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Top story



CORRUPTION WATCH: **Changing of the guard – Case against former Moscow Metro chief steps up**

bne

The Prosecutor General's Office called for a criminal case to be brought against the former head of the Moscow Metro Dmitry Gayev, reports Prime Tass, as the prosecution of corruption cases against members of the capital's former regime gathers pace.

Gayev, who resigned from his post earlier this month under pressure from the charges - which first surfaced last year - has been accused of embezzling up to RUB112m (\$3.8 million) during his time in charge of the subway system.

Gayev had reigned over the transport system since 1995, making him a stalwart of the Moscow City government headed by former mayor Yuri Luzhkov. Since the mayor was sacked by President

Medvedev in the autumn, speculation has been rife that senior figures may face prosecution over corruption.

The news that the case against Gayev may be stepped up came just one day after police raided the offices of Inteco - the real estate giant owned by Luzhkov's wife Elena Baturina - as part of an investigation into a \$440m embezzlement case.

Earlier this month an audit commission report said city hall lost almost \$8bn in dodgy deals during Luzhkov's long reign. The former mayor - who is thought to have applied for visas to live in the EU - dismissed the figures as "political bullying," reports The Moscow News. ●

Higher regulated rail freight transportation tariffs proposed for 2012

UralSib

The YoY growth in the regulated rail freight transportation tariff might be 11.4% instead of 7.4% in 2012 ... Yesterday Interfax reported that the Transportation Ministry proposes to increase the regulated rail freight transportation tariff by 11.4% YoY in 2012 instead of 7.4% prescribed by the Economy Ministry. The rail freight transportation tariff consists of infrastructure, locomotive and railcar components. For Russian Railways (RR), all three components of the rail freight transportation tariff are regulated by the FTS; while for private freight railcar operators, including Globaltrans (GLTR LI - Hold) and RR's subsidiaries, the railcar tariff component is not regulated. Although the railcar freight transportation tariff is not regulated for private operators and RR's subsidiaries, the tariff changes for RR have in the past been used as an indicator for all industry participants.

... leading to 6% higher 2012E EBITDA. We currently model 8% YoY growth (approved by FTS) in the regulated rail freight transportation tariff for RR for 2011, and 7.4% growth for 2012, based on the Economy Ministry's estimates; beyond 2012, we expect regulated tariffs to follow our in-house CPI



estimates declining from 10% to below 7%. Our current model for Globaltrans is based on the assumption that the company's adjusted railcar freight tariff growth will follow 1 ppt below the projected increase in tariffs for Russian Railways, while the company's empty-run costs (48% of total adjusted operating costs excluding depreciation), which are a function of empty-run kilometers and the regulated infrastructure and locomotive tariff (set by FTS for RR), are projected to follow RR's regulated tariff trends. We therefore estimate that if growth in the regulated tariff is approved at 11.4% instead of 7.4% for 2012, this will lead to upward revisions of 4% and 6% in Globaltrans's 2012E net revenues and EBITDA, respectively.

If approved, a good development for Globaltrans. Approval would be a good development for Globaltrans. However, this decision is far from being made and needs to be approved by the FTS, which typically adjusts the following year's tariffs at the end of the year. As of now, we reiterate our Hold recommendation on Globaltrans and do not see short-term triggers for the stock. ●

Moscow mayor plans to scrap the Fourth Ring Road

Metropol

Yesterday, Moscow Mayor Sergei Sobyenin stated in a press interview that the Fourth Ring Road project is to be cancelled given the high cost. At a price varying from RUB 12bn to RUB 20mn per km, the project is not economically feasible, he said. According to Sobyenin, the city should focus on less expensive projects with a higher return on investment.

Currently, Mostotrest is working on the first stage of the Fourth Ring Road project. The backlog for this project was RUB 49.2bn

at the end of 1H 10, and accounted for 24% of Mostotrest's total backlog orders. In an interview at the end of 2010, Sobyenin said that the city would only complete the first stage of the project. Although there has been no official announcement, we believe that the first stage will be completed and Mostotrest's orders related to the project will not be threatened. We reiterate our HOLD recommendation and our fair value of USD 7.81 per share. ●

Russian monopolies to hike prices 1-1.5% if infrastructure benefits end – Kudrin



RIA Novosti

Cancellation of tax benefits for infrastructure property of Russian monopolies, proposed by the Finance Ministry for 2011-2016, will increase their tax burden by 130 billion rubles and their prices by 1-1.5%, Finance Minister Alexei Kudrin said on Friday.

Russian natural monopolies do not currently pay a tax on infrastructure, such as railways, pipelines and power grids. The Finance Ministry has suggested a gradual cancellation of the benefit within five years, Kudrin told an economic forum adding the issue was still discussed.

"I have so far failed to break the mood in the monopolies and some ministries... I think, we can find the golden mean," said Kudrin.

"It will affect tariff rates in the range of 1-1.5% in the five years ... but it is about large companies - Gazprom, the Russian Railways, Rosneft, the Federal Grid Company of the Unified Energy System." ●

St. Pete eyes \$1.2bn bypass city highway by 2015

Marchmont

Authorities in St. Petersburg have announced plans to build a \$1-\$1.2bn city highway with non-stop traffic to link Primorsky district with Obvodny Canal, as well as the future Western speed diameter.

Under the project, the transport corridor with no street lights and pedestrian walks is to form a non-stop traffic from Primorsky Prospect street to Orlovsky Tunnel on the right bank of the Neva river through Ushakovskaya, Vyborgskaya and Pirogovskaya Embankments.

After crossing the Orlovsky Tunnel to the left bank of the Neva river the cars will be able to get to Obvodny Canal and reach the Western speed diameter, currently under construction.

Under the project, the funds are to be spent on expansion of access roads, reconstruction of adjacent squares, construction of tunnels and other transport infrastructure facilities.

Construction of the city highway is scheduled to be completed by 2015. ●

Transport ministry to earmark \$54bn for Moscow subway development



Ria Novosti

Russia's Transportation Ministry will allocate 1.6 trillion rubles (\$54.6bn) for the development of Moscow's subway within the next nine years, a business daily quoted the transport program for the Russian capital and its surrounding region until 2020.

The Vedomosti paper said the ministry drafted the program for Moscow Mayor Sergei Sobyenin. The document in particular says that lack of financing has resulted in the metro construction rates being 3.5 km (2.2 miles) annually, whereas the demand is 8-10 km (5-6.2 miles).

The program also admits that the capital's transport system is lagging behind the city's requirements by 25-30 years. It sets the ministry's key task for the next two years as "prevention of a

transport collapse." Sobyenin's predecessor Yury Luzhkov, who held office for 18 years, was fired in September 2010 after an extensive smear campaign against him by the state-run Russian media. Sobyenin has been gradually rejecting many of the former mayor's pet projects and launching new ones since he took office.

The new projects include building up to 15 km (9.3 miles) of subway lines annually, allocating special lanes for public transport and replacing rolling stock, Vedomosti quoted deputy mayor Nikolai Lyamov as saying.

