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Top story



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Mostotrest – Ramp up Moscow Roads

VTB Capital

Recent statements by Moscow officials have started unveiling the new administration's strategy on the road construction. It is now clear that cancelling Mostotrest's Fourth Ring Road contract is not up for consideration. Also, changes to Moscow's transport infrastructure plans are an opportunity rather than a threat to Mostotrest's pipeline.

The major reasons behind Mostotrest's shares coming off their USD 9.5 peak were concerns stemming from Sobyenin's declaration that the Fourth Ring project was too expensive as currently planned. The construction of a segment of the Fourth Ring, due in 2015, for RUB 56bn (USD 2bn) is the second largest project in Mostotrest's backlog.

In our 8 March initiation report *Mostotrest: Bigger and Better Bridges*, we argued that the likelihood of this project being cancelled is low given its already advanced stage and importance for solving traffic issues. A recent statement by Moscow's deputy mayor Marat Khusnullin supported our view. According to him,

the construction of Fourth Ring will continue, while reducing the total cost of the project will be achieved not by revising already-signed contracts, but instead by making changes to not yet tendered parts of the project.

Khusnullin also described what kind of projects the planned 300km of new roads will focus on. Compared to previous practices, when Moscow was trying to realize large infrastructure objects, each of which took several years and cost about USD 1bn, the new city hall sees the maximum effect in realizing a large number of local projects, such as the extension of existing roads with particular attention paid to widening interconnections, overpasses etc. This is exactly Mostotrest's specialty. Hence, now that the city of Moscow, which has a road construction budget of USD 3bn for 2011 (double last year's), has finally determined its priorities in transport infrastructure development, we might expect to see more contracts added to Mostotrest's backlog. This is exactly what is needed to put the company's share price back on an upward trend. ●

Aeroflot Sells one of its loss-making subsidiaries

UralSib, Russia

Nordavia is sold for \$7mln to Norilsk Nickel. Today, Kommersant reported that Aeroflot (AFLT RX - Buy) sold its 100% subsidiary Nordavia to Norilsk Nickel for \$7mln. The total EV of the asset for the deal was estimated at \$207mln (or 5% of Aeroflot's total EV at yesterday's closing market price), which implies an equity value of \$7mln based on net debt of \$200mln. We believe that Nordavia is not essentially needed by Aeroflot, especially in light of the forthcoming acquisition of GTK Rossiya, one of six airline companies to be acquired from Rostechologies soon, which will substitute all the assigned routes of the sold company.

At first glance, a positive development for the company. Nordavia's total passenger traffic and turnover amounted to 1.4mln passengers and 2bln pkm in 2010, or 10% and 5% of Aeroflot's passenger traffic and turnover, respectively. Aeroflot does not disclose the breakdown of the financials for its subsidiaries, except for net income. However, according to the company, Nordavia is loss-making and generated \$9mln at



www.aeroflot.ru

the net income level in 9M10. Based on our estimates, the deal implies an EV/RPK 10E multiple of 105, which implies almost no discount (4%) to Aeroflot's current multiple. We view the price for the deal as reasonable and consider such a development as a positive for Aeroflot, given that the company will deconsolidate Nordavia from its financials, which should result in a reduction of 15% in its net debt, and the spin-off should improve Aeroflot's profitability.

News positive for Aeroflot. We view the news as positive given the reasonable price of the deal and reduction in the debt as a result. We therefore reaffirm our Buy recommendation on the name. ●

Anna Kupriyanova

bne note: Aton brokerage agrees the sale is positive for Aeroflot.

Chinese's \$1.5bn Sakhalin port upgrade confirmed

Marchmont

China's Inner Mongolia KingHo Group has confirmed \$1.5bn worth of plans for Poronaysky sea port modernization in Sakhalin's central part, Sakhalin regional officials reported.

The Chinese company and its Russian counterpart OOO SAS-Service have reportedly inked an MoU regarding the project.

Project details have yet to be determined and disclosed. ●

Will transport companies face safety tariffs?

Renaissance Capital

Event: According to Kommersant, today (24 March) the government will discuss amendments to the transport safety law that were developed by the Ministry of Transport following the recent terrorist act at Domodedovo. The ministry wants to make transport companies responsible for improving the safety of transport infrastructure, which will likely entail additional expense. The president of Russian Railways, Vladimir Yakunin, has suggested increasing transport tariffs to cover part of this expense.

Action: The additional expense would be negative for transport companies, in our view.

Rationale: The Ministry of Transport suggested assigning an additional RUB9bn (\$296mn) to Russian Railways from the budget in March (RUB3.9bn [\$128mn] was allotted for transport safety in the 2011 budget). Meanwhile, according to Kommersant, Yakunin estimates that RUB13trn (\$427bn) will be required to improve railway safety, and he suggested passing on this expense to railway car operators through rail transport tariffs. Ports would also likely take on additional responsibilities to ensure transport safety. Too little detail has been provided so far for us to assess the potential impact of new safety requirements on transport companies. ●

Ivan Kim

Russia infrastructure news

Building firm head accused of stealing millions from Gazprom subsidiary

RIA Novosti

Investigators are searching the Moscow offices of a Russian road bridge construction company suspected of embezzling almost \$30 million allocated by a Gazprom subsidiary for the construction of a highway in Siberia.

The Mostostroi-13 company was involved in the construction of bridges and other infrastructure facilities at a highway in Western Siberia's Yamal-Nenets Autonomous Area in 2008-2010. The work was sponsored by Gazprom's subsidiary Gazpromtrans, Vladimir Markin, spokesman for Russia's Investigative Committee said.

A criminal case has been initiated against the company's director general, Vladimir Gorshkov, as well as against Mikhail Cherepanov, the head of the Sigma company also involved in the

construction, and their alleged accomplices who are believed to have embezzled over 843 million rubles (\$29.8 million), Markin said.

Searches are also under way in offices of the Mostostroi-13 company's affiliated firms, he added.

Medvedev orders probe into Olympic construction cost overruns

RIA Novosti

Russian President Dmitry Medvedev on Tuesday ordered an investigation into overpricing practices at 2014 Winter Olympic construction projects. The order was issued to Prime Minister

Vladimir Putin and Prosecutor General Yury Chaika.

Medvedev was acting on a report from Konstantin Chuichenko, the head of the presidential comptroller office, citing in particular the doubling of the price of fill materials - sand, crushed stone, pebble - within the space of a year.

At the start of last year fill materials cost 360 rubles per ton but this year the price skyrocketed to 800 rubles - "given that the average price countrywide is 250-400 rubles," Chuichenko said.

