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Top story



Mostotrest raises \$388mn in intl share offering

bne

Russian infrastructure builder Mostotrest has raised about \$388mn in an international share offering, reports Prime-Tass.

Citing the company, the news agency says that the shares were offered by one of its shareholders, Cyprus-registered Marc O'Polo Investments Ltd, which said earlier it planned to sell 62,060,000 shares, or 25% of its existing shares in Mostotrest, in the offering. ●

Austria's Kapsch wins bid for Motorway Toll System

bne

The General Directorate for National Roads and Motorways (GDDKiA) picked Austria's Kapsch-led consortium as the winner of the tender for installation and operation of an electronic toll collection system for a Polish motorway, Polish News Bulletin said.

The consortium pledged to build the system for ZL4.9bn, while a competitive bid placed by MyToll was for a price of ZL6.5bn. The system will be constructed by 1 July, 2011. Marcin Hadaj, a spokesman for the GDDKiA, said that the government is likely to



earn ZL19.5bn through 2018 thanks to the new system. The system will operate on about 2,000 kilometres of motorways, 5,000 km of express roads and 600 km of national roads. Estimated annual revenue for the state budget will be between ZL360m and ZL3.7bn, said Hadaj. Kapsch launched such systems in Austria, Switzerland and the Czech Republic. Its most recent contract was signed in South Africa. ●

CEO says Russian Railways ready to sell 15% in IPO by 2013

bne

State-owned railroad monopoly Russian Railways could be ready to sell up to 15% during an initial public offering (IPO) by 2013, says the monopoly's President Vladimir Yakunin, reports Prime-Tass.

The news agency quoted Yakunin as saying that Russian Railways could not make the IPO until the third stage of the company's reforms is completed in 2011. ●

First freight line heading eastwards from Mongolia unveiled

bne

Russian Railways has opened a new line to carry rail freight eastwards from Mongolia to Russia's Far Eastern ports, and then onwards to customers in the Asia-Pacific region, reports Oreanda.

The new track is yet another example of the rapid about face Russia's infrastructure is taking, as it spins on its heels away from sluggish European markets to carry oil, gas, coal and other raw materials to Asian countries, many of which are hungry for energy to feed growth.

The route is the first Russian freight line from Mongolia to head eastwards, with all previous locomotives hauling the country's coal and other mined product to the west. The first train to travel the line left Ulan Bator for the Vostochny port, hauling 30 wagons full of coal from the Tavan-Tolgoi mine, reported RZD's press-centre.

Russian Railways President Vladimir Yakunin - who described in August how the sudden need for Russia's infrastructure to

turn to the east had taken both himself and his bosses in the Kremlin by surprise over the last couple of years - said that this coal was headed to Japan and South Korea. However, he pointed out that the track will also run to the Rajin port in the future. Both Russia and China extended leases on shipping facilities at the North Korean port earlier this year. Rajin offers a route to ship to China's industrial centres whilst circumventing the under-developed northeastern provinces. ●

Moscow Metro to offer passengers to pay fares with cell phones `11

bne

Dmitry Gayev, the CEO of Russia's state-owned Moscow Metro, which manages Moscow subway operations, has said that Moscow Metro plans to introduce a service in January 2011 allowing passengers to pay for subway fares using their cell phones, reports Prime-Tass.



The news agency quoted Gayev as saying that Moscow Metro plans to launch the service in partnership with major mobile operator MTS. ●

Moscow traffic jams test for federal government – Medvedev

RIA Novosti

The elimination of Moscow's notorious traffic jams is a "viability test" for the federal government and a key to making the capital a world financial hub, Russian President Dmitry Medvedev said on Thursday.

"Our ability to solve this problem is not just a challenge for Sergei Sobyenin, who is the mayor, but for the whole country," Medvedev said. "This is a test of the authorities' viability." Medvedev, who picked Sobyenin to replace Yury Luzhkov as Moscow's mayor last week, said he would personally oversee the effort.

"Although it is a regional problem, it needs to be dealt with by the federal government," he said. "It is a complex problem that needs to be tackled not just by the new mayor, not just by Sobyenin together with the [transport] minister or the Moscow region governor - everyone should become involved." Moscow should also set an example to other Russian cities in dealing with traffic problems, the president said, adding that this applied even to cities with populations of less than 1 million.

A special coordination council headed by Transport Minister Igor

Levitin will be set up to develop and improve road infrastructure in Moscow and the surrounding region.

Earlier on Thursday, Sobyenin put forward three strategies for solving Moscow's traffic problems: increasing the number of parking places, developing public transport, and road construction.

The chronic lack of parking places in Moscow means drivers are often forced to park on the edges and sidewalks of the already busy

downtown roads, adding to the traffic chaos. A new 1,410-place car park is being built next to the capital's Belorussky railway station, where the traffic problems are particularly bad.

In a speech prior to his inauguration, Sobyenin identified solving the city's transport problems as a key issue on his agenda. ●

RZD can place 10% of Freight One at IPO

bne

Russian Railways is Preparing Freight One for IPO, reports local media.