In all, the program will cost 6.8 trillion rubles (\$232.2bn), out of which half will be spent on construction of roads. ●

Russia infrastructure news

Aeroflot is unlikely to receive 25% of IAS in exchange for Terminal D

Alfa Bank

According to Vedomosti, Aeroflot may not receive 25% of International Airport Sheremetyevo (IAS) in exchange for its stake in Terminal D. IAS management is against the deal on these terms, stating that the value of Terminal D's net assets in 2010 was negative. Therefore, Aeroflot will most likely get a lower stake.

Terminal D is controlled by Aeroflot (52.82%), VEB (22.18%) and VTB (25%+1 share) and has a large debt burden. Reportedly, Aeroflot invested around \$1.2bn in its construction, which was mainly financed by VEB and VTB. Terminal D contributes around 44% to Aeroflot's total debt load. The decision to consolidate Terminal D was approved by IAS's Board of Directors last October; however, Aeroflot's share in the consolidated IAS has not been determined. We had forecast Aeroflot would get a ~10-15% stake in the consolidated IAS, and we therefore view the news as NEUTRAL. We believe the final decision concerning the stake Aeroflot will get depends more on political issues than on the economics of Terminal D. However, even if Aeroflot receives only a 10-15% stake in IAS instead of 25%, we would still 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

Aeroflot may suffer from transfer of government flights to Sheremetyevo airport

Alfa Bank

As of April 15, 2011, government flights will be transferred from Vnukovo airport to Sheremetyevo, as Vnukovo needs to undergo maintenance at one of its two runways. The repair is scheduled to take 2.5 months. However, we do not rule out that the work

may take longer, as is common with this type of maintenance. The transfer of government flights to Sheremetyevo could create serious problems for Aeroflot, which is based there.

The key problem is a decrease in flight frequency. In addition, the repair period at Vnukovo will extend into the high season for air transportation, lasting until at least May or June. According to Vedomosti, Aeroflot expects its flight frequency to fall by 5% while Rosavia expects a decline of around 10-15% for the whole of Sheremetyevo. As a result, we estimate the transfer could cost Aeroflot \$40-120m in terms of revenue, or 1.1-3.4% of our 2011 revenue projections.

The movement of government flights to Sheremetyevo could also result in frequent delays to Aeroflot flights due to traffic jams on the Leningradskaya highway leading to Sheremetyevo. Passengers, wary of periodic traffic jams, could opt for airlines based in Domodedovo, such as S7 and Transaero, over Aeroflot, which could result in additional losses for the company.

Georgy Ivanin

Globaltrans Higher regulated rail freight transportation tariffs proposed for 2012

UralSib, Russia

The YoY growth in the regulated rail freight transportation tariff might be 11.4% instead of 7.4% in 2012 ... Yesterday Interfax reported that the Transportation Ministry proposes to increase the regulated rail freight transportation tariff by 11.4% YoY in 2012 instead of 7.4% prescribed by the Economy Ministry. The rail freight transportation tariff consists of infrastructure, locomotive and railcar components. For Russian Railways (RR), all three components of the rail freight transportation tariff are regulated by the FTS; while for private freight railcar operators, including Globaltrans (GLTR LI - Hold) and RR's subsidiaries, the railcar tariff component is not regulated. Although the railcar freight transportation tariff is not regulated for private operators and RR's subsidiaries, the tariff changes for RR have in the past been used as an indicator for all industry participants.

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8% YoY growth (approved by FTS) in the regulated rail freight transportation tariff for RR for 2011, and 7.4% growth for 2012, based on the Economy Ministry's estimates; beyond 2012, we expect regulated tariffs to follow our in-house CPI estimates declining from 10% to below 7%. Our current model for Globaltrans is based on the assumption that the company's adjusted railcar freight tariff growth will follow 1 ppt below the projected increase in tariffs for Russian Railways, while the company's empty-run costs (48% of total adjusted operating costs excluding depreciation), which are a function of empty-run kilometers and the regulated infrastructure and locomotive tariff (set by FTS for RR), are projected to follow RR's regulated tariff trends. We therefore estimate that if growth in the regulated tariff is approved at 11.4% instead of 7.4% for 2012, this will lead to upward revisions of 4% and 6% in Globaltrans's 2012E net revenues and EBITDA, respectively.

If approved, a good development for Globaltrans. Approval would be a good development for Globaltrans. However, this decision is far from being made and needs to be approved by the FTS, which typically adjusts the following year's tariffs at the end of the year. As of now, we reiterate our Hold recommendation on Globaltrans and do not see short-term triggers for the stock.

Anna Kupriyanova

LSR may acquire Obukhov building materials plant

Renaissance Capital

Event: RBC Daily has reported that LSR may buy the Obukhov building materials and construction plant. According to expert estimates, the purchase price could amount to \$13mn. The plant has estimated monthly production of 4.5k m3 of reinforced concrete.

Action: We reiterate our BUY rating and \$12.98/share target price on LSR.

Rationale: LSR is continuing to improve its market position in the building materials division. The purchase of this plant would enable LSR to increase its market share in the ready-mix concrete market by 1-2% and in the reinforced concrete market by 3-5%. Although the recovery in the building materials business is still slow, with prices flat over the past year, sales volumes have increased: in 2010, LSR's crushed granite sales added 12%, ready-mix concrete added 36%, and reinforced concrete added 19%. We believe volumes will improve further, as the number of infrastructure projects is increasing. LSR trades at 12.2x and 9.6x 2011E and 2012E EV/EBITDA, respectively, while PIK is trading at 12.1x and 9.8x 2011E and 2012E EV/EBITDA, respectively.

David Ferguson

Moscow mayor seeks traffic holy grail in Seoul

RIA Novosti

Moscow Mayor Sergei Sobyenin will visit South Korea's Seoul later this week in a bid to find a cure-all for Moscow's traffic problems.

Sobyenin will lead a delegation of his deputies to the Korean Peninsula on February 23-26, a source in the City Hall told RIA Novosti.

"The delegation will travel to Seoul for talks with the South Korean leadership on the further development of bilateral cooperation," the source said. He said city planning and transport issues will be at the core of the agenda.

On track: railroad linking Scandinavia and the Indian Ocean

RIA Novosti (Nezavisimaya Gazeta)

Despite the economic sanctions imposed on Iran, Russia and Azerbaijan show no signs of breaking off joint projects with the country. One such project involves building a railroad as part of the North-South International Transport Corridor.

If implemented, this high-profile project will create transport routes leading from Scandinavia to the Indian Ocean by extending the Helsinki - St. Petersburg - Moscow transport corridor to Iran, India and the Gulf states through Azerbaijan.

Russia, Azerbaijan and Iran have already been negotiating about this for a decade and have agreed to jointly modernize their sections of the route. Tehran recently hosted another meeting of the three partners. Three documents were signed that will add a fresh impetus to the project.

For example, the countries agreed to work together on a railroad line from the Iranian town of Rasht to Astara in Azerbaijan via Astara in Iran. Russia, Azerbaijan and Iran will take equal stakes in the expected \$3 billion authorized stock in a joint venture that will be set up to design, build and operate the line.

Experts say the North-South Transport Corridor promises to benefit not only the participating countries but other states as well. First, it means the land route from Europe to the Indian Ocean will shrink by 800 km, allowing cargo traffic to increase to 20 million metric tons per year.