Russia has earmarked over \$30 billion for the construction of hundreds of sports facilities and infrastructure in Sochi, host city for the Games.

Moscow to get new railroad ring?

bne

The Moscow city government is discussing converting a railtrack that rings the city centre to carry passengers, reports Prime Tass, as the new authorities search for solutions to the chronic traffic congestion in the Russian capital.

Negotiation over swapping the route over from the light freight service it currently runs is underway with Russian Railways, Moscow Mayor Sergei Sobyenin said late Wednesday in an interview with television channel TV Center. The track has often been mentioned by analysts as a potential element in any plan to reduce the number of cars in the city, with rail services under-represented in intracity transport compared with the metro and road vehicles.

The Moscow government plans to reconstruct the small railroad, but the reconstruction would be quite expensive, Sobyenin said. In February, Russian Railways' Vice President Oleg Toni told reporters that the railroad monopoly had estimated the reconstruction of the small ring railroad at RUB102bn.

The small circular railroad was constructed in Moscow over a century ago, and its rail lines are still used for light freight traffic. The Moscow government plans to make the railroad a part of Moscow's public transport system by 2016 and open the first five stations in 2012.

Sobyenin also said that the government plans to renew all the ventilation systems in the Moscow Metro by 2013. He reiterated that the rail cars currently being operated on the Moscow Metro are to be replaced by 2020. Speaking about the surface transport in Moscow, the mayor said that about 90 pedestrian subways are expected to be built in Moscow over the next two years.

NCSP may acquire NUTEP

Troika Dialog

Delo Group has consolidated a 100% stake in NUTEP by purchasing a 50% stake from National Container Corporation for \$115 mln, and an anonymous source told Interfax that it is looking to sell the company to Novorossiisk Commercial Seaport (NCSP).

NUTEP is the second largest stevedore operator after NCSP in Novorossiisk Port, with 250,000 TEU container turnover capacity. Last year, the company handled 125,000 TEU. NCSP might be interested in NUTEP, because its own container capacity (500,000 TEU) is close to being 100% utilized. The acquisition would allow NCSP to gain access to additional free container capacity. As ever, the key question is the potential price tag. Given NCSP's high debt burden, we doubt that the market would welcome the deal if the price is too high.

Mikhail Ganelin

RAO UES Vostoka to build power bridge in Russia's Far East

bne

Russian electric power company RAO ES Vostoka has developed a project to build a power bridge in the country's Far East from the Khabarovsk Region to Sakhalin Island as part of plans for power exports to Japan, Prime-Tass reports.

The agency quotes a company statement as saying the project involves the construction of two thermal power plants and the laying of two 500-kilovolt (kV) undersea cables. It adds that the project is estimated at RUB186.6bn.

Russian min to allot RUB70bn for aviation industry in 2011

bne

Russia's Industry and Trade Ministry plans to allocate over 70 billion rubles in 2011 for companies in Russia's aviation industry, Deputy Industry and Trade Minister Andrei Dementyev told lawmakers in the State Duma, the Russian parliament's lower house.

Dementyev is quoted saying that production in the sector had risen 11.3% in 2010, with 73 civil and military airplanes and 214 helicopters produced in 2010. He added that more than half of the helicopters had been exported.

Russian Railways to offer 20-yr British pound Eurobonds

bne

State-owned railroad monopoly Russian Railways plans to offer 20-year British pound-denominated Eurobonds, a financial market source said, Prime-Tass reports, adding that Russian Railways started a road show worth 500m-1bn.

Sochi Olympics contractors sign environment declaration

RIA Novosti

Contractors building sporting facilities for the 2014 Olympic Games in Russia's Black Sea resort of Sochi followed UN recommendations on Wednesday and signed a declaration to preserve the ecosystem of a local river.

Signatories to the document on restoring the ecosystem of the Mzymta River included Russian gas giant Gazprom, the Russian Railways monopoly and the local administration. Officials of the UN Environment Program (UNEP) also attended the signing ceremony.

Dmitry Chernyshenko, president of the Sochi-2014 organizing committee, said international expert examinations of the environment in the area have been a "unique asset" for Russia, where "green standards" began to be applied only recently.

Chairman of the International Olympic Committee (IOC) Jean Claude Killy and Executive Director for Olympic Games Gilbert Felli visited Sochi on March 21-23 and praised the progress of preparations.

Killy commended the compact layout of the facilities at the Sochi resort, which he said would make it easier for athletes and spectators to move around.

TransContainer finalises purchase of Kedentransservice

Aton

On Friday (18 Mar) TransContainer reported that it has finalised a deal to purchase 67% of Kedentransservice (KDTS), a private operator of railway terminals in Kazakhstan. The reason behind the purchase is to form a JV with Kazakh Railways to jointly operate cargo handling terminals, flatcars and transport containers in Kazakhstan, thereby improving operational efficiency and increasing container transit traffic. Kazakh Railways currently holds a 33% equity stake in KDTS with a right to purchase 17% of the stock to reach a parity ownership holding. We assess the news as neutral as the purchase was announced a while ago; additionally, the estimated synergies are minor and the deal terms have not been disclosed.

Transneft plans oil loading up for Primorsk, down for Novorossyisk in 2Q11, but not a drastic shake-up

Renaissance Capital

Event: On Friday (18 March), Reuters reported on Transneft's oil-loading schedule for 2Q11: the total crude oil export and transit volume is set at 54.03mnt, including 18.55mnt from Primorsk Trade Port (+14.5% QoQ) and 10.61mnt from Novorossiysk (-7.4% QoQ). Transneft is also reportedly confident in meeting its export schedule in March, and catching up for delays caused by heavy ice. Action: Neutral for Novorossiysk Commercial Sea Port (NCSP), in our view.

Rationale: We expect oil loading to recover at NCSP this year. NCSP loaded 12.7mnt of oil and oil products in 2Q10, including 9.8mnt of crude oil, implying 8% YoY upside in Transneft's 2Q11 plan. The expected QoQ dynamics for the port are somewhat better than in the previous year, when 2Q10 crude oil loading was down 8.3% QoQ for NCSP. Primorsk's liquids turnover was up 4.4% QoQ in 2Q10, but Transneft's forecast of strong 14.5% QoQ growth in 2Q11 likely reflects a weaker 1Q11, we think.

Ivan Kim

Russia infrastructure finance & statistics

50% shares in NUTEP terminal sold for \$115m

Marchmont

First Quantum and an entrepreneur Andrey Kobzar, which owned a total of 50% shares in Novorossiysk container terminal NUTEP, sold their shares to an as-yet-unknown investor for \$115m, news agency RIA Novosti reports.

