi.

Action: Recent delays in delivery did not hurt Aeroflot's operations, as the airline previously decided to schedule Superjet flights for later dates than the expected delivery time of the aircraft. Differences in technical specifications, however, are likely to increase the company's fuel costs. Today Kommersant reported that Aeroflot estimates the associated loss at \$100mn, and will seek compensation of \$10mn/year over 10 years from the aircraft producer.

Rationale: Although Aeroflot has the right to cancel its contract with Sukhoi, the company will take delivery of the aircraft, and the first Superjet flight is scheduled for May. However, the company wants to be compensated for deviations between the technical specifications of the delivered aircraft and the contract specifications, including 11% higher fuel consumption (1,864 kg/hour, vs 1,680 kg/hour according to the contract). Under the contract, the producer is obliged to compensate the airline's costs associated with the difference in technical specifications for 10 years, and Aeroflot wants to offset future increased costs. Aeroflot

could be compensated through discounts on future contracts from Sukhoi, or other benefits, instead of cash payments. The aircraft producer judges Aeroflot's claims to be baseless, since the company has received a discount on the contract, as well as reduced duties on Airbus aircraft as compensation for Sukhoi Superjet delivery delays.

Ivan Kim

Aeroflot to get SSJ aircraft at last

Alfa Bank

According to the financial press, after a three-year delay, Aeroflot will finally get the first three Russian-made regional haul SSJ-100 aircraft this May. The air company is set to include SSJ-100s in its flight schedule as of May 15. Aeroflot is set to receive 30 SSJs in total by 2014-15. However, the long-awaited aircraft do not satisfy the initial contract requirements on fuel efficiency. The aircraft weigh 3.5 more tons and consume 11% more fuel for a one-hour flight than contracted for, Vedomosti reports. Aeroflot wants a fee from United Aircraft Corporation (UAC), the manufacturer of the planes, estimating its losses from lower fuel efficiency over the next 10 years at \$100-150m. The final fee will be decided on at a later date and is very likely to be proportionally excluded from the lease payment.

Aeroflot had warned the market that the SSJ aircraft may not meet all initial requirements. We therefore view the news as NEUTRAL and do not expect it to have any impact on the company's share price. The key issue will be the total fee charged. We also do not rule out that Aeroflot may be allowed to import foreign airplanes without customs duties again.

Georgy Ivanin

Duma deputies suggest new fines for flight cancellations and delays

Renaissance Capital

Event: Today (20 April), Kommersant reported that the State Duma will analyse a bill introducing a RUB10,000-24,000 fine for the cancellation of a flight or a delay of three hours or more; the size of the fine would depend on the length of the trip. Currently, the Air Code sets the fine at RUB25/hour per passenger, but not more than 50% of passengers' flight expenses. The amendments will be discussed on 11-12 May.

Action: We do not expect the impact to be significant.

Rationale: The suggested fines are lower than those set by the Montreal Convention, which can be up to \$6,500 per passenger, or even higher if delays are proved to be the fault of the air carrier. Under the new law, Aeroflot's fines for delays and cancellations last year reportedly could have reached RUB300-720mn (2-4% of 2010 EBITDA), vs RUB10mn under the current law. However, Russian airlines claim that air carrier-caused flight delays are rare for normal operations, so future fines may not increase significantly.

Ivan Kim

Government mulling liberalization of foreign ownership of domestic airlines

Alfa Bank

According to Kommersant, several government bodies, including the Ministry of Transport, the Ministry for Economic Development and Rosaviation, are considering amendments to the section of the Air Code that regulates the ownership structure of Russian airlines.

The proposed amendments, if approved, will make it possible for foreign investors to acquire more than a 50% ownership in Russian airlines; this share is currently limited to 49%.

The goal is to bring the Air Code in line with the Law on Strategic Industries, liberalizing the acquisition of control over airlines by foreign investors. The liberalization of foreign ownership in domestic strategic industries is part of the plans to acquire WTO membership. If the amendments are approved, we expect some, but not a significant, increase in the number of domestic airlines controlled by foreign players. Many foreign carriers work in Russia flying from the largest Russian cities to other countries and would most likely prefer to fly under their own brands. We do not see any signs that state-owned Aeroflot would be acquired by a foreign player in the foreseeable future. We therefore view the news as NEUTRAL for the national air carrier.

Georgy Ivanin

Non-refundable fares could be reintroduced soon

Alfa Bank

According to Kommersant, the Ministry of Transport is calling for the reintroduction of non-refundable fares in the airline industry (these fares were removed in 2007). Moreover, the proposed amendments to Russia's Air Code imply that passengers would be able to recover the full price of air tickets if the flight was canceled five or less days prior to the flight instead of the current 24 hours.