Second, transporting goods by rail will be 10% to 15% cheaper

and 20 days faster than via the Suez Canal. Third, the North-South Transport Corridor will certainly have a geopolitical and geo-economic impact. This is why the countries involved are eager to start work on the project as soon as possible.

Most of the construction work will take place in Iran. Azerbaijan is to modernize a more than 500-km long line from its border with Russia to its border with Iran and build several railroad facilities, including a 101-meter bridge. The project is estimated at \$400 million but rising prices mean the figure is likely to increase.

Russia and Slovenia to create South Stream gas pipe JV in March 2011

RIA Novosti

Russia's gas giant Gazprom plans to establish a joint venture with Slovenia's gas transport company Geoplin Plinovodi in March 2011 to oversee construction of the Slovenian part of the South Stream pipeline project intended to bring Russian gas to Europe across the Black Sea, Igor Schyogolev, co-chairman of the Russian-Slovenian intergovernmental commission, said on Wednesday.

"As a result of this project, Slovenia will become one of the leading transit states in the Balkans," said Schyogolev who is also Russia's communications minister.

The two countries will also create a joint venture to construct a fiber-optic cable along the South Stream, which will be used to operate the pipeline, and for commercial purposes.

Gazprom Neft, the oil arm of energy giant Gazprom, plans to sign an agreement in March with Slovenia's Petrol on the sale of petroleum products in Slovenia and to third countries, he added.

Gazprom currently supplies natural gas to Geoplin Plinovodi under a long-term agreement to 2017. In 2009, Geoplin Plinovodi offered to prolong the contract to 2035 and review its terms. The parties have agreed to prolong delivery and are currently in talks to increase the volume of supplies as part of the South Stream project.

The South Stream is intended to bypass Ukraine to transport Russian gas to Europe and is expected to become operational in 2015. The capacity of the 900 kilometer pipeline is intended to eventually reach 63 billion cubic meters per year.

To build the pipeline's overland section, Russia signed intergovernmental agreements with Bulgaria, Serbia, Hungary, Greece, Slovenia, Croatia and Austria.

The project turned out to be highly complex, as the pipeline will be built and operated by several project companies specially created for this purpose.

Russia to spend \$1.6 billion on transport security

RIA Novosti

Russian will spend 46.7 billion rubles (\$1.6 billion) by 2014 on a program to ensure transport security, Russian Transport Minister Igor Levitin said Tuesday at a meeting with President Dmitry Medvedev.

Medvedev ordered a nationwide tightening of transport security measures after a terrorist attack last month at Moscow's Domodedovo airport, which killed 36 and injured many more .

He also ordered the acceleration of the installation of equipment for the screening of passengers and their baggage on the Moscow metro.

The main Moscow railway stations, along with stations in St. Petersburg, Vyborg and Tver, have been equipped with metal detectors, the head of Russian Railways, Vladimir Yakunin, told Medvedev at the meeting.

A total of 106 metal detectors were installed, while some 12 billion rubles (\$410 million) were allocated to ensure the safety and security of Russian Railways passengers, Yakunin said.

Sibirsky Cement sees demand picking up

VTB Capital

News: Sibirsky Cement has issued a statement saying that cement demand in the region is picking up, and that this has already allowed the company to achieve full capacity utilisation at its Krasnoyarsk plant.

Our View: Sibirsky Cement did not provide any update on the other two plants (Topki and Timlyuisk), although we believe that capacity utilisation there is likely to be lower than at Krasnoyarsk given that the latter benefits from being a producer of special types of cement (hydraulic), while overall construction activity remains subdued due to the negative seasonality. Still, the statement supports our view that Sibirsky Cement is likely to benefit from the cement market recovery this year. We note that Russia's cement volumes transported by rail increased 25% YoY in January, which also points to demand for cement picking up on the back of increased construction activity. We are reiterating our Buy recommendation on Sibirsky Cement.

Vladimir Bespalov

SOK Group founder wanted for questioning by Russia's Federal Prosecutor

Metropol

SOK Group owner Yuri Kachmazov is wanted by Russia's Federal Prosecutor for questioning in relation to IzhAvto's insolvency. Kachmazov is suspected of transferring company assets to related SOK Group entities and intentionally bankrupting the company. SOK Group holds 92% of Volgost, a bridge builder active in the Volga region.

We believe that news could possibly accelerate the sale of Volgost to a strategic investor. Last week there were rumors that Mostotrest is planning to acquire Volgost, initially buying 25-30% of the company. We believe that Mostotrest may lower its offering price based on the situation. However, in the short term we anticipate a slight uptick in Volgost's stock price.

Sudan invites Russia to infrastructure, energy projects

RIA Novosti

Sudanese President Omar Al-Bashir has invited Russian companies to take part in infrastructure and energy project in the northern part of the country.

The Khartoum government is seeking ways of restructuring the country's economy before South Sudan splits in July. Al Bashir met with the Kremlin's special envoy for Sudan, Mikhail Margelov, to discuss Russian-Sudanese contracts.

"We discussed a whole range of economic issues, including Sudan's readiness to sign a contract with Russia on the construction of a railway linking [Sudan's main port city] Port Sudan and West Darfur's capital el-Geneina, as well as contracts to build power plants in the country," Margelov said after the meeting.

He said that Russian companies may also be invited to develop oil fields in Darfur.

South Sudan has been formally seeking independence since it concluded a peace deal with the north in 2005, ending two decades of civil war in the impoverished northeast African nation. In February, the region voted to become a separate state.

South Sudan will officially become the Africa's 53rd state on July 9 after a five-month transition period under the peace agreement.

Russia infrastructure finance & statistics

Russian Railways to offer 1 bln pound Eurobonds in March

bne

State-owned railroad monopoly Russian Railways plans to offer Eurobonds worth up to 1 billion British pounds in mid-March in London, Prime-Tass reports, citing a source in the company.

Luhanskteplovoz's 2010 EBITDA turns positive on 64% sales growth

BG Capital

Monopoly diesel locomotive maker Luhanskteplovoz (LTPL) boosted annual revenues 64% y/y to UAH 859mn (US\$ 108mn) and narrowed its net loss to just UAH 7mn (US\$ 1mn) in 2010 vs. UAH

157mn in 2009. EBITDA returned to positive UAH 22mn (US\$ 3mn) vs. negative UAH 55mn in 2009. The company produced 66 diesel locomotives, 8 electric locomotives, and one diesel suburban train last year.

Alexander Paraschiy: The financials missed our expectations, mainly on lower-than-expected electric locomotive prices and weaker spare parts sales. Nevertheless, we stick by our 2011 revenue outlook of UAH 1.5bn (US\$ 190mn), or 75% y/y growth. The company's publicly known order backlog of 60 locomotives (for Mongolia) and one diesel train (for Ukraine) already covers 58% of 2011E sales, and we expect fresh locomotive orders from both the Russian and Ukrainian railway monopolies. We note, though, that this year's poorer-than-anticipated profitability (EBITDA margin of 2.6% vs. our 5.0% estimate) introduces downside risks to our 2011 bottom line forecast of US\$ 9.6mn.