NUTEP is a 27-hectare container terminal in Novorossiysk Sea Port with annual cargo capacity of 250,000 TEU.

Aeroflot Reports Operating Results for Feb 2011

Aton

Yesterday (24 Mar) Aeroflot Group reported its operating results for Feb 2011. We assess the results as mostly neutral for the company. Passenger turnover increased 20.6% YoY, which is slightly better than the 17.1% YoY growth recorded in January. We note an acceleration of domestic passenger turnover growth. The passenger load factor was up slightly YoY and is within the expected seasonal bounds.

Bottom line

The results support our forecast of 14% passenger turnover growth (excluding the effect of Nordavia's deconsolidation) for FY11. The fact that Aeroflot is unlikely to reach its guidance of 23% passenger turnover growth on these numbers could negatively affect the short-term share performance, in our view. However, we note that Aeroflot's share price rarely reacts to operating statistics. Additionally, turnover could receive a boost when Aeroflot's Sukhoi Superjet aircraft become operational later this spring.

CARGO Index shows Russia's recovery continues

bne

Positive changes in the real sector of the Russian economy may be expected early this spring, Gudok reports, citing the CARGO Index. Compared with the same period in 2010, the value of the transport indicator adjusted for seasonal and calendar factors increased 7.8% in February (19.1% in January). At the same time, Rosstat's output index in the key branches of economy, which is close in its nature to the CARGO Index, increased 5.1% in January 2011 year on year (5.5% in December 2010).

So, the report says, both indices characterizing the state of the real sector are above 100%. This shows that the national economy continues its recovery from the crisis, Gudok adds, noting that there are still high levels of instability.

LSR announces RUB2bn bond issuance

Renaissance Capital

Event: On Friday (18 March) LSR Group announced the placement of a three-year, RUB2bn (\$69.4mn) interest-bearing non-convertible bond. The first coupon rate will be determined after the end of the bidding period (22 March).

Action: We reiterate our BUY rating and \$12.98/GDR target price.

Rationale: LSR has around RUB3.94bn (\$135mn) of debt to repay in 2011, and we expect the proceeds to be used for debt refinancing. In June 2010, LSR raised RUB1.5bn (\$52.5mn) through bond issuance, at 10.5%. After raising \$400mn during an SPO last spring, LSR made a number of acquisitions last year, and we expect the company to continue making acquisitions in 2011. LSR is trading at 11.3x and 8.9x 2011E and 2012E EV/EBITDA, respectively, at a discount to PIK, which is trading at 13.9x and 9.5x 2011E and 2012E EV/EBITDA, respectively.

David Ferguson

NCSP's cargo turnover dropped 6.6% y/y in January-February

Alfa Bank

Yesterday, NCSP Group published its January-February operating results. Total cargo turnover dropped 6.6% y/y, with bulk cargo decreasing 44% y/y and general cargo declining 32% y/y.

Weak operating results in the bulk cargo segment were due to the grain export ban, which resulted in a loss of almost 1.4mt, or 5.7% of total cargo turnover over the period. The decline in the general cargo segment was caused mainly by a 35% y/y decrease in ferrous metals as a result of tensions in North Africa and the Middle East, the primary destination for ferrous metals export from Novorossiysk. The liquid cargo segment, which now includes the results of the recently acquired Primorsk Trade Port (PTP), was relatively stable, posting only a 2% y/y decline.

Iron ore and ore concentrate positively surprised, with volumes rising 6.5 times over the previous year. Container volumes also remained strong, increasing almost two times y/y.

Overall, we view the results as only slightly NEGATIVE for NCSP, as they were largely expected. Early in March, the official statistics released by the Association of Commercial Sea Ports pointed to very weak figures for both Novorossiysk and Primorsk ports. We believe investors are now more cautious about the company's performance in March, as unfavorable weather conditions on the Baltic Sea led Transneft to temporarily halt oil deliveries to Primorsk Port mid-month. However, we do not rule out that all the negative news related to operating performance has already been priced in by the market, as the stock price declined close to the level seen after the sell-off last October, when the news about the acquisition of PTP came out.

Russian Railways plans to place 20-year Eurobonds in pounds sterling

Alfa Bank

Russian Railways may place as much as _0.5-1bn. The book is set to close today. The issue will be placed under Reg S. The organizers are Barclays Capital, Goldman Sachs International and VTB Capital.

Russian Railways' credit policy in 2011 suggests a slight increase in the loan portfolio - to RUB6bn - with a focus on the public debt market. In the second half of the year, the company may partially refinance its ruble-denominated bonds with new issues and redeeming certain others. The company aims to extend its portfolio and reduce borrowing costs.

UTair provides 2010 11 financial guidance

Troika, Russia

UTair has disclosed its preliminary 2010 IFRS results, as well as some forecasts for 2011 figures. The company's revenues increased 20.6% last year to \$1.34bn, while EBITDA grew 36.4% to \$184m, implying an EBITDA margin of 13.7%. UTair's debt of \$777.5m implied a debt/EBITDA ratio of 4.2 (compared with 5.4 at end 2009). In 2011, the company expects revenue growth of 35% to \$1.8bn and EBITDA of \$218.7m (up 18.8%). At the same time, gross debt should increase 17.6% to \$915m, for a debt/EBITDA ratio of 4.2.

Overall, the guidance is close to our estimates. UTair is currently trading at a 2011E EV/EBITDA of 5.7, in line with Aeroflot (5.6).

Mikhail Ganelin

UTair Reports Consolidated Operating Results for Feb 2011

Aton

Yesterday (24 Mar), UTair Group reported its consolidated operating results for Feb 2011. Passenger turnover for the airlines segment increased by 21% YoY in February, which is better than the previously reported standalone UTair number of 6.2% YoY growth. Nevertheless, the airlines segment's results for February are well below the growth rate reported in Jan 2011.

The helicopter segment also reported results worse than in Jan 2011. Helicopter flight hours increased by 10% YoY; this is in line with our expectations for FY11, but slightly below market forecasts.

Bottom line

The operating results are mostly neutral, in our view. The low base effect has mostly dissipated and the current results must be compared with the strong performance recorded in 2010. We note that the figures are in line with our estimates and only slightly lower than market expectations. UTair is a rather illiquid stock that traditionally reacts only to major news and we do not expect these results to affect the share price.

Russia roads

Bashkiria to get \$101m to overhaul M5 and M7 highways

Marchmont

About \$101m is to be allocated on reconstruction of federal highways M5 Urals and M7 Volga passing through the Republic of Bashkortostan in 2011, regional officials report.