We believe the news is POSITIVE for the airline industry in general and for low-cost airlines in particular. The proposed amendments will bring Russia's regulation in line with international standards. However, we view the news as NEUTRAL for Aeroflot, as it is too early to quantify the impact of the new regulation.

Novoport to invest \$6.4m in Voronezh airport reconstruction

Marchmont

Airports operator Novoport intends to invest \$6.4m in the first stage of reconstruction of Voronezh international airport, Kommersant reports.

Under plans, the funds are to be invested into repairs of terminal complex and purchase of machinery, including buses.

According to Kommersant, under the investment agreement, Novoport is to receive a control stake in Voronezhavia, which owns the airport.

Pobedilovo airport in Kirov eyes \$30m RF aid on reconstruction

Marchmont

The RF Ministry of Transport has made a decision to assign \$30m to complete reconstruction of Pobedilovo airport in Kirov, Kirov region officials report.

Under plans, \$6m is to be allocated from the federal budget in 2011, and \$24m - in 2012.

BasEI to lease Moscow's Vnukovo Airport

bne

Oligarch Oleg Deripaska's BasEI Aero, part of his Basic Element (BasEI) holding is expected to receive terminal D at Moscow's Vnukovo Airport in a lease agreement, Kommersant business daily reported.

Vnukovo Airport has made an offer to BasEI to create a terminal for budget airlines on the basis of the existing terminal, and the sides are expected to discuss the issue by April 25, Denis Ilyin, director of BasEI's aviation department, told Kommersant.

Part of the motivation is BasEI runs a low-cost airline Sky Express out of the airport and hopes the management contract will reduce costs.

Russia may scrap import duties on mid-size turboprop planes

RIA Novosti
April 11, 2011

The Russian government is considering zero import duties for turboprop airliners with seating capacity of up to 70 passengers,

Deputy Transport Minister Valery Okulov said on Monday.

The issue was recently discussed at a meeting with Deputy Prime Minister Sergei Ivanov, he said, adding that it needed to be studied further.

At present there are zero duties on the import of airliners with seating capacity of up to 50 and over 300 passengers.

There is a 20% import duty for other aircraft.

Russia plans to bring air safety to world standards

RIA Novosti

The Russian government adopted on Thursday a draft federal program that would help Russia reduce the number of aircraft accidents and meet global flight safety standards.

The federal program On Flight Safety of the State Aviation of the Russian Federation for 2011-2015 was drafted and submitted by the Ministry of Economic Development.

The program envisions a gradual reform of the country's flight safety management system through the creation of an advanced integrated data control and exchange network and the development of hardware and software to assist air traffic officials in decision-making processes.

Russia is planning to conduct a technical overhaul of about 300 air traffic control facilities, set up at least five new centers for analysis of air crashes, and install additional monitoring equipment on runways.

The program is geared to significantly reduce the number of aircraft accidents, which would save the state budget up to 15 billion rubles (\$500 mln) annually.

The aggregate savings from the implementation of the program would be higher than the cost of the program, the document says.

The International Air Transport Association said in a recent report that Russia and other former Soviet republics combined had the world's worst air traffic safety record in 2009, with an accident rate 13 times higher than the world average.

According to Russia's Interstate Aviation Committee (MAK), 34 people were killed and hundreds were injured in 24 aircraft accidents in Russia in 2010.

In addition, Polish officials have blamed Russian air traffic authorities for the crash of a Tu-154 plane near Smolensk that killed Polish President Lech Kaczynski and 95 other people in April last year.

Transaero denies plans to buy Orenburg Airlines

bne

Russian airline Transaero does not plan to buy Orenburg Airlines, which is 100% owned by state-owned industrial conglomerate Rostekhnologii, Prime-Tass reports, citing a Transaero statement issued in denial of earlier media reports.

Transaero is considering buying into foreign airlines, CEO Olga Pleshakova is quoted as saying in the statement, which said the airline had never considered Orenburg Airlines as its rival as the companies have completely different models of business development.

Kommersant business daily reported that Transaero was interested in buying Orenburg Airlines. One of the paper's sources said Transaero has faced serious competition from Orenburg Airlines on some routes over the past six months.

The companies are currently negotiating the value of the deal, he said. Martirosov added that UTair's fleet already is comprised of 50 Mi-171 helicopters.

Speaking about future plans, Martirosov is quoted as saying that UTair is considering a number of acquisitions of helicopter carriers in Eastern Siberia and Latin America.