UTair reports mixed January operating results

Aton

Yesterday (16 Jan), UTair reported mixed standalone operating results for Jan 2011. Passenger turnover in passenger-kilometres grew 18% YoY. This was higher than our group growth estimate of 14% for FY11. If annualised, taking into account the seasonality factor, turnover growth for FY11 would exceed 25%. However, this would not meet UTair's own full-year passenger traffic growth target of 40%. UTair's share price rose 1.2% yesterday, but we think low liquidity will likely prevent further strong stock price movements. Consolidated group results, which should be released shortly, will be more indicative of company performance, in our view.

Russia roads

Kaluga region to spend \$103m on road works in 2011

Marchmont

Authorities in Kaluga region have announced plans to invest almost \$103m in road works in 2011, up 2.1 times on 2010.

Under plans, 91% of the funding - \$93m - is to be spent on roads maintenance, repairs and capital overhaul.

Specifically, the funds are to be used to keep in order 202.5 kilometers of roads and 232.15 meters of road structures and facilities

Sberbank: Moscow-St Pete highway has no foreign investors

bne

The project to construct a high-speed highway between Moscow and St. Petersburg does not currently include any foreign investors, state-controlled Sberbank's President and CEO German Gref says, Prime-Tass reports.

The agency quotes him as telling Prime Minister Vladimir Putin that Vnesheconombank (VEB) and Sberbank are currently the only investors in the project.

Russia aims for 700 bln rbl investments in highways in 2011

bne

Investments in Russian highway construction and modernization are expected to total an estimated 700 billion rubles in 2011, Deputy Finance Minister Alexander Novak says, with half the funds coming from regional budgets, Prime-Tass reports.

Russia trains

High-speed rail for 2018 World Cup to cost 5.5 trln rbl

bne

Russia's Finance Ministry estimates the construction cost of high-speed railway lines between host cities of the 2018 FIFA World Cup soccer tournament at 5.5 trillion rubles, Deputy Finance Minister Alexander Novak says, Prime-Tass reports.

The agency quotes him as saying the government discussed the construction of the Moscow-Sochi, Moscow-St. Petersburg, Moscow-Yekaterinburg, and Moscow-Samara high-speed railway lines, as well as construction of a ring line linking all participating cities.

Moscow metro system to install explosive detectors

RIA Novosti

Russia is stepping up transport security after a suicide bomb attack ripped through Moscow's Domodedovo airport last month, killing 36 people.

The trace detection systems will be installed at the 20 busiest metro stations by the end of March, manufacturers said on Tuesday.

President Dmitry Medvedev visited central Okhotny Ryad station in January to see how a pilot public security system worked.

The machines, known as Shelespers, scan individuals as they enter the underground network.

The Moscow Metro is one of the largest underground networks in the world, with 5 million passengers per day. It has been the target of several terrorist attacks, mainly from suicide bombers from Russia's mainly Muslim Caucasus region. The most recent attack, in March last year, killed 40 people and injured over 80.

Polymetal signs transportation contract with FESCO for Mayskoye

Troika Dialog

Polymetal announced yesterday that it has signed a letter of intent (LOI) with FESCO establishing a transportation cost for Mayskoye at \$130-145/tonne of concentrate (\$65-73/oz of gold), subject to an annual adjustment for domestic inflation, fuel price growth and rail/port tariffs over a five-year period (from 2012 to 2016 inclusive).

Under the LOI, FESCO is obliged to transport around 100 ktpy of concentrate from the port of Pevek in Chukotka to a railroad station 12 km from Amursk, covering a distance of around 4,800 km by sea and 500 km by rail. Polymetal estimates additional transportation costs related to trucking concentrate from the mine to Pevek port (180 km) and from the railroad station to the Amursk POX at around \$55-70/tonne (\$28-35/oz). As such, total transportation costs should be somewhat below \$200/tonne of concentrate (\$100/oz of gold, or \$23.5/tonne of ore), in line with the company's guidance (\$20-25/tonne ore) provided at the analyst day in October 2010.

Overall, we view the clarity on transportation terms for Mayskoye as an important achievement for Polymetal in reducing one of the operational risks at its key project. The next milestone event for Mayskoye should be the commissioning of Amursk POX in 3Q11, where the concentrate from Mayskoye is supposed to be processed from 4Q12. Under the current schedule, Mayskoye is expected to reach full capacity of 200 koz per year in 2013.

Mikhail Stiskin

Russia proposes tacking investment charge onto rail tariffs

bne

Russia's Transportation Ministry has proposed that rail freight tariffs in 2012 include a 4 percent investment component to compensate for a cut in subsidies totaling 40 billion rubles (\$1.37 billion), Deputy Transportation Minister Andrei Nedosekov says, Interfax reports.

The news agency quotes him as saying the ministry supports keeping tariffs at 7.4 percent and adding on 4 percent for the investment component.

Russia seeks investment from Japan, S Korea for railways

bne

The Russian government is seeking to attract long-term investment from Japan and South Korea to upgrade railway infrastructure, presidential aide Arkady Dvorkovich says, Prime-Tass reports.

Russia's Komi Republic governor sees Belkomur railway launched in 2017

bne

The Belkomur railway line from Arkhangelsk to the city of Solikamsk in the Perm Region is expected to be launched in 2017, says the governor of the Komi Republic, which the railway will run through, Prime-Tass reports.

Russian Railways sees investment in Moscow rail ring at 102 bln

bne

State-owned railroad monopoly Russian Railways estimates the reconstruction of the small ring railroad in Moscow at 102 billion rubles, says Oleg Toni, the rail monopoly's vice president, Prime-Tass reports.

The agency quotes Toni as saying that the design of the project, which would incorporate lines currently used for light freight into the public transport system, is expected to be completed by late 2012 and the rebuilding by 2014.}

Russian Railways to spend 3 bln rbl to upgrade suburban facilities

bne

State-owned railroad monopoly Russian Railways plans to invest at least 3 billion rubles in upgrading and repairing suburban transport infrastructure facilities in 2011, Prime-Tass reports.

The news agency reports that the company said 900 million rubles would go to its Oktyabrskaya Railroad branch; 570 million rubles to the Moscow Railroad; over 160 million rubles to the North Caucasus Railroad; 115 million rubles to the Gorkovskaya Railroad; and over 160 million rubles to the Far East Railroad.

Eurasian Development Bank, VEB up credit limit for railway car plant

bne

The Eurasian Development Bank and Russia's state-owned Vnesheconombank (VEB) have increased the size of a credit line to Tikhvin Railway Car Building Plant to \$660 million from \$430 million, the two banks said, Prime-Tass reports.

The plant is set to borrow \$330 million from each bank.

Voronezh-3 train station requires \$164m investment

Marchmont

A total of \$164m is needed for construction of Voronezh-3 train station in Voronezh region, regional officials report.

Voronezh-3 is reportedly to include a train station complex and a passenger station on the 583-585th kilometer of the Ostrozhka - Pridacha rail track.

Timeframes for the project have yet to be disclosed.

Russia planes

Aeroflot sells 31% stake in Sheremetyevo refueling complex

bne

Flag-carrier Aeroflot Russian Airlines has sold its 31% stake in the refueling complex of Moscow's Sheremetyevo International Airport, Prime-Tass reports, citing an Aeroflot statement.