The funds are reportedly assigned from the federal budget.

Under plans, \$49m is to be spent on expansion of the four-lane section of M5 highway in Bashkiria.

Another \$52m is to be spent on construction of expanding sections and a bridge over the Belaya river on the M7 highway, the officials said.

French, Austrian cos may bid for St. Pete highway project

bne

French companies Vinci and Egis, and Austrian companies Strabag and Alpina could take part in a tender to build the RUB135.5bn central segment of the Western High-Speed Diameter highway in St. Petersburg, the press service of the city's direct investment agency says, Prime-Tass reports.

Moscow plans bus lanes to encourage commuters onto buses

bne

Officials in Moscow have drawn up a list of streets that will get dedicated bus lanes as the city implements Mayor Sergei Sobyanin's plans to ease traffic congestion by encouraging commuters to forsake their cars for public transport, Vedomosti reports.

In the next two months, officials will develop proposals to introduce a minimum of 10 separate lanes for public transportation, the newspaper says, citing a decree posted on the city transportation and communications department's web site.

The paper adds that a few bus lanes are already in use and have improved bus flow and reduced delays.

Moscow to add lanes to MKAD orbital motorway

bne

The Moscow Ring Road will gain two extra lanes as part of an effort to ease congestion, The Moscow Times reports.

"The MKAD will be widened on both the city side and the regional side," the paper quotes Marat Khusnullin, deputy mayor for town planning and construction, as saying. Parallel roads will be built where widening the MKAD itself is not practical, he added.

Including the MKAD expansion, the city government is to build some 300 kilometers of extra roads, including major access highways and connecting roads between suburbs, Khusnullin says.

RIA Novosti reports that the planned fourth ring road would be completed in a "truncated" version.

Mostotrest: Ramp up Moscow Roads

VTB Capital

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currently planned. The construction of a segment of the Fourth Ring, due in 2015, for RUB 56bn (USD 2bn) is the second largest project in Mostotrest's backlog.

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Elena Sakhnova

Rostov region to spend \$50m on municipal roads

Marchmont

Authorities in Rostov region have announced plans to allocate \$48.8m on development of municipal roads in 2011.

Under plans, the funds are to be spent on repairs of over 1.2 million square meters of city and inter-village roads and walk ways, as well as to build and overhaul 61,000-square-meter inter-village roads.

Russian Highways sees Moscow–St Pete highway costing RUB500bn

bne

State-owned highway operator Russian Highways, or Avtodor, estimates the construction cost of a high-speed highway between Moscow and St. Petersburg at about 500 billion rubles, Russian Highways' First Deputy President Sergei Kelbakh says, Prime-Tass reports.

The agency adds that construction of highway rest stops is expected to be completed at the expense of private investments or on the basis of a public-private partnership. "The total amount of non-budget financing of the project is planned at over 230 billion rubles," Kelbakh is quoted as saying.

UralVagonZavod is about to take control of ChTZ-Uraltrak

VTB Capital

News: According to an Interfax report earlier this week, UVZ is likely to become a controlling shareholder of ChTZ-Uraltrak, which is a large producer of road- building machinery and tractors.

Our view: The impact of a potential transaction on UVZ's credit profile depends on the acquisition price, debt load attached to the assets and the level of 'consolidation' of the new subsidiaries into UVZ group. We spoke to a representative of UVZ on the subject. Information on the price and debts of ChTZ-Uraltrak is still unavailable, but we understood that UVZ intends to manage this company on an "arm's length" basis, i.e. there won't be cash flow integration or financial support from UVZ.

Meanwhile, the news is likely to have a negative impact on the sentiment towards UVZ credit risk, as it is yet another piece of evidence of the growing investment appetite of Russia's largest producer of railcars. Back in February, the media reported on UVZ's interest towards the distressed machinery group Tractor Plants. UVZ's local bonds are currently trading at about 400bp over swaps, which we view as fair relative to the issues of other Russian industrial corporates.

Russia trains

CORRUPTION WATCH: Former Moscow metro chief charged with embezzlement

RIA Novosti

Moscow subway chief has been charged with siphoning off 112 million rubles (\$4 million) in public funds, prosecutors say.

Dmitry Gayev, who resigned in February after the allegations of fraud and embezzlement came to light, faces up to four years in prison if convicted.

Irina Dudukina, spokesperson for the investigative committee of Russia's Interior Ministry, said Gayev illegally patented the electronic metro tickets that replaced tokens in 1999 and received 112 million rubles in patent proceeds over the subsequent 11 years.

Global Ports launches Moscow– Far East rail cargo transportation

bne

Russia's Vostochnaya Stevedoring Company, a unit of Global Ports, and transport companies T-Trans and Kamchatka Lines have opened cabotage service to transport cargo by rail from the Moscow Region to the Sakhalin and Kamchatka regions in Russia's Far East, Prime-Tass reports.

A Vostochnaya Stevedoring Company statement said trains were expected to take an average of 11 days to travel the route, and three trains a week were planned, the agency says.

Gorky Railways to invest \$22m in buildings and facilities in 2011

Marchmont

Interregional rail operator Gorky Railways has announced plans to invest \$21.8m in maintenance and reconstruction of buildings and facilities in 2011.

Under plans, the funds are to be spent on restoration of technological and administrative buildings, installation of fire alarms and automatic fire extinguishers at electrocentralization stations in Murom, Cheboksary-2, Yudino and Vekovka, as well as construction of technological residential housing, implementation of heat, water and gas meters.

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

Moscow govt, Russian Railways discuss passenger trains on railroad ring

bne

The Moscow city government is in talks with state-owned railroad monopoly Russian Railways on replacing the cargo trains operating on a small circular railroad in Moscow with passenger trains, Moscow Mayor Sergei Sobyenin says, Prime-Tass reports.

The Moscow government planned to reconstruct the small railroad, but the reconstruction would be quite expensive, Sobyenin is quoted as saying.

Russian minister calls for building separate high-speed railroads

bne

Russian Transportation Minister Igor Levitin has called for the construction of separate railroads for high-speed services in Russia, saying that the possibility of using existing railway tracks for high-speed railway services has been exhausted, Prime-Tass reports.

Russian Railways operating PGK's gondola park

Renaissance Capital

Event: Kommersant reported today (16 March), citing Russian Railways Vice President Salman Babaev, that 70% of the gondola park owned by its subsidiary Pervaya Gruzovaya Kompaniya (PGK) is already being run by Russian Railways' Centre of Transportation Service, which plans to take control of the remaining 30% on 1 April. It appears that the move is related to Russian Railways' Intellex system, introduced in February 2010, which optimises railway transportation routes and reduces empty run rates, and allows Russian Railways to effectively coordinate and run railway transportation under its control.