Vnukovo Airport expected to finish reconstruction by July 1

bne

Moscow's Vnukovo Airport is expected to complete the recently started reconstruction of its first runway and intersection by July 1, Russia's Federal Transport Agency says, Prime-Tass reports.

UTair to buy 40 Mi-171 helicopters from Oboronprom

bne

Russian airline UTair plans to buy 40 Mi-171 helicopters from state-owned defense holding Oboronprom, says airline CEO Andrei Martirosov, Prime-Tass reports.

Russia ships

20% in Northern Shipping auctioned at min. \$9.9m

Marchmont

The federal property management agency Rosimuschestvo has announced an open auction to sell 20% shares in Northern Shipping Company in Arkhangelsk.

The starting price for the lot is reportedly set at \$9.9m.

The auction is scheduled to take place on May 23, 2011.

25.5% in Murmansk Sea Shipping auctioned at min. \$34m

marchmont

The federal property management agency Rosimuschestvo has announced an open auction to sell 25.5% shares in Murmansk Sea Shipping Company.

The starting price is reportedly set at \$34m.

The participants' bids are accepted before May 10, with the auction to be held on May 17, 2011.

25.5% in Amur Shipping auctioned at min. \$9m

Marchmont

The federal property management agency Rosimuschestvo has announced an open auction to sell 25.5% shares in Amur Shipping Company in Khabarovsk.

The starting price for the lot is reportedly set at \$9m.

The auction is scheduled to take place on May 19, 2011.

55% in Vanino Sea Commercial Port auctioned at min. \$33m

Marchmont

The federal property management agency Rosimuschestvo has announced an open auction to sell 55% shares in Vanino Sea Commercial Port in Khabarovsk.

The starting price for the lot is reportedly set at \$33m.

The auction is scheduled to take place on May 19, 2011.

NCSP Reports Operating Results for 3M11: Oil Products Save the Day

Aton

Yesterday (11 Apr), NCSP released its operating results for 3M11 and Mar 2011. At first glance, the 3M11 cargo turnover results showed an improvement when compared to 2M11 (-4.1% in 3M11 vs -6.6% in 2M11); in Mar 2011 consolidated cargo turnover for NCSP and PTP increased 0.5% YoY on a pro-forma basis.

Most of the improvement is attributable to an increase in oil product shipments. However, we note that this growth resulted from PTP starting to load oil products on leased moorage in 2011. At the same time, crude oil shipments in March were flat after a decline in 2M11, which we view as a slight positive.

Bulk cargo shipments continue to suffer from the absence of grain export volumes (-41.6% YoY in Mar 2011). However, other bulk cargoes showed a strong YoY improvement of over 50% for the month. General cargo was flat in Mar 2011, but down 2.5% YoY. However, we note that ferrous metals rebounded to -2.8% YoY after a considerable fall of -40.9% in Feb 2011, which came on the back of faltering demand from North African countries suffering from civil unrest. The low-base effect is diminishing quickly in container turnover, which rose only 34.9% YoY in Mar 2011 vs +65.3% in February. We still believe that strong dynamics in high-margin container turnover may support the company's bottom line this year.

Bottom line

NCSP's operating results were more encouraging than in the first few months of 2011, in our view. The beginning of oil product transshipments at PTP facilities helped total cargo turnover edge into positive territory. We underline the strong dynamics in bulk cargo (with the now accepted exception of grain). We believe that in 2H11 - by which time the grain export ban will likely have been lifted and we hope that the situation in North Africa and the Middle East will have stabilised - the company's operating statistics should show an improvement. We note that investors have paid little attention to NCSP's operating results lately, concentrating mainly on actions and statements by the company's new shareholders. As such we do not expect any strong market reaction to the news.

RFC to buy six shipyards

bne

The Russian Financial Corporation, or RFC, says it will buy up to six shipyards this year, possibly partly financed through a bond issue, but has no plans to float its shipbuilding business, its chairman said reports Reuters.

RFC currently owns three Russian shipyards. RFC plans to consolidate the shipyards into one company.

"We see an IPO as one of the ways of attracting additional funding, but at the moment we don't have that in our current plans," Kiselev told Reuters in an interview in London.

"We do not exclude issuing bonds," he said, adding that even the most modern shipyards in RFC's sights needed some \$10 million to \$15 million of investment to upgrade them.

RFC plans up to six shipyard purchases

bne

Russian Financial Corporation, or RFC, plans to buy up to six shipyards this year, possibly partly financed through a bond issue, but has no plans to float its shipbuilding business, its chairman says, Reuters reports.

The agency says the shipbuilding and engineering firm currently owns three shipyards in the country, all bought with money from existing shareholders. But the company, in which chairman Andrei Kiselev holds 71 percent, wants to attract more private investors to fund expansion and modernization.