Reports suggest that the Government Hopes to Sell up to 15% of Russian Railways. ●

Sobyenin offers more roads, parking to tackle Moscow traffic jams

RIA Novosti

New Moscow Mayor Sergei Sobyenin has put forward three strategies for solving Moscow's notorious traffic problems.

"The Moscow mayor named three priority areas: increasing the number of parking places, developing public transport and road construction," Moscow's City Hall said on its web site.

The serious lack of parking places in Moscow means that car-owners are often forced to park on the edges and sidewalks of the already busy downtown roads, adding to the traffic chaos.

The mayor said fining drivers for incorrect parking would be ineffective unless the city authorities are able to provide alternative parking places.

A new 1,410-place car park is already being built next to the capital's Belorussky railway station, where the traffic problems are particularly bad, and is due to open in the near future, the press service said.

Sobyenin climbed onto the roof of a 14-storey building near the station on Wednesday morning to assess the traffic-clogged streets below.

In a speech prior to his inauguration, Sobyenin named solving the city's transport problems as one of the key issues on his agenda. ●

Sobyanin takes on Moscow traffic

bne

The country's top traffic police officer, Viktor Kiryanov, said Moscow jams will grow worse because the number of cars is growing and will top 1 million by January, reports The Moscow Times.

The newspaper report says that Mayor Sergei Sobyanin announced Thursday that he would fight Moscow's notorious

traffic jams by creating new parking, developing public transportation and constructing new roads.

The newspaper report says that Sobyanin toured the city's worst-jammed areas over the 36 hours before announcing that he was taking his first steps to tackle a problem that President Dmitry Medvedev has identified as a top priority. ●

State's Aeroflot stake will not be sold before 2014

bne

The management of Russian flagship airlines Aeroflot - Russian Airlines is of the view that the government's stake in the company ought not be privatized any earlier than three years from now, says the airline's deputy general director for finances and investment Shamil Kurmashov, reports Interfax.

The news agency quoted Kurmashov as saying that he cannot speak for the government from Aeroflot's point of view.

The company, which is accepting six Russian Technologies assets, needs to find synergy at this moment, improve the financial figures, and move to a good level of profitability. If privatization were to occur now, the government would not receive much money, Kurmashov was quoted as saying. ●

TransContainer may start road show for IPO Wednesday

bne

TransContainer, a container shipping subsidiary of state-owned railroad monopoly Russian Railways, may start a road show for its initial public offering (IPO) on Wednesday, reports Prime-Tass.

Citing an unnamed banking industry source, the news agency says that the board of directors of Russian Railways on October 20 approved selling a 35% minus two share stake in

TransContainer in the IPO.

The IPO is to consist of common shares and global depository receipts (GDRs), which are expected to be listed on the London Stock Exchange, Russian Railways said on October 20, reports Prime-Tass. ●

Russia infrastructure news

Bashkortostan govt drafts RUB186bn transport program

bne

The government of Russia's constituent republic of Bashkortostan has drafted a RUB186bn program to build transport infrastructure in Ufa, says the republic's capital, Bashkortostan President Rustem Khamitov, reports Prime-Tass.

The news agency quoted Khamitov as saying that the program includes construction of interchanges.

Consortium of Evraz, EPK and Severstal to build railroad

VTB Capital

News: According to today's Vedomosti, the key holders of licenses in the Ulug-Khem basin are set to create a consortium in order to construct a railway to Transsib.

Our View: Insufficient infrastructure is the major issue which deters the development of new coal mining regions in Russia. Capex required for the construction of the Kyzyl-Kuragino railway with capacity of up to 15mtpa of coal totalling roughly USD4bn with the state fund financing one-third of it.

Based on our estimates, Ulug-Khem is to produce at least 30-40mtpa of coal and transportation capacity as a result has to at least double. Moreover, Transsib also has limited capacity which is a bottleneck for the project. Given our bullish view on coking coal and the current news coupled with China being ready to support development of coal mining in Tuva (as much coal as would be needed for exports) through special purpose credit lines (around USD 6bn), we see the news as another positive development for the industry as a whole.

Alexander Pukhaev

Export duty for cement abolished

Metropol

The Russian government has cancelled the export duty for cement, lowering it to zero from the current 6.5%. The zero duty will be effective starting November 19.

We believe that no export duty could be beneficial to the Russian producers, since they could increase their exports from 0.6mn tones in 2009 to 3-3.5 mn tones in the next few years. However, the production increase could take place a couple of years later, since the current international market conditions are weak and not favorable for export increases. For example, cement price in Kazakhstan is about USD 60 per tonne, which is even less than USD 76 per tonne in Russia.

Zero export duty is more beneficial for the cement producers located in the Central part of Russia, where the transport cost is rather low for supplying cement to both Asia (Kazakhstan and Turkmenistan) and Europe (Azerbaijan, Belarus, Finland and Baltic states). At the same time, the Russian stocks we are covering (Sibcem, Iskitimcement, Gornozavodskcement) may not benefit as much from the zero duty, since their capacities are located far away from most cement consuming countries, except Kazakhstan.