Action: Neutral for Transcontainer and Globaltrans stock, in our view. However, we think the news will create negative sentiment among investors regarding the future of expected liberalisation of the railway transportation market.

Rationale: It is currently unknown for how long Russian Railways will operate its subsidiary's park. Russian Railways has announced that it will sign contracts on transportation in PGK railway cars with clients on its own, and it will reportedly renew all of PGK's current contracts (including contracts with Mechel and RUSAL). With 123,500 gondola cars from PGK, Russian Railways will get an additional 12% share of the Russian railway car market, and will concentrate its client base, de facto strengthening the state monopoly's position in the transportation market.

Ivan Kim

Russian Railways passenger unit to buy 445 rail cars in 2011

bne

Russia's Federal Passenger Company, a subsidiary of state-owned railroad monopoly Russian Railways, plans to acquire 445 passenger cars under its 2011 investment program, Russian Railways said in a statement Wednesday.

The funds allocated for the purchases were not disclosed.

Russian Railways plans to rebuild Serbian rail lines, station

bne

Russian Railways plans to carry out a number of projects in Serbia, a source at the company told Interfax after Serbian President Boris Tadic on Wednesday during a visit by Prime Minister Vladimir Putin to Belgrade.

"Specifically, they want to rebuild several lines and a station. We will do the work," the source said.

Russian Railways may start 2nd stage of St Pete station project

bne

State-owned railroad monopoly Russian Railways and NAI Becar Projects, a unit of international real estate developer NAI Becar, have started the RUB6bn second stage of a project to modernize Finland Railway Station in the city of St. Petersburg, NAI Becar's press office said, Prime-Tass reports.

Russia planes

Aeroflot Comments on Buyback of its Own Shares - Neutral

Aton

Yesterday (21 Mar), Aeroflot commented on its buyback of 3.16% of its own shares from the market. It said the buyback was conducted to support the share price, "the dynamics of which ceased to be affected by positive developments in the market and in the company's business". Following the buyback, Aeroflot has accumulated 10.38% of its own shares.

Bottom line

We assess this development as neutral for Aeroflot. We believe the stock's recent poor performance is a market reaction to rising fuel prices and a possible decline in traffic linked to political instability in Africa and the Middle East - in other words, the result of fundamental factors. We also think the buyback is not fully justifiable on economic grounds and believe Aeroflot should concentrate on operational activities rather than market interventions. In our opinion, weakness in the shares is likely to continue, while the volume involved in the buyback is rather small and is unlikely to affect the company's fundamentals. Aeroflot lost 2.4% on the news but managed to recover 1.6% over the course of the day.

Aeroflot passenger traffic up 18% on year in Jan-Feb

bne

The passenger traffic of flag carrier Aeroflot Russian Airlines increased 18.2% year-on-year in January-February to 1.783 million people, Prime-Tass reports, citing an airline statement.

Passenger transportation increased 20.2% on the year to 5.597 billion passenger kilometers in January-February, Aeroflot also said, according to the agency.

Aeroflot sees chances of blocking stake in consolidated Sheremetyevo diminish

Aton

Vedomosti reports that according to the revised valuation of Sheremetyevo airport's terminals, Aeroflot may receive 9% of the combined company. The terminals controlled by the state are valued at \$1.74bn, while the newly constructed Terminal D is valued at \$353mn. Aeroflot holds 52.82% of the Terminal D shares. Previously, Aeroflot hoped to receive a blocking stake in the combined company and now plans to oppose the new valuation. We think Aeroflot's desire to acquire a blocking stake is optimistic; if we assume the state terminals' valuation is correct, then the valuation of Terminal D must be increased six times for Aeroflot to receive a blocking stake. We believe that deconsolidation of Terminal D could reduce Aeroflot's debt burden by approximately 60% and would be positive for the airline. The news is neutral for Aeroflot, in our view, as the valuation will likely be reviewed once more, while the timing of deconsolidation does not play an important role.

Aeroflot's IFRS net profit doubles in 2010 - source

bne

The net profit of Aeroflot Russian Airlines more than doubled to \$280m in 2010 from \$122 million in 2009, as calculated under International Financial Reporting Standards (IFRS), a source from the company said Tuesday.

The revenue of the company increased to \$3.80 billion in 2010 from \$2.85 billion in 2009, the company said.

Delivery of Sukhoi SuperJets to Russian airlines delayed again

Renaissance Capital

Event: Yesterday (15 March) Kommersant reported that the delivery date for Sukhoi SuperJet (SSJ) airplanes will be postponed again. According to a representative of the Ministry of Industry and Production, Sukhoi is now to deliver 15 airplanes to Aeroflot and two to Armavia in 2011, and this deadline is expected to be met. Sukhoi has missed delivery dates several times in the past, and its last failure to deliver aircraft, in October 2010, resulted in a serious conflict with Aeroflot, which the government intervened to resolve.

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

Rationale: Delays in aircraft delivery will not impair Aeroflot's operations in the short term, as the airline has decided not to employ new planes for summer flights. A considerable prolongation, however, could be disappointing for Aeroflot, forcing it to review its plans related to SSJ airplanes and consider alternative additions to the fleet - or, accept the worst possible outcome, and forgo new planes. Given that Aeroflot's latest conflict with Sukhoi ended with the government fully supporting the aircraft manufacturer, Aeroflot appears to us to have little bargaining power in this dispute.

Ivan Kim

Deputy PM calls for developing low-cost air service in Russia

bne

Deputy Prime Minister Sergei Ivanov has called for the development of low-cost air services in Russia, Prime-Tass reports, adding that Ivanov says low cost airlines have 40%–45% of the market in Western countries but next to no role in Russia.

The agency says Sky Express and Avianova, which combined to transport just over 2.5m passengers in 2010, are the only examples of budget carriers in Russia.

Modernization of Tunoshna airport in Yaroslavl to total \$234m

Marchmont

Investment into modernization of Tunoshna airport in Yaroslavl are expected to total \$234m, Yaroslavl region officials report.

The project is reportedly to be carried out under private-public partnership. The private investors are to get the airport infrastructure under a concession agreement.

The names of potential investors have yet to be disclosed.

Under plans, about \$50m is to be invested into reconstruction of a runway.

About the same amount is to be spent on the airport infrastructure development, including construction of a air station, logistics terminal, passenger control stations and other infrastructure facilities.