RFC plans to consolidate the shipyards into one company, because the only way to prosper in the shipbuilding industry is to control at least two-thirds of the market, Kiselev is quoted as saying.

Russia to auction stakes in several shipping companies, port in May

bne

Russia's Federal State Property Management Agency plans to hold auctions for government stakes in three shipping companies and a sea port in May, Prime-Tass reports, citing the agency's official bulletin.

Sovcomflot releases FY10 financials

VTB Capital

News: Sovcomflot has released its FY10 consolidated financial results; however, the full P&L statement, the balance sheet and the footnotes were not disclosed.

Our View: Sovcomflot's results reflect the impact of weak freight markets in 2010 which did not allow for an increase in revenues. The consolidated top line presented on a time charter equivalent basis (TCE revenues) increased only 12% YoY and still failed to reach not only the high levels of the exceptional 2008, but also fell short of even

the less impressive 2007. Sovcomflot's management commented in a press release that 2010 was "the weakest freight market in the past decade." However, the company continued to receive support from its chartering policy, which is geared toward time charter contracts, and is maintaining high profitability of 56% on the EBITDA level.

Sovcomflot has not presented its full IFRS results and many important disclosures have not been made. Among these are the term structure of debt, the market value of the fleet and the ratio of pledged vessels to total fleet value. All these details would have been useful in understanding the financial position of the company.

For now, though, we see that the EBITDA margin decreased slightly and the net leverage as measured by the net debt to EBITDA ratio came in higher. However, liquidity pressure might be limited for 2011 given the requirements for debt repayments this year, but we will see sharp increases in debt repayments in 2013 and now also in 2017 following the USD 800mn Eurobond placement.

SCFRU 17 (YTM -5.69%, +294bp to swaps) trades about 70bp over Gazprom, which is some 30bp wider than at placement. Given the index fallout risk implied by the planned IPO, the current pricing looks rather fair to us.

Standard & Poor's lowered its long-term corporate credit rating on Novorossiysk Commercial Sea

Metropol

Standard & Poor's lowered its long-term corporate credit rating on Novorossiysk Commercial Sea Port (NCSP) from 'BB+' to 'BB-'. The outlook is negative. The downgrade reflects NCSP's more aggressive financial policy and its highly leveraged financial risk profile as a result of the recent acquisition of Primorsk Trade Port and the concurrent partial change in ownership at NCSP. The agency revised its assessment of NCSP's financial risk profile to highly leveraged from significant, which we believe is a result of the group's less-than-adequate liquidity and the large increase in debt, which should result in weaker credit metrics. This, combined with the maturity of the USD 300mn LPNs in May 2012, could put pressure on the group's liquidity profile.

Rating and/or outlook revision in 3Q 11. S&P reported that it could lower the rating on NCSP in 3Q 11 if it believes that the group has not made substantial progress toward improving liquidity. However, it could revise the outlook to stable if NCSP's liquidity improves and is accompanied by improved operating performance and a reduction in debt.

Impact on stock. We believe the news could have a negative impact on the stock since it could result in higher interest on new loans, which are necessary to refinance current debt.

Andrey Rozhkov

Summa Capital, Transneft buy controlling stake in Novorossiisk port

bne

Russian investment group Summa Capital and oil pipeline monopoly Transneft have acquired a controlling stake in the Novorossiisk Commercial Sea Port for an estimated \$2bn, Summa Capital CEO Marat Shaidaev says, Prime-Tass reports.

Summa Capital is also considering acquiring other Russian port assets, Shaidaev says.

CIS infrastructure

Rush-hour metro blast rocks Belarusian capital

RIA Novosti

A bomb equal to 5-7 kg of TNT exploded at a busy subway station in the Belarusian capital Minsk during rush hour on Monday, killing at least 11 people and injuring more than a hundred, prosecutors said.

The bomb was planted under a bench at Oktyabrskaya, the only interchange station of the capital's subway system and the city's busiest. The station is also near the offices of President Alexander Lukashenko.

The explosive device, which went off as a train stood at the platform at 5.55 pm (14:55 GMT), was packed with metal objects to cause maximum damage.

The blast was so powerful that it blew a hole in the thick concrete floor of the platform, damaged ceiling and walls and knocked out the nearby rolling stairs. Many victims were injured by pieces of concrete which fell from the ceiling. Dense smoke filled the station after the blast, but no panic took place.

At least 300 people were in the vicinity when the blast occurred, some 126 of them were injured, including at least two Russians. The condition of 22 patients is critical. Doctors urged people to donate blood for the victims.