Globaltrans interested in First Freight Company

Renaissance Capital

Event: According to a report in Vedomosti today (25 Oct), Russian Railways (RZD) CEO Vladimir Yakunin said that the railway monopoly's 75% stake in subsidiary First Freight Company was valued by an independent auditor at \$6bn. RZD plans to sell this stake. Yakunin said that Gennady Timchenko, Vladimir Lisin and Globaltrans are interested in the asset.

Action: We think Globaltrans is unlikely to be a buyer.

Rationale: Given Globaltrans CEO Sergey Maltsev's comments that the regulator does not want Globaltrans to buy Second Freight Company, and instead wants Globaltrans to consolidate smaller players, we think the regulator's approach towards First Freight Company is likely to be the same.

Ivan Kim

Moscow needs to expand Metro system

bne

The Moscow Metro chief has said extensive expansion is needed to handle the already overcrowded system, which currently is the world's second busiest reports Interfax.

"Overall, the problem to the solution consists in building new metro lines of 100 kilometers and more," Dmitry Gayev said at a Moscow government meeting on Tuesday.

Transneft's Tokarev says NCSP strategy is to pursue creation of value for all shareholders

VTB Capital

News: Yesterday, Transneft's President Nikolay Tokarev commented to Interfax the strategy of the new shareholders in

the soon-to-be merged NCSP and PTP ports. Key statements were as follows:

- With Summa Capital, Transneft's vision is to create a significant player among global port operators.
- They would be pursuing creation of value for shareholders, fully taking into account minorities interests.
- They would keep NCSP's management, which has proven its quality and they would pursue a strategy of diversification and growth of cargo turnover.

Our View: Clarification on the new shareholders' strategy was much awaited and we view it as positive. On the one hand, we note that they are in line with the strategy implemented by the current controlling shareholders. This is comforted by the fact that management responsibility for implementing this strategy is likely to stay in place. On the other hand, we hear a positive change of tone in Tokarev's speech regarding minorities - though this remains to be backed by specific actions.

We do believe that the new shareholders will be seeking and know how to increase the shareholder value of the company, as has been done with PTP. Still, we believe that NCSP is paying an aggressive price for PTP, despite its ability to handle, in our view, the estimated 3.5x net debt/EBITDA ratio for 2011 implied by the terms of the deal.

Russia infrastructure finance & statistics

Arkady Rotenberg bought 25% of Mostotrest common equity

Metropol

Today Vedomosti newspaper reports that Arkady Rotenberg, president of SMP Bank's board and the owner of Stroygazmontazh, bought 25% of Mostotrest common stock from RU-COM, controlled by Michael Abyzov. The value of the deal was not disclosed, but given the latest market capitalization of USD 1,570mn, the blocking stake should be worth USD 393mn.

We assume that the sides did not disclose the deal's value because investors could become nervous if they think the price was below market value, although we admit that the deal was

prepared several months ago and the valuation did not depend on the current market.

Mostotrest could benefit from the deal due to Rotenberg's lobbying, which may help the company win large projects, in particular, the Kurortniy prospect project in Sochi, which is worth around RUB 60bn and should be awarded by the end of the week. On the other hand, Abyzov had made great efforts towards an IPO, increasing the efficiency of the company's operations and making the stock attractive for investors, something that Rotenberg has less of a notable track record in, in our view. This suggests that the news that Abyzov is potentially leaving the company could be negative for Mostotrest shares. However, we expect only a moderate negative impact on the shares in the short-term.

We reiterate our BUY recommendation for the stock. Our fair value for the shares is USD 7.14.

Deputy PM sees sale of stake in Russia's First Cargo Co in 2011

bne

Russian Deputy Prime Minister Alexander Zhukov has said that state-owned railroad monopoly Russian Railways is expected to sell a stake in First Cargo Company in 2011, reports Prime-Tass.

The news agency quoted Zhukov as saying that no decision on the method of the sale has been made yet.

First Freight to trial IPO with initial 10% placement

Aton

RZD plans to sell 10% of First Freight in an IPO to determine the price for a further private placement, Vedomosti reports today (27 Oct). Previously, the government agreed to sell 75% less 1 share of First Freight. No expected timing of the deal has yet been announced, the report said.

Rotenberg raises stake

bne

Arkady Rotenberg, a judo partner of Prime Minister Vladimir Putin, raised his stake in Mostotrest before the road and bridge builder's initial public offering, reports The Moscow Times.

The newspaper report says that Rotenberg bought half of investor Mikhail Abyzov's Marc O'Polo, which owns 50.3 percent of Mostotrest, boosting his stake to 34.4 percent.

Sapsan train races ahead in profitability for Russian Railways

RIA Novosti

The Sapsan high-speed train launched by Russian rail monopoly Russian Railways (RZhD) less than twelve months ago has proved

to be the monopoly's sole profitable enterprise in the passenger transport sector, with its profit margin hitting 30 percent, RZhD President Vladimir Yakunin said on Tuesday.