Aeroflot: Which Is Worse: Fuel Prices or Civil Servants?

Aton

In this short note we analyse how rising oil prices and the transfer of government flights to Sheremetevo (Aeroflot's hub) could impact the company's financials. The shares plunged after the news was released about Sheremetevo, but in our opinion rising oil prices should have a much more adverse effect on Aeroflot.

Due to repair work at Vnukovo airport, government officials will use Sheremetevo airport in Apr-June 2011, as reported by the media on 24 Feb. This may reduce the capacity of Sheremetevo and hinder the work of airlines based at the airport. According to an anonymous source in Aeroflot (which is based at Sheremetevo), the company plans to reduce its flight frequency by 5% during this period. At the same time Rosaviation commented that flight frequency could be reduced by 10-15%. We note there is a risk that repair work at Vnukovo could take more time than planned.

We estimate the effect of this one-off situation on the company's valuation would be minor. We also recall that due to the existence of fly-over fees in revenue, Aeroflot's bottom line is less vulnerable to changes in traffic revenues.

We would stress that some media reports, in our view, are greatly exaggerating the potential impact of the transfer. For example, a source speaking to Vedomosti (24 Feb) stated that Aeroflot could lose 25% of its revenues while Vnukovo was under repair. However, since 25% of annual passenger turnover is historically

attributable to Apr-June, for this to occur, it would effectively mean that all of Aeroflot's flights would have to be cancelled.

Due to turmoil in North Africa and the Middle East, oil prices have surged to post-crisis highs. Local spot prices for kerosene have always shown a strong correlation to international oil prices. Based on many years of data, we believe this correlation will persist. While Aeroflot tenders its kerosene purchases quarterly, we believe it will not be able to avoid the current price surge.

We have incorporated average fuel prices of \$90/bbl for Aeroflot in 2011 into our model, which slightly differs from our Oil and Gas team's estimate of \$80/bbl in 2011. Unless the situation in oil-exporting countries stabilises soon, airlines will suffer from higher fuel expenses. Currently, due to strong competition, they have limited ability to transfer expenses to customers. To estimate the effect of rising oil prices, we prepared a sensitivity analysis of Aeroflot's 2011E EBITDA to different oil prices.

In answering our question "which is worse", we find that despite the often negative impact of government actions, rising fuel prices in this case should have a stronger impact on Aeroflot. We may consider changing our rating on Aeroflot if these high prices prove to be persistent.

Aeroflot: Transfer of state flights to Sheremetievo should have no material impact for company

UralSib

Government flights to be temporarily transferred from Vnukovo to Sheremetievo. Yesterday, Vedomosti reported that state flights will be transferred from Vnukovo to Sheremetievo airport from 15 April 2011 until 30 June 2011 due to repair works at one of the Vnukovo airport's runways. Aeroflot (AFLT RX - Buy) is a major airline based at Sheremeti- evo, accounting for roughly 70% of the total airport's traffic.

Effect on Aeroflot's financials should be only marginal. According to Rosaviation, the number of daily Aeroflot flights may decline 5% from the current level of 300 flights per day (as a result of the reservation of landing and take-off slots for state flights), with

4-5 slots now reserved for specialized flights previously based at Vnukovo.. This translates into about 1% of the total annual flights of the company (based on the 2.5- month period assumed), and would negatively impact projected 2011 revenues by 1% to \$4.6 bln.

Use weakness in the name as a buying opportunity. This may add weakness to Aeroflot shares, whose price has been recently negatively affected by a delay in the implementation of major decisions, including the spin-off of Terminal D, announcement of the consolidation terms with six companies from Rostekhnologii, and the approval of a new development strategy. We, nevertheless, continue seeing Aeroflot story as fundamentally strong and recommend using weakness in the name as a buying opportunity. We maintain our Buy in the name.

Anna Kupriyanova

Aeroflot's Board of Directors; Rostekhnologii is in the list of candidates

VTB Capital

News: The government has approved a list of candidates to represent the state on Aeroflot's Board of Directors. There is one new inclusion, CEO of Rostekhnologii Sergey Chemezov, while two independent directors currently on the Board, Sergey Aleksashenko and Pavel Teplukhin, have not been listed.

Our View: The inclusion of Rostekhnologii's CEO is not a surprise, given that the company has already announced a strong interest in gaining a presence on Aeroflot's board (and as the merger with Rosavia airlines is still ongoing, the only option is through the government's list of candidates). This implies that Rostekhnologii's lobbying power in Aeroflot will increase and supports our concerns over future aircraft lease deals between the national champion and Rostekhnologii. In our view, these might lead to a rise in the company's lease rates, putting additional pressure on profitability.

We also note that the exclusion of Aleksashenko, who was a key opponent of the management team in the board, implies that the government, as expected, supports Aeroflot's CEO Vitaly Saveliev and his team. Thus, we are unlikely to see any significant management changes.

Black Sea Shipyard sees sales rise 65.8%

bne

Ukraine's state-run Black Sea Shipyard in Mykolaiv increased its net sales income by 65.8% year-on-year in 2010, to UAH 76.8 million, Interfax reports.

The company's press service says net profit rose by 28.4%, to UAH 860,000, and production grew by 5.1%, to UAH 47.8 million.

Italian, Turkish firms win Pulkovo expansion tender

bne

St. Petersburg's Pulkovo Airport will be expanded by Italian construction firm Astaldi and Turkish developer Ictas Insaat, Vedomosti reports, adding that the contract is worth an estimated 850 million to 950 million euros and construction is expected to start in the summer.

NRB stake in Aeroflot decreased to 9.7%

Alfa Bank

According to Interfax, National Reserve Bank (NRB), controlled by Alexander Lebedev, decreased its stake in Aeroflot from 12.17% to 9.7%.

The 2.47% stake in Aeroflot along with a 10.31% stake in Ilushin Finance Co and an undisclosed stake in Gazprom were used to acquire 100% of a closed-end fund, NRB Equities. We view the news as NEUTRAL for Aeroflot, as the transaction was a technical transfer of Aeroflot shares to a closed-end mutual fund also controlled by Mr. Lebedev. However, we question the initial NRB stake of 12.17%. In January, Mr. Lebedev's stake in Aeroflot reportedly was around 15%. Since then no public information on any sale of the asset has been published. We assume a further 2.83% stake in Aeroflot is controlled by another Lebedev entity.

Russia mulls cutting VAT on domestic air travel

bne

The Russian government could consider decreasing valued-added tax (VAT) on domestic air flights in order to decrease ticket prices, Prime Minister Vladimir Putin says, Prime-Tass reports.

The news agency quotes the prime minister as saying a recent drop in aviation fuel prices should be reflected in falling ticket prices.

Russia to press Alitalia to drop Embraer deal

bne

Russia will press Italian airline Alitalia to chose its newly designed passenger aircraft Superjet 100 over Brazil's Embraer, in a deal worth \$500 million, a Kremlin official said ahead of President Dmitry Medvedev's visit to Italy, Reuters reported.