Belarusian prosecutors said the blast was a terrorist attack. At a meeting with officials, president Lukashenko called the blast "a serious challenge" to the nation. He told the KGB - as the country's security services are still known - to "turn the country upside down" to find those guilty.

"I don't exclude that this gift could have been brought to us by outsiders. But we have to look at ourselves as well," said Lukashenko, who arrived at the scene shortly afterwards.

"Who gained by destroying the calm and stability in the country?" he asked. "Who did not like the stability in Belarus?" He also informed the country's defense minister to check all military warehouses for missing explosives. Belarusian Interior Minister Anatoly Kuleshov said all cars crossing state borders are being checked. Police across the country was put on high alert.

Nikolai Ladutko, the mayor of Minsk, proposed to declare April 14 a mourning day. The victims will be buried on April 13-15.

While Belarus has been free of the Islamist terrorist violence that has plagued neighboring Russia, some 50 people were injured in July 2008 when a bomb went off at an independence day concert that Lukashenko was attending.

The Belarusian leader ordered to probe a possible link between the two blasts, saying that the two attacks "may constitute two links of the same chain." Russian President Dmitry Medvedev called Lukashenko to offer both condolences and assistance to the former Soviet republic. The Belarusian leader said later that Russian experts would arrive on Tuesday to help the KGB with the investigation.

Russia will also send a team of experienced doctors to Minsk to help Belarusian metro station blast victims, a spokesman for Russian health and social development ministry said. The team will comprise neurosurgeons, intensivists and doctors specializing in blast-related injuries. Many members of the team treated victims of last year's twin blasts in Moscow metro.

Bogdan Motors to supply Lugansk with buses worth UAH 16.5m

Astrum

According to the press service of Bogdan Motors (LUAZ: BUY), the Company has won the tender for supplying 38 small-class Bogdan A-201 buses to the City of Lugansk. The value of the contract exceeds UAH 16.5m and the buses should be delivered in May-June 2011. Previously, Bogdan Motors also announced the expected delivery of 10 Bogdan A069.04 school buses worth approximately UAH 3m to the Cherkasy region as part of the national school bus program.

Astrum's perspective: We see this news as NEUTRAL-to-POSITIVE for the Company's shares. These orders should generate up to 1% of Bogdan Motors net sales in 2011. We maintain our BUY recommendation for LUAZ shares.

Igor Bilyk

CIS railway freight turnover added 10% in 1Q2011

Art Capital

Combined railway freight turnover in key CIS markets, Russia, Ukraine, and Kazakhstan, increased by 10.4% in 1Q2011. In Ukraine, the turnover went up by 15.5% to 105.7 bn/tkm, while freight volume added 11.9%. Among volume growth leaders, construction materials are up 52%, chemicals and fertilizers - 43%, cement - 19%, wood - 15%, and coal - 10%.

Oleksiy Andriychenko: The news is MODERATELY POSITIVE for Ukrainian railcar and locomotive producers, such as Stakhaniv Wagon, Kryukiv Wagon, Azovzagalmash, and Luhanskteplovoz, as rising railway freight turnover supports purchases of new rolling stock in the CIS region. We expect the turnover to continue growth in 2011 by 10-15% depending on the region, supporting an

increase in new cargo railcar purchases by 14% to 104 ths units this year. In 1Q, CIS manufacturers outputted 26,856 units (+51% YoY). Ukraine's share was unchanged from 2010 - around 44%. We reiterate our BUY ratings on SVGZ, KVBZ, AZGM, and LTPL stocks.

EBRD ready to invest up to USD 1bn per year through 2015

Foyil Securities

During a meeting with Ukrainian PM Azarov, EBRD president Tomas Mirov said that the EBRD is ready to allocate up to USD 1bn to different projects every year through 2015. He mentioned that in particular the EBRD was interested in the energy sector and infrastructure.

Our view: The EBRD's confidence in Ukraine is a positive sign that should support the local investment climate. EBRD has been very active in Ukraine and even increased its investments in the country during the crisis period. The EBRD invested EUR 900m in 2008, EUR 1.1bn in 2009 and EUR 952m in 2010. We expect that it will be among the major donors for the Gas Transportation System modernization project. The main beneficiary of such investment would be the pipe-maker Khartsyzsk Pipe (HRTR, Buy).

Agshin Mirzazade

Freight car production in Ukraine up 55% y/y

Foyil Securities

In January-March, freight car production in Ukraine increased by 55.2% y/y, reported UGMK.info.