"The other types of rail passenger transportation are loss-making," Yakunin said in an interview with Vedomosti business daily, adding that losses amounted to 34 billion rubles (\$1.1 billion) from commuter train carriage and 36 billion rubles from long-distance train transportation.

Commuter train tariffs are regulated by regional authorities while rates for economy-class coaches are set by the Federal Tariff Service. These rates are lower than the economically justified level and therefore the government has to compensate the rail monopoly for its losses, an RZhD representative said. Tariffs for Sapsan fast-speed trains, however, are regulated directly by Russian Railways, which offers competitive rapid carriage services compared with other means of transport.

The demand for high-speed rail passenger carriage has proved to be so strong that the company is considering buying another eight Sapsan trains, Yakunin said, without specifying the terms of the expected deal.

The company plans to make a decision on the purchase by the end of 2010, Valentin Gapanovich, RZhD senior vice-president, said on Friday.

Russian Railways currently has eight high-speed Sapsans produced by the German engineering group Siemens. They run between St Petersburg, Moscow and Nizhny Novgorod. The Sapsan occupancy rate is 84.5 percent, according to RzhD.

The company's revenues from ticket sales may amount to 205 million euros annually at the current ticket price, while profits from the operation of these trains exceed 61 million euros.

Transcontainer sets price for IPO

Aton

Kommersant reports today (27 Oct) that following the road show, the IPO price for a 35% stake in Transcontainer has been set at \$400/share, valuing the company at \$1.15bn. This is lower than previous estimates given by book_runners for the IPO (\$1.2_1.9bn). The valuation based on multiples implies a higher value than for Globaltrans. In our view, the IPO pricing is close to the company's fair value, but the premium to Globaltrans is not fully justified.

Russia roads

Additional taxes for heavy trucks

Aton

The state plans to introduce additional taxes on heavy trucks (more than 12 tonnes) to reflect their extensive use of road infrastructure, Vedomosti reports today (28 Oct). This would likely have an adverse effect on the trucking industry, but benefit railroad companies, mainly Transcontainer, as cargo transported by trucks is predominantly consumer goods. We think the move could also end up dampening truck sales in Russia.

Bosnia signs loans to finance priority sections of motorway on the route of Pan European Corridor 5c

EBRD

Bosnia and Herzegovina signed loan agreements with European Investment Bank (hereinafter EIB) and the European Bank for Reconstruction and Development (hereinafter EBRD) to finance priority sections of motorway on the route of Pan European Corridor 5c through Bosnia and Herzegovina. The Federation of Bosnia and Herzegovina will use these loans for payments of the works and consulting services to be procured under this project of construction of priority sections which includes, inter alia, section Vlakovo - Tarcin.

Construction of section Vlakovo - Tarcin in total length of 20,25 km, has been divided into four contracts as follow:

Contracts No.1: Subsection Suhodol - Tarcin, length of 4,69 km, will be financed by the loan signed with European Bank for Reconstruction and Development (EBRD)

Contracts No.2: Subsection, Lepenica - Suhodol length of 5,46 km, will be financed by the loan signed with European Investment Bank (EIB)

Contracts No.3: Subsection, Rakovica Lepenica, length of 4,50 km, will be financed by the loan signed with European Investment Bank (EIB)

Contracts No.4: Subsection, Vlakovo-Rakovica, length of 5,60 km, will be financed by the loan signed with European Investment Bank (EIB)

The subject of this Invitation for prequalification is Contract No.1 only.

The Federal Directorate for construction, managing and maintenance of highways (hereinafter FEDA) on behalf of the Government of Federation of Bosnia and Herzegovina (hereinafter: Employer) intends to apply the proceeds of the loans from EBRD [the Bank] towards the cost of Construction of motorway on Corridor 5c, section Vlakovo - Tarcin, subsection Suhodol - Tarcin (hereinafter the Project).

The Employer intends to pre-qualify firms and joint ventures to tender for the contract to be funded from the proceeds of the loans.

This contract consists of the construction of the subsection of motorway between Suhodol and Tarcin which will start from the regulation of stream Suhodol and it will finish in the interchange "Tarcin".

Subsection Suhodol-Tarcin is 4,69 km long.

Beginning of the subsection is between tunnel Grabosje? and tunnel Suhodol on regulation of stream Suhodol, which length is 160 m'. The rout of the motorway going through tunnel "Suhodol" which length is 2800 m'. After the exit from the tunnel "Suhodol" is bridge "Bijela" in the length of 90 m'. After the bridge the rout going through other tunnel "Tarcin" which is 381 m' long on the left tube and 437 m' on the right tunnel tube. After the exit from the tunnel "Tarcin" the rout of the motorway going through valley of river Bijela and finish on the interchange "Tarcin". For construction of interchange it is necessary to make regulation of river Kalaönica in the length of 218 m'.

Prequalification and tendering for contracts to be financed with the proceeds of the loans from the Banks is open to firms and joint ventures from any country.