Russian airlines' plea for foreign pilots falls on deaf ears

RIA Novosti

Russian air carriers will have to find a domestic solution to what they say is a crisis in the recruitment of pilots after suggestions they be allowed to hire experienced foreign pilots got a cool response from Prime Minister Vladimir Putin.

Over the past decade, the deficit of pilots in Russia has become so urgent that it is hampering the potential growth of the national market of commercial aviation, but Putin is right to prevent foreigners from pushing young Russian pilots out of the cockpit, experts say.

The airlines' proposal was aired at a cabinet meeting on Thursday by Deputy Prime Minister Sergei Ivanov. "Don't attract skilled labor, attract trainers and teachers to prepare our pilots," the prime minister responded.

"For the last five-to-seven years, Russian air carriers have been

constantly complaining that the hour is approaching when they will be left without pilots," says Russian aviation expert Roman Gusarov, the head of the Avia.ru portal.

The country needs at least 700-800 pilots a year, according to Yevgeny Bachurin, the former head of Russian air transport regulator Rosaviatsiya. There are currently about 10,000 commercial pilots in Russia, but an estimated 1,000 are lost every year through retirement or finding work abroad.

Experts say the shortage of pilots has arisen for two reasons: First, Russian air carriers have almost completely ditched home-made jets and switched to western aircraft. "In order to fly a western aircraft, pilots have to pass re-training; in its turn, to pass this re-training pilots have to meet two requirements: be younger than 50 years of age and have fluent English-language skills. Needless to say, the majority of pilots from the older generation do not match these criteria," says Oleg Smirnov, president of the Partner for Civil Aviation Foundation.

Second, Russia's flight schools are not producing sufficient number of young pilots. On average, Russia's state-run training system produces 650 pilots over a course of three to five years, falling well short of demand.

"Russia's flight schools lack training simulators and experienced trainers, companies have to invest money in additional training for the rookies," Smirnov says, adding that training a commercial pilot in Russia costs twice as much as in Europe or the United States.

"It all comes round to the government, it neither allows air companies to hire foreign professionals, nor prepares enough Russian pilots," Gusarov said. "It is a vicious circle and the companies are locked helpless in it." "The government should better fund the national flight schools and increase the number of training seats for pilots," Vitaly Korenyugin, press secretary for Russia's SkyExpress airline said, adding that such reform would be the only solution to the existing crisis.

Gusarov agrees: "I think that, first of all, we should increase the number of young pilots trained at home."

Russia's UAC to produce over 110 aircraft in 2011

bne

February 16, 2011

Russia's United Aircraft Corporation (UAC) plans to produce more than 110 civil and military aircraft in 2011, UAC acting president Mikhail Pogosyan says, with civil aircraft accounting for 20%-25%, Prime-Tass reports.

Russia's UTair Group passenger traffic up 39.3% in 2010

bne

Russian airline UTair Group reported 39.3% year-on-year growth in passenger traffic in 2010 to 5.147 million people, with passenger transportation increasing 51.2% to 8.981 billion passenger-kilometers, Prime-Tass reports.

Moscow's Sheremetyevo Airport passenger traffic up 20.5% in Jan

bne

Passenger traffic at Moscow's Sheremetyevo Airport rose 20.5% year-on-year in January to 1.454 million people, with international traffic up 19.1% to 971,059 people and domestic traffic up 23.4% to 482,900 people, Prime-Tass reports, citing an airport statement.

Volga-Dnepr cargo airline to invest over \$400 mln in An-124 upgrade

RIA Novosti

Russia's Volga-Dnepr cargo airline will invest over \$400 million in modernization of the An-124-100 Ruslan cargo aircraft, Volga-Dnepr CEO Valery Gabriel told RIA Novosti on Monday.

The upgrade program includes design and development work on modernization of the An-124's avionics and engines, Gabriel said.

The company plans to complete the upgrade by 2018.

Volga-Dnepr, an outsize air cargo specialist, is the largest operator of the An-124, the biggest aircraft in the world.

Russia ships

Finsudprom to build 200 mln euro shipyard in Kaliningrad

bne

Russian shipbuilding company Finsudprom is to build a shipyard worth 200 million euros in Russia's Kaliningrad Region on the Baltic Sea coast, Prime-Tass reports, citing the press office of the regional authorities.

NCSP's cargo turnover up 78.9% YoY

VTB Capital

News: NCSP has reported its operating results for January 2011, consolidating PTP for the first time. Cargo turnover increased 78.9% YoY to 12.9mn tonnes, with PTP standalone accounting for 6.0mn tonnes (46%). The release did not contain any information on PTP's results last year.

Our View: Without PTP, NCSP's cargo turnover would have been 6.9mn tonnes, or 4.2% lower than last year (hindered by the ban on

exporting grain). Adjusted for grain, NCSP's cargo turnover (without PTP) increased 4.8% YoY. This is due to i) the 3.3% increase in crude oil handling to 3.9mn tonnes (albeit from a low base) and ii) iron ore exports (which picked up in 2H10) being 5.5 times higher YoY in January 2011 at 0.4mn tonnes. While these increases concern low margin cargoes, we note that NCSP's container facilities worked at high capacity, with container handling more than doubling YoY to 48,800 TEUs. However, container traffic underwent a gradual and strong recovery throughout last year, so the increasing base will mean more moderate growth by the end of 2011.

PTP's oil product facilities, which were scheduled for launch at the start of 2011, were handling products effectively. This compensated for NCSP's decreased oil products handling, which has been affected in recent months by oil products being rerouted to ports in the North-West. Overall, the results bring no major surprises.

Russia's seaports' throughput increases by 2.7% y/y in January

Alfa Bank

Russia's seaports' cargo throughput increased 2.7% y/y in January, according to statistics released by the Association of Commercial Sea Ports last Friday. The growth was driven primarily by Far Eastern ports, which increased throughput 12% y/y, maintaining their healthy growth rate since late 2009. North Western ports' results were moderate, showing an increase of 2% y/y, while Southern ports were laggards, decreasing 1.7% y/y with Novorossiysk Port posting a 7.8% y/y decline.

By product mix, the main disappointment was lower oil and oil products volumes, which fell 5.4% y/y and 6.1% y/y, respectively. However, this was expected, as at the beginning of February the

UCL Holding buys 25.5% in Volga Shipping for \$35m

Marchmont

State stock of 25.5% shares in shipping company Volzhskoye Parokhodstvo (Volga Shipping), based in Nizhny Novgorod, has been purchased at an auction by transport company V.F. Zagranneperevozki, which is a part of Universal Cargo Logistics Holding, the main owner of the Volga Shipping.

The stake was reportedly purchased at the starting price of \$35m.

Marchmont wrote about the auction earlier (see news of January 20, 2011).

Ministry of Energy reported a 5.6% y/y drop in January oil exports from Russia. Container volumes grew a robust 39% y/y, supporting our positive view on the container transportation market in Russia.

We view these results as slightly NEGATIVE for NCSP. The slowdown in cargo throughput of the Southern Ports and of Novorossiysk port in particular point to weak NCSP operating results. The rebound in NCSP cargo volumes in December turned out to be unsustainable. The company is to report its January operating results today or tomorrow.