Our view: The statistical information confirms the data released by companies earlier. Demand for rolling stock remains strong and most Ukrainian manufacturers are working at full capacity, which is why we do not expect a significant increase in production in natural terms; however, demand will lead to greater prices for railcars and we expect Ukrainian companies, such as Kryukiv Carriage (KVBZ, Buy), Stakhanov Carriage (SVGZ, Buy), Azovzagalmash (AZGM, U/R), Mariupol Heavy Machinery (MZVM, Sell), and Dniprovahonmash (DNVM, U/R) to post better topline figures in 2011. We like the SVGZ and KVBZ stocks the most, as

not only should the companies post good results this year, but the stocks are the most liquid ones in the sector.

Alex Nekrasa

Kyiv considers issuing RUB-denominated Eurobonds

Dragon Capital

News: The city of Kyiv is considering placing RUB 3bn (\$100m) worth of Eurobonds to finance the construction of a new metro line. Total CAPEX for this project is estimated at \$1bn, with the bond placement likely to be conducted in the fall. (Interfax)

Dragon view: Kyiv also plans to sell \$300m of 5 to 7 year dollar Eurobonds at a yield of 8-9% in June to redeem a \$200m bond maturing in July and finance various municipal projects. Kyiv's current debt includes \$700m of Eurobonds and UAH 3.2bn (\$400m) of other loans. In addition, the city signed a EUR 115m loan agreement with the EBRD at the end of 2010 and expects first disbursements this year. Apart from the \$200m Eurobond due in July, Kyiv faces up to UAH 2.0bn of domestic debt redemptions this year.

Railcar output up 57% y-o-y in 1Q11

Dragon Capital

News: Domestic railcar manufacturers continued to benefit from strong demand for freight cars in March, producing 5,081 vehicles (+35% m-o-m and +67% y-o-y) and bringing their 1Q11 output to 12,041 cars (+57% y-o-y), or 44.8% of total CIS production (+1.7pp). (Companies, PG-online)

Dragon view: First-quarter output growth outperformed our full-year forecast of 8% y-o-y (to a new record high of 41,300 freight cars). We therefore expect to upgrade our forecast should railcar producers continue to deliver stronger than expected operating results. Meanwhile, we maintain our positive view on the sector in view of the ongoing enlargement and renovation of railcar fleets by leasing and transportation companies in Russia and reiterate our current recommendations on listed companies.

Stahanov Railcar raises output in 1Q11

Phoenix Capital

Stahanov Railcar, one of Ukraine's largest freight railcar makers, increased production to 1,988 railcars in 1Q11. In particular, the company produced 738 gondola cars in March. As stated in the company's press release, Stahanov Railcar is currently in the lead among Ukrainian railcar producers and holds fifth place among CIS rivals. According to Stahanov Railcar CEO Eduard Miserva, the company expects average monthly output to reach 750 railcars in 2Q11, supported by sustained market demand. The company had previously announced its target of 8,500 freight railcars to be produced by the end of 2011.

Ukraine, Russia could introduce relaxed customs controls on some railway routes

Kyiv Post

Moscow, April 15 (Interfax-Ukraine) - Ukraine and Russia are planning to extend the relaxed customs control that exist on the Moscow-Kyiv-Moscow trains to the Moscow-Donetsk and Moscow-Kharkiv trains, Russian Transport Minister Igor Levitin said at a briefing after a meeting of the Ukrainian-Russian intergovernmental commission.

He said that this would require an increase of the number of customs officers and frontier guards.

The sides plan to organize a rail link for high-speed passenger trains on the Moscow-Kyiv route with speeds up to 160-170 kilometers per hour. Levitin said that the countries would work on increasing the speed of passenger trains to 200-250 kilometers per hour. A separate rail link is to be built for the purpose.

Read more: <http://www.kyivpost.com/news/nation/detail/102464/#ixzz1JrNbJPn1>

Ukraine's State Agency for Investment and Chinese Eximbank sign \$2bn loan agreement

Dragon Capital

News: Ukraine's State Agency for Investment and National Projects signed a \$2bn loan agreement with the Export-Import Bank of China for development of infrastructure projects in the

Kyiv region, including a new belt highway. The loan does not require a state guarantee. No further details were disclosed. Separately, the parties also signed an agreement to finance a high-speed railway link between Ukraine's major airport, Boryspil, and the city of Kyiv, with the construction expected to be launched next month. (Interfax)

Dragon view: Though the financing agreements likely envisage that part of the funding will be used to buy Chinese equipment and/or subcontract Chinese construction companies, its net effect on Ukraine's balance of payments should be positive. Also, the Kyiv region will ultimately benefit from improved transport infrastructure, which it needs badly.