Prequalification documents may be obtained from the address below upon payment of a non-refundable fee of EURO 250 or equivalent in a convertible currency by bank transfer to: Deposit account for public income opened in UniCredit Bank dd Mostar BA 39 338 900 2211529491, Swift Code: UNCRBA22 (for payments in Ä) or No. 338-900-22115294-91 (for payments in BAM), Beneficiary: Federal Directorate for construction, managing and maintenance of highways; revenue category 722631, sort code 1804001, municipality 180. Payment option is OUR which means that the Applicant will cover all Bank costs related to this payment and money transfer.

If requested, the documents will be promptly dispatched by courier, but no liability can be accepted for loss or late delivery.

Mostotrest wins RUB 50.3bn project in Sochi

Metropol

Mostotrest won a USD 59.4 mn (RUB 50.3bn excluding VAT) contract to build the second and third stages of Kurortniy prospect in Sochi. The project is scheduled for completion in 38 months.

This new project expanded the company's project portfolio by 24% to RUB 251bn, according to our estimates. The project portfolio duration is from 2H 10 to 2015, with 76% of performance scheduled for the period from 2H 10 to 2013.

The news is positive for the company shares, since the project will be timely financed due its high importance for the 2014 Olympics. At the same time, we believe the news would have only a moderate impact on the shares since the win was expected by the market. We reiterate our BUY recommendation for the stock. Our fair value for the shares is USD 7.14.

Andrey Rozhkov

Rusnano, Avtodor to use new technologies for toll roads

bne

Russian state-owned nanotechnology company Rusnano and state-owned highway operator Russian Highways, or Avtodor, have signed an agreement to use innovative technologies in the construction of toll roads, reports Prime-Tass.

The news agency says that among the technologies that are expected to be used in toll roads are light-emitting diodes for road lighting, solar lighting systems, traffic control systems, and innovative road construction materials.

Russian minister orders inspection of Moscow Reg access lanes

bne

Russian Transportation Minister Igor Levitin says that he had ordered an inspection of access lanes to highways in the Moscow Region, reports Prime-Tass.

The news agency quoted Levitin as saying that the Federal Service for Transport Oversight and the Federal Road Agency plan to inspect whether each access lane was built legitimately.

The measure is aimed at increasing the capacity of highways adjacent to Moscow, Levitin was quoted as saying.

Sobyanin takes 2 steps to fight traffic

bne

New Mayor Sergei Sobyanin took two steps toward combating Moscow's notorious traffic jams Monday: compelling City Hall officials to start their working days an hour earlier and canceling the construction of a downtown office building in favor of a parking garage, reports The Moscow Times.

The newspaper report says that City Hall officials arrived at work by 8 a.m., following a recommendation by Sobyanin that they should get to the office an hour earlier to decrease traffic jams.

St. Pete to announce Elevated Express tender by end of year

bne

By the end of this year St. Petersburg will announce a tender to seek a concessionaire who will design, build and maintain an Elevated Express section between the Moskovsky train station and the Pulkovo airport, reports local media.

Reports suggest that construction is reportedly expected to start in two years and be completed by the end of 2013.

The project will cost an investor an estimated \$670mn, says reports.

Ulyanovsk bridge construction needs \$22mn more

bne

A total of \$21.8mn is to be spent on construction of the second

launch complex of a bridge over the Volga river in Ulyanovsk in 2011, reports Transport Today.

The news agency says that of the total funding, \$19.4mn is to be allocated from the federal budget, and \$2.4mn is to be put up by regional authorities.

Under plans, the funds are to be used to build transport junctions on the right bank - access road at the Yunosti and R. Luksembourg Streets, reports Transport Today.