The project is scheduled to be carried out by 2030.

New terminal at Lviv airport 40% complete

bne

The new terminal at Lviv airport is 40% ready, and its runways 22% ready, Interfax reports, citing a posting on the website of the National Agency for Preparations for and Holding the Euro 2012 European Football Championship Finals in Ukraine and the Implementation of Infrastructure Projects.

The posting adds that the construction of a new football stadium in Lviv is 50% complete, Interfax says.

Russian Railways board OKs upping First Cargo Co invest 7.3% in 2011

bne

State-owned railroad monopoly Russian Railways' board of directors has approved an investment program for its subsidiary First Cargo Company totaling 34 billion rubles in 2011, up 7.3% on the year, First Cargo Company's CEO Salman Babaev says, Prime-Tass reports.

In addition, board set the cargo unit's 2011 net profit guideline at 11.5 billion rubles, with revenue at 103.0 billion rubles, Babaev said without providing accounting standards.

Russian Technologies is asking for 8% to 9% of Aeroflot's outstanding common stock for its spun off airline assets

Metropol

Russian Technologies agreed with Aeroflot to revise the valuation for the six airlines (STC Russia, ORENAIR, KMV Airlines, Vladivostok Air, Saravia and SAT Airlines) being consolidated with Aeroflot. A Russian Technologies representative said that the initial valuation range of 2.5-5% of Aeroflot's common equity did not take into account flight routes, slots, and office and real estate maintenance. The Russian Technologies representative said that the company would like a valuation of between 8-9% of Aeroflot common stock.

According to our estimates, a valuation of 8-9% of Aeroflot common stock implies that the six airlines, including net debts of USD 820mn, are valued at a 43-44% discount to Aeroflot, excluding the Sheremetyevo D terminal debt of USD 900mn. We believe that this is still a considerable discount, considering that Aeroflot's market share will increase to 41% from the current 26% following consolidation. We therefore believe that the news should be positive for the stock. We reiterate our BUY on Aeroflot and our fair value of USD 3.52.

Andrey Rozhkov

Russia's S7 Group passenger traffic sees small drop in Jan-Feb

bne

The passenger traffic of Russian airline S7 Group amounted to around 780,600 people in January-February, down about 0.3% on the year, Prime-Tass reports.

The agency cites a company statement as saying that passenger traffic was down year-on-year in January but increased 1.6% on the year in February to 368,424 people.

Six Rostekhnologii airlines valued at 2.5% of Aeroflot

Alfa Bank

According to Vedomosti, the preliminary valuation of six airlines controlled by Rostekhnologii is 2.5-5.0% of Aeroflot, or \$64-128m as of March 2010 (the date of the valuation). This is equal to \$73-146m, yesterday's close.

Initially, Rostekhnologii intended to acquire a blocking stake in Aeroflot in exchange for its airline assets. As a result, the preliminary valuation figure looks low, which is not surprising given that these six airlines are loss making and have high debt burdens and fuel-inefficient fleets. If this valuation is approved, Aeroflot has enough shares (it controls 7.3% of shares) to pay for the exchange.

However, we believe that Rostekhnologii will not agree with this valuation and will likely try to push it higher. Reportedly, the company filed a claim with Aeroflot, indicating the shortcomings of the valuation. Rostekhnologii's CEO, Sergey Chemezov, has sufficient lobbying power and we therefore believe that the final valuation of its six airlines will be higher, but unlikely to reach a blocking stake in Aeroflot.

Georgy Ivanin

Sukhoi Superjet 100 to make first passenger flight on April 12

RIA Novosti

Russia's Sukhoi Superjet 100 passenger airliner will carry out its first passenger flight from Armenia's capital of Yerevan to

Moscow on April 12, officials in Russia's Far Eastern Khabarovsk Territory said on Wednesday.

The flight will take place on the 50th anniversary of the day that Yuri Gagarin became the first man in space.

The first Sukhoi Superjet 100 aircraft was bought by Armenia's Armavia airline, Khabarovsk Territory Governor Vyacheslav Shport said during a meeting with Armenia's ambassador to Russia Oleg Yesayan in Khabarovsk on Tuesday.

The Superjet 100 is a family of medium-haul passenger aircraft developed by Sukhoi in cooperation with U.S. and European aviation corporations, including Boeing, Snecma, Thales, Messier Dowty, Liebherr Aerospace and Honeywell. The aircraft is capable of carrying 75-98 passengers up to 4,400 kilometers.

Sukhoi plans to manufacture at least 700 Superjet 100s and intends to sell 35 percent of them to North America, 25 percent to Europe, 10 percent to Latin America, and 7 percent to Russia and China.

Sukhoi currently has at least 122 firm orders for its Superjet 100 airliners.

Russia's UTair Group passenger traffic up 20% on yr in Jan

bne
March 18, 2011

The passenger traffic of Russian airline UTair Group rose 19.8% on the year to 381,522 people in January, the group said in a statement, Prime-Tass reports.

Passenger transportation increased 36.3% on the year to 718.052 million passenger-kilometers in January, the agency adds.

VTB Capital purchased a 5.9% stake in Aeroflot

Metropol

VTB Capital bought 5.9% of Aeroflot's outstanding common equity, although the price and terms of the transaction were not revealed. Based on an earlier precedent, we believe the deal could be a repo transaction. Aeroflot also chose not to disclose the identity of the seller, although we believe Alexander Lebedev's NRK is a likely candidate, and the sale would reduce NRK's stake to 9% in the airline. If it was not a repo transaction, we believe that news should be positive for Aeroflot since the deal could indicate that VTB Capital foresees a forthcoming SPO and has a positive outlook on the company, particularly considering the consolidation of the Russian Technologies airlines. We reiterate our BUY on Aeroflot and our fair value of USD 3.52.

Andrey Rozhkov

Russia ships

Chinese firm seen investing \$1.5bn in Sakhalin Region port upgrade

bne

Chinese corporation Inner Mongolia KingHo is expected to invest \$1.5bn in the reconstruction of the port in the city of Poronaysk in Russia's Sakhalin Region, Prime-Tass reports, quoting the regional government press office as saying that the Chinese company had signed a protocol of intent with SAS-Servis, a little-known company based in the Sakhalin Region.

Holder sells 50% stake in Russia's Novorossiisk Container Terminal

bne

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

Primorsk Trade Port restarts operations after delays caused by ice

Renaissance Capital

Event: Reuters reported yesterday (16 March) that Primorsk Trade Port has resumed oil loading, after delays caused by heavy ice. The port reportedly managed to ship 2.8mnt of Urals crude in the first 15 days of March.