Eurasia infrastructure

JSC Caucasus Energy and Infrastructure Completes Construction of a Bridge

Press release

JSC Caucasus Energy & Infrastructure (CEI, GSE: NRGY) announces that it has completed construction of a temporary bridge on the Mtkvari River. The 33 meter bridge will be dismantled towards the end of the construction period and the area flooded with water. This is a second bridge built by the company since the HPP construction works began 18 months ago.

The bridge connects the road, which winds along the north river bank, to the other side of the river where the diversion canal building works are currently taking place. Prior to the bridge construction, the company vehicles drove through an old bridge close to the site. However, the existing bridge was not considered safe for heavy construction vehicles and some of the company's machinery had to take an even longer route through the village to access the site. The new bridge will significantly speed up the diversion canal building works and reduce transportation expenses.

"We are pleased to have completed construction of a temporary bridge. The bridge ensures safe, short and independent route for our workers and construction machinery to the south of the river bank", commented Chief Executive Officer of Caucasus Energy and Infrastructure Archil Mamatelashvili.

CE infrastructure

A rough road for Czech transport sector

bne

Tumult in the Czech government that led to the resignation of Transport Minister Vít Bárta just nine months into his term could hurt developments in the transport sector already hard hit by recent budget cuts, according to studies, The Prague Post reports.

Forecasts for the transport sector are among the worst for 2011 after more than a dozen transportation projects were cut or downsized and the ministry failed to obtain the majority of European Commission (EC) Cohesion Funds that it was eligible for. Now, with disruption in the coalition, any plans for streamlining the ministry or boosting new methods for funding, like private partnerships, could be put on ice.

According to a report from Business Monitor International (BMI) on infrastructure, the Czech transport infrastructure industry value is forecast to "post only marginal growth in 2011, due to concerns over the budget for transport projects," citing a lack of new projects in the pipeline and political unrest. "For this reason, we are anticipating [the] transport industry value to drop from 18.7 billion K_ in 2009 to 13.7 billion K_ in 2010," followed by year-on-year growth of 1.8 percent in 2011.

"Infrastructure is important for the life of the Czech economy," said Václav Matyá_, head of the Czech Association of Building Entrepreneurs (SPS), an organization that represents primarily construction and building-materials manufacturing companies. "We have to be able to add 1,000 kilometers of highways and high-speed roads by 2025, or the Czech Republic will stay an island in the middle of Europe."

Even so, the major gem in the former minister's crown was spending cuts. After the Transport Ministry's budget was cut 10 percent in 2010 and by another 17 billion K_ in 2011 - resulting in a total 30 billion K_ budget for this year - Bárta further reduced spending by around 10 percent.

However, one manner in which he did, saving around 2.9 billion K_, could come back to haunt the ministry long after his departure. Last summer, Bárta outraged transport construction companies by demanding they offer discounts on work already bound by contract, because he said the prices were inflated. When they refused, he stopped 12 highway projects and 15 railway projects. All the railway projects and eight highway projects have since been restarted, although many have been downsized.

The "political uncertainty" caused by Bárta's willingness to disregard the contracts, bloated or not, "presents a downside risk for project financing," the BMI report said. That at a time when experts say the government needs to boost partnerships with private companies to allow infrastructure development to continue while national and EC funding is forecast to decline further in the coming years.

Despite his rebuffing of the private sector, Bárta's administration had advanced an idea long-touted by Transport Ministry officials to afford

transport construction, though never really realized: partnerships between the government and private companies known as public-private partnerships, or PPPs.

PPPs exist in several forms and essentially allow the government to reduce or spread out payments on projects by striking deals with private companies that pay for the whole or part of a project up front, or agree to build a project at a set rate. PPPs are used widely in transport construction in Europe and North America, but the Czech Republic lags behind most countries, including Hungary, Poland and Croatia, in forming them.

"Why haven't ministers done it? Maybe PPPs are too transparent, because there are too many parties involved in preparation and procurement," said Vladimír Sloup, executive director of the PPP Association. "There have been some developments under Bárta, but until I see the final steps, I can't say."

Sloup added that one minister's departure would not seriously disrupt the whole development of PPPs or significantly dissuade private companies from cooperation, but a lack of "continuity" stifled implementation.

"Ministry employees change too quickly. They get new orders, a new boss," Sloup said. "There needs to be [only] one project manager."

Bárta's departure could also complicate attempts to use the EC funding already secured from the Operational Program for Transport, as well as efforts to streamline the functioning of state-owned transport companies, and the BMI report notes that transportation experts here across the board are saying that "coalition governments have often collapsed due to infighting and weak mandates, thereby derailing the policymaking process."

The ministry only managed to secure 1.49 billion K_ in funds from the EU Operational Program for Transport, a fraction of the available 150 billion K_, according to Marek Illiá_, a ministry spokesman.