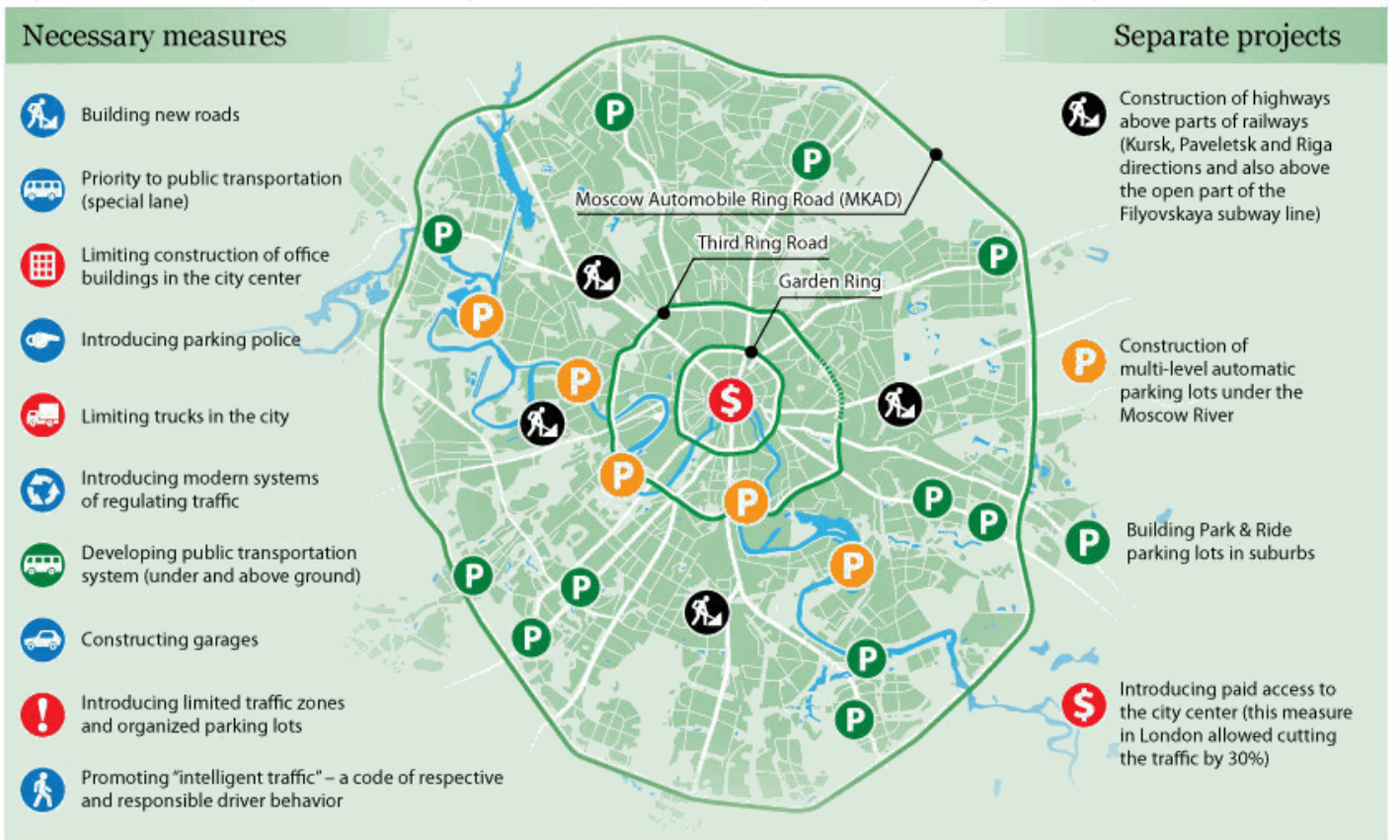
Total investment into construction of a 13-kilometer bridge, including access roads, has come in at \$680mn, reports Transport Today.

Ways of solving Moscow traffic problems

RIA Novosti

Ways of solving Moscow traffic problems

Experts believe the problem of traffic jams in Moscow can only be solved through a complex decision



Russia trains

Evraz provides update on NKMK's rail-mill project

Renaissance Capital

Event: Yesterday (28 Oct), Evraz announced that the first stage of the rail-mill modernisation project at the NKMK site had been completed. Total project capex is EUR44mn. The universal rolling mill, with the capacity to produce 750k tpa of rails, is designed to produce 100 metre rails that can be used for high-speed railways. The mill will also be able to produce beams, channels, and round and square bars. Evraz said the mill could be commissioned in late 2012. According to Evraz Group CEO Alexander Frolov, "Evraz is aware of the growing demand for higher-quality and longer rails in our key markets, and interest for such rails from our major customer in Russia, OAO Russian Railways." Action: The news is neutral for Evraz, in our view.

Rationale: Evraz did not provide any new details about the NKMK rail-mill project. We think it is worth mentioning that Russian Railways is not currently buying 100 metre rails. Meanwhile, there are new track projects in Russia requiring 100 metre rails in the pipeline. According to Steel Business Briefing, Russian Railways expects to buy 20-30kt of 100 metre rails in 2011 and to increase its purchases to 600kt by 2015. The 100 metre rails are difficult to transport and store, thereby constraining potential export sales. Another element of the high-speed rail story in Russia is that Mechel secured a 20-year umbrella agreement with Russian Railways in 2008 to supply the company with at least 400k tpa of high-speed rails up to 100 metres when the company commissions its new universal rolling mill. According to management, Mechel's universal rolling mill is also scheduled to begin production in 2012.

Boris Krasnojenov

Moscow subway chief sees system expanding by 120 km by 2020

bne

Dmitry Gayev, the CEO of Russia's state-owned Moscow Metro says that the total length of the lines in Moscow's subway system

is expected to increase by 120 kilometers by 2020, reports Prime-Tass.

The news agency quoted Gayev as saying that by that time, subway lines are expected to be extended to Moscow's distant districts and a third row of interchange stations is expected to be built.

The plan for 2011-2013 envisages the construction of 10.3 kilometers of subways lines, the launch of the Pyatnitskaya and Novokosino stations, and sections of the Lyublinskaya line in southeast Moscow from Marino station to Zyablikovo station, Gayev was quoted as saying.

Russian consortium seen building railroad to Elegestskoye coal field

bne

EvrazHolding, a subsidiary of Evraz Group S.A., steelmaker Severstal, and Yenisei Industrial Company have agreed to set up a consortium to build the Kyzyl-Kurakino railroad to the Elegestskoye coal field in the constituent republic of Tuva, says Regional Development Minister Viktor Basargin, reports Prime-Tass.