Action: Neutral for Novorossiysk Commercial Sea Port's (NCSP) stock price, in our view.

Rationale: Primorsk is expected to underperform in March, as the 2.8mnt of Urals crude shipped so far this month just reaches 41% of the volume shipped in March 2010, continuing the negative trend in turnover, which fell 2% and 8% YoY in FY10 and January 2011, respectively. However, we think the direct impact of delays associated with heavy ice should not be significant for NCSP's 2011 consolidated operational results, as we estimate that losses caused by the delays will be small and account for less than 1% of Primorsk's 2011E turnover.

Ivan Kim

Rusal, SUEK, United Grain Company to invest in Ust-Luga port

bne

Russian aluminum giant UC Rusal, Siberian Coal Energy Company (SUEK), and state-owned United Grain Company are expected to invest funds into the ongoing project to build the Baltic Sea port of Ust-Luga in the Leningrad Region, Russian Deputy Prime Minister Sergei Ivanov says, Prime-Tass reports.

The agency quotes Ivanov as saying that investments into the development of the port have already reached 90 billion rubles, including 65 billion rubles of private investments, with Magnitogorsk Iron and Steel Works, or MMK, and Russian mineral fertilizer holding EuroChem already taking part in the project.

Prime-Tass also reports that the government plans to soon announce a tender for construction of an automobile road linking the port with a highway running from St. Petersburg to Moscow.

It quotes Deputy Transportation Minister Viktor Olersky as saying funds for the construction of the 58-kilometer road are planned to be allocated from the federal budget.

Russian company buys 25% stake in Yaroslavl Port for RUB24m

bne

Yaroslavl River Port Trading Company has acquired at auction a 25.5% government stake in the charter capital of Yaroslavl River Port for 24.086 million rubles, the agency said in an official publication, Prime-Tass reports.

Russian company buys 25% stake in Moscow port for RUB141m

bne

Russian construction company Seltekhstroy has won an auction held by the Federal State Property Management Agency to acquire a 25.5% government stake in the charter capital of Moscow's Severny Port, also known as North Port, for RUB141.2m, the agency said in an official publication, Prime-Tass reports.

St. Petersburg governor sees new passenger port ready in May

bne

The construction of a passenger seaport in the Vasileostrovsky District of St. Petersburg is expected to be completed in May, city Governor Valentina Matviyenko says, Prime-Tass reports.

TMK unit buys 25.5% govt stake in Volgograd River Port

bne

Volzhsky Pipe Plant, a subsidiary of Russian pipe maker TMK, has acquired a 25.5% government stake in Volgograd River Port at an auction, Prime-Tass reports, citing Kommersant business daily.

The company offered 112 million rubles for the stake, the paper reports. TMK is quoted as saying that it acquired the port to optimize the supply logistics of pipes produced at Volzhsky plant.

VTB's \$19.3m Amur Shipping upgrade loan posted

Marchmont

VTB Bank is loaning Amur Shipping \$19.3m for a drastic upgrade of its fleet, up \$8.8m from what it planned originally, the bank said.

Amur Shipping is reportedly buying four ocean-going ships with a total tonnage of 25,000 tons and is renovating the existing fleet.

According to a bank source, VTB already funded the purchase of two Amur Shipping's bulk carriers last year.

Amur Shipping is part of Russian Forest Products (RFP) Group and is one of Siberia and the Far East's largest shipping operators.

CIS infrastructure

Belarusian Railway, Stadler ink memorandum to continue cooperation

bne

Swiss Stadler Bussnang AG and Belarusian Railway have inked a memorandum to continue cooperating in purchases of rolling-stock and maintenance, Director of Belarusian Railway Anatoly Sivak said at the presentation of the first Stadler electrical train in Minsk, Prime-Tass reports.

The first train will enter service on June 1, the agency says, and Stadler will deliver 10 trains by the end of 2012.

'Air Express' project will not be finished before Euro-2012

Kyiv Post

Deputy Prime Minister Borys Kolesnykov on March 14 said there

is not enough time to build a electric train shuttle from Boryspil Airport to Kyiv before the 2012 European soccer championship.

Kolesnykov, who is in charge of beefing up infrastructure to host the tournament, said on March 14 that it would take two years to complete the project.

"We only have 16 months left," he said. "It's a fact that this project won't be built before Euro-2012." Kolesnykov added that construction would continue nonetheless.

Read more: <http://www.kyivpost.com/news/city/detail/99821/#ixzz1GekPT810>

Dniprovaogonmash AGM to vote on asset transfer

Dragon Capital

News: Shareholders of Dniprovaogonmash, a producer of freight railcars, will consider a transfer of at least 50% of the company's

assets at the upcoming AGM scheduled for Apr. 21. The proposal was added to the AGM agenda by an unnamed shareholder with a stake of 10% or higher. (Interfax)

Dragon view: The news points to likely asset-stripping being planned by the company's majority shareholder(s). We will seek to clarify terms and reasons for the asset transfer with the company.

Kryukiv to keep March freight railcar output flat

BG Capital

Kryukiv Wagon (KVBZ) is targeting monthly production of 865 freight railcars in March, flat vs. February's 862 produced, Interfax reported.

Alexander Paraschiy: The targeted monthly output would yield 1Q11 output of 2,535 freight wagons, 29% higher y/y on a low comparison base. At this time we maintain our full-year projection of 10,000 units (+10% y/y), but note that a bottleneck with wagon casting supplies may force us to downgrade our outlook.

Project to build large ring road around Kyiv being revised

Kyiv Post

The construction of a large ring road around Kyiv has been postponed indefinitely, Head of Kyiv Regional State Administration Anatoliy Prysiazhniuk has said.

"This project is being revised. It is a project for the future, as currently there is no money [for it]," he said at a press conference in Kyiv on Thursday.

Read more: <http://www.kyivpost.com/news/city/detail/100737/#ixzz1HblOT1IY>

Railcar output went up by 22% in February m/m

Art Capital

Domestic cargo railcar producers increased output by 22% to 3.7 ths in February. Altogether in Jan-Feb 2011, railcar production is on the rise compared to last year - 41.5% YoY.