"It's important for financing to involve private investment, but we have to realize that it's only part of the solution - maybe 20 percent - the other 80 percent depends on other sources, and not just national sources," Matyá_ said.

The EC funding allotted for the Operational Program for Transport is "quite huge," he said, but he is "not a big optimist" about whether the country would be able to win it.

The Transport Ministry is not alone in winning low levels of EC funding, and there are fears that in the next EC funding period starting in 2013, the Czech Republic could lose out on available allotments.

Other transport developments that may be affected by the minister's departure include several plans to streamline and crack open the railway industry, initiatives purported to have been at the top of Bárta's agenda. Bárta had introduced a plan to offer 10 tenders for long-distance rail operators in the next 10 years, and soon after proposed merging Czech Railways and the Railway Infrastructure Administration to improve efficiency and transparency, but his resignation could complicate those efforts.

However, some say Bárta's efforts were minimal, and according to Jiří

Schmidt, a spokesman for private rail operator RegioJet, Bárta's resignation could actually boost privatization.

"Bárta was a very strong proponent of a rail monopoly," Schmidt said.

The government announced April 19 that Bárta's deputy, Radek, will replace him.

Lack of private money means Czechs not preparing transport infrastructure projects

bne

The Czech Republic is perhaps the only country in the world that does not use private money to finance the building of transport infrastructure, Vaclav Matyas, head of the Association of Building Entrepreneurs (SPS), said at the construction fair IBF in Brno, CTK reported.

SPS criticised the absence of preparations of new transport construction projects and bad communication with the state.

According to Deputy Transport Minister Petr Sedlacek, the state lacks

money for these projects. Private-public partnership projects (PPP) could therefore be solution, he said.

In EU countries, a total of 1,340 PPP projects worth EUR250bn were carried out in 1990-2009.

According to Sedlacek, additional costs of classical public orders account for about one fifth of their total price. The advantage of PPP projects, on the other hand, consists in the observance of budgets and timetables.

A failure to complete the transport network could undermine the country's competitiveness, Matyas said.

"The state should realise that it has an exclusive position as the largest and strongest investor," Matyas said.

Transport Minister Vit Barta froze investments in transport infrastructure last autumn. The ministry said it would halt 12 road projects under construction as well as preparations for another 3 projects. After negotiations on prices the ministry later approved some projects again.

According to previous estimates by SPS, up to 40,000 people could lose jobs due to a further decrease in public as well as private investments in the construction sector. At present, the sector employs around 450,000 people including self-employed people.

According to data of the Czech Statistical Office (CSU), building output in the Czech Republic fell by 7.8 percent year-on-year in 2010. In 2009 it had dropped by 1 percent. The number of flats under construction declined by 24.6 percent.

SE infrastructure

Romania awards EUR 850 million contracts for highway

Mirzon

Romania's public roads authority CNADNR has awarded construction contracts worth a total 3.45 billion lei (EUR1=RON4.1152) for four highway sections in the western part of the country, the authority said Tuesday.

Contracts have been awarded for the design and construction of highway sections Nadlac-Arad, Timisoara-Lugoj, Lugoj-Deva and Orastie-Sibiu.

The construction of the Nadlac-Arad section and a connection road has been awarded to Romanian-Portuguese consortium Romstrade-Monteadriano Engenharia e Construcao-Donex Construct (22 km) for RON382.959 million and Germany's Alpine Bau (16.6 km) for 411.48 million.

The Timisoara-Lugoj highway will be built by Romanian-Italian

consortium Spedition UMB-Tehnostrade-Carena SpA Impresa di Costruzioni (10 km) for RON210.36 million and Italian consortium Tirrena Scavi-Societa Italiana per Condotte d'Acqua-Cossi Costruzioni (25 km) for RON445.64 million.

The 27.4 km-long Lugoj-Deva highway will also be built by Tirrena Scavi-Societa Italiana per Condotte d'Acqua- Cossi Costruzioni for 681.04 million.

Works for the 82 km-long Orastie-Sibiu highway have been divided between four constructors: Austria's Strabag (24 km) for RON551.04 million, Romania's Straco Grup and Italy's Studio Corona SRL Civil Engineering (20 km) for RON377.78 million, Italy's Impregilo (22 km) for RON604.79 million and Italian-Romanian consortium Astaldi-Euroconstruct Trading '98-Astalrom (about 17 km) for RON484.83 million.

Bidders have ten days to contest the results of the auction, the roads authority said in its statements.

The contracts for the highways, which are part of the fourth pan-European transport corridor, are 85% funded by the EU and 15% by Romania's Government.