Figure 4: Russia's sea ports throughput in January

	mmt	Change y/y, %
Total	41.4	2.7%
Coal	5.4	16.7%
Fertilizers	0.94	15.1%
Ore	0.74	130%
Scrap	0.29	180%
Containers	2.8	39.0%
Oil	17.0	-5.4%
Oil products	7.38	-6.1%

Source: Association of Commercial Sea Ports

CIS infrastructure

Belarus' rail freight traffic up 4.4% in 2010

bne

Belarusian Railway's freight traffic increased 4.4% year-on-year in 2010 to 139.937 million tonnes, with transit freight traffic rising 5% to 45.613 million tonnes, Prime-Tass reports, citing a railway official.

Freight exports decreased 1.2% on the year to 29.641 million tonnes while imports went up 19.8% to 15.123 million tonnes, the agency says.

Cabinet estimates cost of reconstruction of 10 kilometers of Znamyanka-Luhansk-

Kyiv Post

The Cabinet of Ministers of Ukraine estimates the cost of the reconstruction of the Znamyanka-Luhansk-Izvaryne road in Dnipropetrovsk region will be UAH 368.8 million.

According to government resolution No. 117-r dated February 16, which approves the plan for the road's reconstruction, the cost of construction and assembly work will amount to Hr 261.99 million.

The cost of design and survey work, according to the document, will be UAH 5.139 million, and that for a state project evaluation will amount to UAH 157,098.

Read more: <http://www.kyivpost.com/news/politics/detail/97386/#ixzz1ElgMyVNY>

Ferrexpo acquires 1,000 railcars from Stakhaniv Rail Car

Dragon Capital

News: LSE-listed iron ore miner Ferrexpo announced today it agreed to buy 400 open railcars from Stakhaniv Rail Car, a leading Ukrainian railcar producer affiliated with Ferrexpo's majority shareholder, Kostyantyn Zhevago, with an option to acquire another 600 cars by end-2012. The price is initially set at \$65,000/railcar and will be adjusted for market price moves for each delivery but to not higher than \$120,000. The deal is subject to shareholders' approval at an AGM of Ferrexpo scheduled for Mar. 15. (Company)

Dragon view: The news is positive for Stakhaniv Rail Car, with the Ferrexpo order (including the optional purchase) accounting for 11% of the company's 2011E output of 9,000 railcars (+21% y-o-y) and implying at least \$65m of revenues. At the same time, we expect Ferrexpo to be able to increase output from own iron ore by the end of 2012 only, with its total pellet production to remain little-changed in the next two years. We maintain our recommendations on the two stocks.

Freight railcar prices grow to USD 70k per unit

Concorde Capital

Freight railcar prices by Ukrainian railcar plants (Stakhaniv Railcar, Kryukiv Wagon) went up to USD 70k per unit in February from USD 60k in 4Q10 and USD 65k in January, industry publication Promishlenniye Gruzi reported yesterday.

Yegor Samusenko: This price growth outstrips price increases for key inputs, which leads us believe domestic railcar producers will increase their profitability in 1Q11. Railcar prices are currently above our forecasts for 2011 and since we do not anticipate them to decline, we are reviewing our models to incorporate more favorable market conditions. We now project, in 2011, that Kryukiv Wagon (UX: KVBZ UK) to post USD 128 mln in EBITDA (18.5% margin) and Stakhaniv Wagon (UX: SVGZ UK) to earn USD 75 mln in EBITDA (15% margin). We place our recommendations on both stocks under review.

Kyiv to get funds for overpasses

Kyiv Post

Ukraine's national budget for 2011 foresees Hr 303 million for the construction and reconstruction of several overpasses in Kyiv, the press service for the city administration reported on Wednesday.

According to the press release, the funds will be spent to reconstruct overpasses near the Dnipro subway station and the point where Nauky Avenue joins Stolychne Shose.

In addition, the prolongation of Zaliznychne Shose and construction of a road from the Podilsky Bridge to Vatutina Avenue will be financed from the national budget.

Read more: <http://www.kyivpost.com/news/city/detail/98030/#ixzz1ErjSJliv>

Railcar production in CIS down from December

Foyil Securities

The leading publication for the CIS railcar industry Industrial Freight (Promyshlenie Gruzy) has announced that the January production results for CIS manufacturers of freight railcars was 7,767, of which Ukrainian producers built 2,799, or 36% of the CIS total. Azovmash (AZGM, Sell) made 865 units (30.9% of local market and 11% of CIS), Kryukiv Carriage (KVBZ, Buy) made 824 (29.4% locally and 10.6% in CIS), Dniprovahonmash (DNVM, N/R) built 560 (7.2% CIS, 20% in Ukraine) and Stakhaniv Carriage (SVGZ, Buy) assembled 550 (7% CIS and 19.6% locally). The biggest CIS producer remains Russia's Ural Carriage, which produced 1,901 cargo railcars and took a 25% share in the CIS 1520 area (rail gauge). The reported price for gondola cars was USD 68,000 for KVBZ and USD 70,000 for SVGZ.

Our view: January is usually the lowest production month because of the fewer working days. In this respect, CIS output showed a 26% decline over December, although y/y we witness 55% growth. KVBZ increased its output by 5% to December, however, when 788 units were produced. SVGZ output was in line with the industry trend of underperformance in January - 11% less than the 2010 monthly average of 620 cars. We see this as a natural seasonal fluctuation and maintain our BUY recommendation for both stocks. We believe that the 67% y/y growth in freight car prices from USD 42,000 in January 2010 to USD 70,000 last month will hold and SVGZ and KVBZ should benefit with higher margins.

Yuliya Stelmakh

Russia considers antidumping duties on Ukrainian railcars

Dragon Capital

News: Russian Prime Minister Vladimir Putin spoke in favor of imposing antidumping duties on imports of Ukrainian railcars. (Ekonomicheskoye Izvestia)

Dragon view: With most domestic railcar manufacturers, including Stakhaniv Rail Car [Strong Buy; PT \$2.34], Kryukiv Rail Car [Strong Buy; PT \$7.706] and Azovzahalmash [Buy; PT \$5.12], exporting more than 80% of their output to Russia, the news look negative at first glance. However, given huge delayed demand for railcars in the region, including in Russia, where Ukrainian railcar makers have an about 50% market share due to insufficient local railcar manufacturing capacity, we see no material risks for Ukrainian producers at least in the medium term. Moreover, Russian state-linked rail operators such as VTB Leasing have been the major buyers of Ukrainian-made railcars recently. Local producers' upbeat reports about full order books until 2012 seem to further support our positive view.

Taisiya Shepetko

Sadovaya Group to buy new equipment to boost mining operations

Dragon Capital

News: Coal miner Sadovaya Group announced plans to buy 300 wagons and one electric locomotive as well as renovate an additional one to boost its mining operations. (Interfax)

Dragon view: The company expects to commence a new longwall at its major mine, Sadovaya, in May. With a capacity of 108 kt of raw coal per year, it is expected to be in operation for three years. The new equipment will also be used to increase operations at the company's smaller mine, Rassvet-1.

Tickets for Euro 2012 matches in Kharkiv to serve as travel documents

Kyiv Post

Tickets for Euro 2012 matches in Kharkiv will serve as travel documents for all types of city transport, apart from taxis, during the European football championship, Kharkiv's authorities say.