The news agency says that Yenisei Industrial Company, which is part of the United Industrial Corporation, holds the license to develop the deposit.

The government is expected to invest RUB49bn in the project, while the participants of the consortium are to invest a total of about RUB81bn, reports Prime-Tass.

Russian Railways may up investment program 27% on year in 2011

bne

State-owned Russian Railways may increase its investment

program 27% on the year to RUB400bn in 2011, says the company's President Vladimir Yakunin, reports Prime-Tass.

The news agency quoted Yakunin as saying that the investment program includes spending on railroad facilities to be built for the 2014 Winter Olympic Games in Sochi.

Russian Railways sees cargo, passenger traffic recovering after 2011

bne

State-owned railroad monopoly Russian Railways expects its cargo and passenger traffic to return to the pre-crisis level no earlier than 2012-2013, says the monopoly's President Vladimir Yakunin, reports Prime-Tass.

The news agency says that the company's cargo traffic fell 15.1% on the year to 1.201 billion tonnes in 2009 and passenger traffic fell 12.5% on the year to 1.133 billion people, according to earlier reports.

Russian Railways to open RUB1.5bn Irkutsk cargo complex 2011

bne

State-owned railroad monopoly Russian Railways plans to launch a RUB1.5bn cargo terminal and storage complex in the city of Irkutsk in 2011, reports Prime-Tass.

Citing a statement issued by Eastern Siberian Railways, a branch of Russian Railways, the news agency says that the entire complex is expected to have an area of 35,000 square meters.

Russian Railways to supply \$151mn of rolling stock to Mongolia

bne

State-owned railroad monopoly Russian Railways has signed an

agreement to supply \$151mn worth of locomotives to Mongolia, says the monopoly's President Vladimir Yakunin, reports Prime-Tass.

The news agency quoted Yakunin as saying that under the deal, Russian Railways plans to supply 35 locomotives.

Tariffs for cargo shipment by rail should be revised, says Ukrzaliznytsia

bne

According to the Director General of State Railway Administration of Ukraine (Ukrzaliznytsia) Mykhailo Kostiuk, the tariffs for cargo shipment by rail should be seriously revised, reports Interfax.

The news agency quoted Kostiuk as saying that currently the tariffs for cargo shipment by Ukrainian rail are 20% less than those of Russian rail, which creates inconveniences for the rest of railway operators on the entire 1520 [track gauge] area.

It's cheaper for our wagon fleet to enter the territory of neighboring countries. Now we jointly control this [railway administrations in the CIS], but this is not right, Kostiuk was quoted as saying.

Ukrzaliznytsia expects to raise funds from South Korean Eximbank to buy interregional trains

bne

The State Railway Administration of Ukraine, also known as Ukrzaliznytsia, plans to raise a loan from the South Korean Eximbank to buy ten high-speed trains from Hyundai, reports Interfax.

The news agency quoted Ukrzaliznytsia Director General Mykhailo Kostiuk as saying that they need a cheap financial resource. South Korean Eximbank and Hyundai treated our request seriously. We hope to receive an interesting financial resource.

Ukrzaliznytsia to take part in construction of road junctions at railway level crossings

bne

The State Railways Administration of Ukraine, also known as Ukrzaliznytsia, is to take part in the construction of multi-level road junctions over railway level crossings under a state program to eliminate railway level crossings, reports Interfax.

The news agency quoted Ukrzaliznytsia Director General Mykhailo Kostiuk as saying that Ukrzaliznytsia is to obtain a part of the financing via loans.

Kostiuk was quoted as saying that the construction of the junctions and bypass roads around railway crossings would first be started on the Kyiv-Lviv, Kyiv-Kharkiv and Kyiv-Donetsk routes.

Russia planes

Aeroflot outperformed sector in first nine months of the year

Alfa Bank

Aeroflot airlines increased passenger turnover 36.6% y/y in January- September to 26.25 bln pkm. Passenger traffic rose 31.3% to 8.532m passengers. The load factor totaled 78%, 9 pts above the previous year's figure.

Russian airlines carried 43.8m passengers, an increase of 27% y/y, and 4.3% below Aeroflot's traffic growth. Aeroflot therefore outperformed the sector in the first nine months of the year, which we view as POSITIVE.

Georgy Ivanin

Aeroflot passenger traffic up 31.3% on year in January-September

bne

The passenger traffic of flag carrier Aeroflot Russian Airlines

increased 31.3% on the year to 8.532 million people in January-September, reports Prime-Tass.

Citing a report issued by the Federal Air Transport Agency, the news agency says that passenger transportation rose 36.6% on the year to 26.251 billion passenger-kilometers and the seat occupancy rate rose 9 percentage points to 78% in this period.

Aeroflot's passenger traffic decreased 5.6% on the year to 8.755 million people in 2009, the Federal Air Transport Agency said earlier, says Prime-Tass.