Oleksiy Andriychenko: The news is POSITIVE for Ukrainian railcar manufacturers, including Stakhaniv Wagon, Kryukiv Wagon, and Azovmash. Kryukiv already reported a 7% increase in output in February. The rest of the increase in Ukrainian output is likely driven by the recovery in Azovmash's and Stakhaniv's production, which decreased output in January by 52% and 21% respectively. We maintain a positive outlook on the railcar sector as transportation companies increase railcar freight volumes (+15.5% YoY in Jan-Feb in Ukraine) and increase their orders for gondola cars accordingly. However, the bottom line at the end of the year will depend on input cost changes and access to large railcar casting. So far the prices of railcar casting are stable, but the price of hot rolled coil is up 15% and that of heavy plate soared by 25% YTD. We reiterate our BUY ratings for SVGZ and KVBZ with targets of \$1.8 and \$6.1 respectively and review our rating on AZGM stock.

Runaway Costs

Kyiv Post

When the games are over, what will Ukrainians be left with from the Euro 2012 soccer championship?

For sure, overpriced stadiums, roads and other improvements that will cost taxpayers \$20 billion. Critics say the costs are inflated by at least several billion dollars because of no-bid contracts. Who is benefitting from these uncompetitive practices? Will Euro 2012 turn out to be a national boondoggle?

Read more: <http://www.kyivpost.com/news/nation/detail/99518/#ixzz1GYuqc9Qa>

Ukraine looks to Israel for agricultural technologies and infrastructure investment

bne

Israeli investors are interested in infrastructure projects in Ukraine, on the condition that they can get government

guarantees, the cabinet's press service claims, whilst Kiev hopes to acquire technologies to boost its agricultural sector.

Following a meeting between Ukrainian Prime Minister Mykola Azarov and Israeli businessmen of Ukrainian origin in Jerusalem on Tuesday, the press service told Interfax that the Israeli participants are especially interested in road and other infrastructure projects, including water and energy.

"At a meeting with the prime minister they noted that the investments into these projects are no problem because government guarantees are currently perceived as solid and reliable," a cabinet statement said.

In turn, Azarov said Ukraine is interested in using Israeli technologies in farming. "The food market is becoming no less important than that of oil, so boosting agricultural production is an absolute priority for us," the Ukrainian premier said.

The Israeli delegation claimed to have technologies that allow the reuse of 85% of wastewater in agriculture, which reduces the losses in water networks to an average of 3% in Israel. That compares with losses as high as 70% in Ukraine.

UKR Yanukovich orders Azarov to resolve issues on Kyiv river bridge

bne

Ukrainian President Viktor Yanukovich has ordered Prime Minister Mykola Azarov to settle the issue of the continuation of the construction of a bridge across the River Dnipro in Kyiv, Interfax reports.

CE infrastructure

Poland's LOT to begin Warsaw-Donetsk flights in summer

bne

LOT Airline will in summer 2011 to launch regular flights on the Warsaw-Donetsk route, Interfax reports, citing the Polish flagship carrier, which said three flights a week would be scheduled for Mondays, Wednesdays and Fridays.

Railway link Prague-Munich priority for Bavaria, Plzensky region

bne

Railway corridor Plzen-Domazlice-Regensburg-Munich is one of the priorities of emerging euro-region Danube-Vltava, Bavarian

Minister for Federal and European Affairs Emily Mueller and Plzen regional governor Milan Chovanec told CTK.

Thanks to the new euro-region, Czech, German and Austrian border regions could draw subsidies in the years 2014-2020.

The railway corridor, whose preliminary costs are put at Kc28bn, has support from the German as well as the Czech Transport Ministry.

Both countries' Transport Ministers will discuss an agreement on further course of action at a transport conference in Plzen in June.

"We were waiting for the German government's guarantee that they will implement it and this has happened. The Germans are already preparing concrete steps," said Plzen deputy regional governor Ivo Gruener.

Rail track management company Sprava zeleznicni dopravní cesty (SZDC) is already preparing a way how to buy out the land for the project which has been included into Transport Minister Vit Barta's transport super-strategy valid till the year 2025.

The corridor is very important for economic development as well as for people's comfort, Mueller said.

Thanks to the corridor, the period of time needed for travelling from Prague to Munich would be cut to a half and would be two hours shorter than travel by car.

Upper Palatinate District President Brigitta Brunner today assured the Plzensky region's reps that her country was exerting a permanent pressure for a better-quality railway connection.

The corridor could be ready in the year 2017. It is to have ties also to ports on the Danube River.

The strongest topic today was the establishment of intercity region Danube - Vltava with 5.5 million inhabitants, on whose setup the Economic Chambers of the Plzensky and Jihocesky regions, Upper Bavaria, Upper Palatinate and Upper Austria agreed last year in July.

Preparatory studies of the region among the big cities of Munich, Prague, Vienna and Nuremberg are now being processed, Mueller said.

This European region should be prepared in the year 2013.

After that year, subsidies should go for the development of road and railway infrastructure, support to small production companies and businesses with higher share of value added, as well as to regional products, Chovanec said.

The new region should not be redistributing money but prepare projects for gaining subsidies. The money, as before, would be administered by the relevant ministries, Brunner said.

"We want to target money to border areas to stop people from leaving," Chovanec added.

Mueller noted that the situation was similar on the Bavarian side. Birth rate is very low there and people are leaving in mass, she said.

Both sides said today they did not fear at all full opening of the labour market in Germany and Austria from May 2011. Brunner believes nothing will change as there is movement of labour already now.

Slovakia to lease Bratislava airport, part-privatise rail network

bne

The Slovak government has approved a plan to lease the nation's main airport and has plans to part-privatise the state railway system, newswires reported.

The Slovak government approved a plan to lease Bratislava airport, the country's busiest, to a strategic partner for 30 years, Transportation Minister Jan Figel said, Bloomberg reported.

The government wants to pick the winner of a lease contest by June 2012, Figel said today at a press conference in Bratislava, Slovakia, after a Cabinet meeting. The government expects the partner to boost traffic and reduce the airport's dependency on Ryanair Holdings Plc (RYA), which has the biggest share.

The number of passengers served by the Stefanik Airport in Bratislava declined 3 percent last year to 1.66 million. The airport, which competes for business with neighboring Vienna, expects to handle 1.85 million passengers this year.

Meanwhile, officials in Slovakia have confirmed an ambitious plan to redevelop the state railway will be put into action following government approval.

Developments will be part financed by the sale of railway infrastructure, with the government seeking to cut subsidies granted to the sector moving forward.

Under the proposals a 66 per cent stake in the cargo unit - ZSSK Cargo - will be offered for sale, with a buyer expected to be named by June 2012.

Transportation minister Jan Figel explained in an interview with Bloomberg 5,000 jobs - or one-sixth of the workforce - would be lost within three years.

Speaking after a cabinet meeting in Bratislava, he confirmed support to the railway sector would be greatly cut.