A statement posted on the Web site of Kharkiv City Council, with reference to Director of the Department for Transport and Communications Serhiy Dulfan, reads that the cost of travel will be initially included in the cost of tickets for Euro 2012 matches. This service will apply to all ticket holders - both residents of Kharkiv and visitors to the city.

Read more: <http://www.kyivpost.com/news/nation/detail/97766/#ixzz1Eg0yM1ZZ>

Kyiv reveals road construction plans for 2011

bne

The Kyiv city government intends to construct and reconstruct several roads in 2011, including part of the Podilsko-Voskresensky bridge across the River Dnipro from Verkhniy Val Street to the Rusanivska dam, and a road from the bridge to Vatutina Avenue, along with the construction of transport interchanges in the Horbachykha Tract, Interfax reports.

Citing the administration press service, the news agency says the plans include, among other projects, extending the Zaliznychne Highway to Panas Liubchenko Street, creating an exit to Bozhenko Street.

CE infrastructure

Dispute over Poland A4 Motorway Construction

bne

According to the announcement made by the spokesman for NDI company, the reason for the withdrawal of the consortium of NDI and SB Granit from the construction of the 21km section of A4 motorway (Brzesko - Wierzchoslawice) was the failure of the Polish General Directory for National Roads and Motorways (GDDKiA) to pay for part of the performed work, Polish News Bulletin reported. The sum in question amounts to a few dozens of zlotys. NDI is intending to start legal action to recover the due payment. According to the company, the GDDKiA did not fulfill the terms of the initial contract. The institution has also exposed the consortium to additional costs connected with geological and geotechnical surveying of the construction site. Meanwhile, the GDDKiA accused the consortium of delays in the realisation of the construction, for which it terminated the contract and demanded the payment of a fine of ZL62m. According to NDI, the delays resulted from independent factors.

Poland govt mulls options for privatising rail firm PKP Cargo

bne

The Polish government is still hesitating when it comes to privatisation of PKP Cargo, as ministers remain unsure how large a share package should be issued, Polish News Bulletin reported. Deputy Infrastructure Minister Andrzej Massel tells DGP that the issue will be tackled in February. The ministry's recommendation was dispatched this week, but it has not been debated yet by the cabinet.

PKP Cargo's value is currently evaluated at some ZL3-3.5bn. A quick privatisation would result in a cash boost, which suits Treasury Minister Aleksander Grad. Still, the Infrastructure Ministry seems reluctant to give up control over the EU's second largest cargo transporter.

Slovak FinMin Wants to Lease Bratislava Airport for At Least 40 Years

bne

The Slovak Finance Ministry wants to rent out M.R. Stefanik Airport in Bratislava (BTS) for the period of 40-50 years, while the Transport Ministry suggests a maximum of 30 years, TASR reported.

"A shorter period of rent would reduce the investor's motivation to invest in the airport's development," read the Finance Ministry's comments to the Ministry of Transport, Construction and Regional Development's document on what is envisaged for BTS.

The Transport Ministry accepted the comment, but points out that according to the law state-owned priority infrastructure properties can only be hired for a maximum of 30 years. "The specific length of the rental period will be decided on the basis of an analysis carried out by an advisor, who will be chosen in an international tender. It will be known afterwards whether it is necessary to amend the law," argues the Transport Ministry.

The two ministries in the end agreed that the process including the choice of a suitable consultant with international experience, as well as the tender for the concessionaire should be terminated by June 2012.

The analysis at the same time lists BTS's unavoidable investment needs, which are expected to reach at least 350 million. These needs include the overall reconstruction and extension of the runway, increasing the number of parking spaces for planes in front of terminals and others.

Slovak rail firm ZSSK warns delayed revitalization will cost millions

bne

A one- or two-month delay of the prepared revitalization program for the passenger rail company Zeleznicna Spolocnost Slovensko (ZSSK), which was supposed to begin in March, will cause a monthly loss of a few millions of euros and a longer postponement would seriously jeopardize the intention to achieve a balanced economic performance this year, the company's management has warned the government, SITA reported.

Slovak says final decision in 2011 on Kosice-Bratislava-Vienna wide-gauge track

bne

The Slovak Transport Ministry expects that the final decision on the extension of the wide-gauge track in Europe, from Kosice to Bratislava and further to Vienna, will come by the end of this year, SITA reported. The ministry intends to carefully consider all pros and cons and to lead a debate with Slovakia's international partners, ministry's PR department director Lubomir Tuchscher said for SITA on Monday. The Transport Ministry plans to submit the corresponding material to the Cabinet session in the coming days.

Minister of Transport, Construction and Regional Development Jan Figel (KDH) will tackle the project during his official visit to Moscow on February 21-22. Figel is scheduled to meet with Russian Prime Minister Vladimir Putin, President of the Russian Railways Vladimir Yakunin and representatives of the Russian Transport Ministry. During the talks the involved parties will debate also issues of the existing and future rail freight transport from Russia through Slovakia.

The feasibility study of the wide-gauge track, presented by German consulting company Roland Berger in December 2010, has not and even could not have given the answers to ownership, operational and financial ties within the project, the ministry says. The management board of the joint venture clustering the Russian Federation, Ukraine, Slovakia and Austria, has recommended that the partners carry out concrete, exactly specified complementary works and decide on further steps in the project based on their outcome by late 2011.

The project is challenging and requires not only careful consideration but also strategic decisions, according to Tuchscher. The wide-gauge track stretches in Slovakia to the eastern Slovak metropolis of Kosice. The project explicitly focuses on container transportation and poses no competition to the transshipment facilities in Cierna nad Tiso.

SE infrastructure

Belgorod airport to get \$55m reconstruction in 2011

Marchmont

Belgorod airport operator Vozdushnye Vorota Belogorya (Belogorye Air Gates) has announced plans to invest \$55m in reconstruction of Belgorod airport in 2011.

The project is reportedly to be financed with bank loans and funds, raised from private investors.

Specifically, under plans, in 2011 the funds are to be used to lengthen the runway by 200 meters - to 2,500 meters and widen it by two meters - to 45 meters, as well as to replace lighting equipment and overhaul airdrome complex.

Total investment into the airport reconstruction is estimated at \$157m. Further timeframes for reconstruction have yet to be disclosed.

Romania Bucharest- Constanta railway to be modernized by July

Mirzon

The modernization works on the Bucharest-Constanta railway will be completed by July, and, from that time onwards, trains will cover the respective distance in two and a half hours, the minister of Transports, Anca Boagiu, claimed, quoted by Mediafax.

The passengers' trains will be running at a speed of 160 km/ hour, and freight trains at 120 km/ hour. Rehabilitation works on the Bucharest-Constanta railway started in 2006, under the direction of Gheorghe Dobre, the then-minister of Transports, Constructions and Tourism, and were initially expected to be completed by 2009, but works were delayed by about two years.

The cost of works to modernize the 228 kilometre-long railway section amount to a little over EUR 913 M, according to calculations based on the figures supplied, at the end of the preceding year, by the Minister of Transports and Infrastructure.