EU seeks cancellation of overflight fees

VTB Capital

News: The European commission has sent a request to the aviation authorities of Austria, Germany, Finland and France and plans to initiate a claim against these countries for bilateral agreements with Russia limiting competition in the industry as reported by Vedomosti. Similar agreements regulate air traffic and industry relations between Russia and 23 EU countries, including the mechanism of overflight fees payments. So, the recognition of agreements as breaking competition would imply an early termination of overflight fees payments.

Our View: Considering the red tape and court cases against the 23 countries are likely to carry on for several months with a final decision to be taken in the earliest 2011, we see 2012 (only two years earlier than scheduled by the agreement for 2014) as the earliest possible deadline for overflight fees cancellation. The total volume of overflight fees is estimated at USD 300mn a year with Aeroflot taking on the role of the collecting agent and getting around 30% of this amount that represents less than 2% of company's revenues. So, cancellation of overflight fees payments in 2012 would imply a deterioration of the 2012-13 EBIDAR margin by 2% and 3%, respectively, and a decrease in our target price of USD 2.80. Taking into account that potential early cancellation would have a slight impact on valuation, Aeroflot's management is preparing for overflight fees cancellation seeking new revenue drivers and decreasing costs. Moreover, since the company would stay profitable even without them, we view the news as neutral for the stock and not affecting our positive view on the company

Elena Sakhnova

Exec hopes UAC meets deadlines with first Superjets deliveries

bne

Alexei Fyodorov, the president of Russia's United Aircraft Corporation (UAC) says that UAC plans to meet the delivery deadline and start supplying the first Sukhoi Superjet 100 planes to customers by the end of 2010, reports Prime-Tass.

The news agency quoted Fyodorov as saying that the corporation still hopes to start deliveries this year".

The first planes are to be ready to be delivered by the end of the year. However, it is unclear when and how the certification of planes is to be completed, Fyodorov was quoted as saying.

Rostekhnologii board OKs buying 50 Boeing planes

bne

The supervisory board of Russian state-owned industrial conglomerate Rostekhnologii has approved the definitive agreement to buy 50 Next-Generation Boeing-737 airplanes, reports Prime-Tass.

Citing a joint statement issued by U.S. aircraft maker Boeing and Rostekhnologii, the news agency says that Rostekhnologii signed the definitive agreement to buy the planes at the International Investment Forum Sochi-2010 on September 17.

The order is valued at \$3.7bn at average list prices, says Prime-Tass.

Russian airlines continue to outperform global peers

UralSib

Russian airlines show 32% passenger turnover growth for 9M10 ... Yesterday, Rosaviation announced 9M10 data for Russian airlines with overall passenger and freight turnover rising 32% and 40%, respectively, driven by higher air traffic demand this year. In September, Russian airlines' passenger and freight turnover increased 26% YoY. Passenger loading for Russian airlines increased 79.3% in 9M10 (up 4.2 ppt YoY) and 81.9% (up 2.6 ppt YoY) in September. According to this data, Aeroflot's passenger turnover increased 34% YoY to 29.8 bln pkm. Aeroflot is expected to provide more details soon.

... outperforming global peers, which grew 8.3%. Earlier this week, IATA announced 9M10 data for international airlines with overall passenger and freight turnover up 8.3% and 25.1%, respectively. In September, international airlines' passenger and freight traffic increased 10.5% and 14.8% YoY, respectively. For 9M10, the Middle East was the best performing region in the passenger segment, with turnover up 18.7%; in the freight segment, Latin America outperformed, growing 38.5% YoY. In September, the Middle East was the best performing region in both the passenger and freight segments, with 23.9% and 24% YoY growth, respectively. Passenger loading for global airlines was 78.7% in 9M10 (up 3.7 ppt YoY), and 80% in September (up 2.9 ppt YoY). This year, IATA expects passenger and freight turnover to increase 7.7% and 19.8% YoY, respectively.

News supportive for Aeroflot. The news supports our positive view on Aeroflot, which we see as the major beneficiary from stronger demand for air traffic in Russia. Our current model for Aeroflot implies a 26% growth rate for the passenger segment in 2010, with a 74.5% passenger loading factor for the year. Based on Rosaviation's 9M10 data, we believe our current assumption is achievable in 2010. We therefore reiterate our Buy on the name.

Anna Kupriyanova

Russian airlines fly 27% more passengers in January-September

bne

Russian airlines collectively increased the number of passengers

they flew by 27.4% to 43.762 million people in , as passenger turnover climbed 31.7% to 111.998 billion passenger/km, reports Interfax.

Citing the federal air transport agency Rosaviatsia, the news agency says that Russian airlines also increased the amount of cargo and mail they transported by 35.4% to 668,158 tonnes, as turnover increased 33.8% to 13.514 billion tonne/km.

The seat-occupancy rate increased 4.2 percentage points during the nine-month period to 79.3%, reports Interfax.

Russian airlines' traffic to exceed 56 million people 2010

bne

The total passenger traffic of Russian airlines is expected to exceed 56 million people in 2010, for the first time in Russia's history, says the Federal Air Transport Agency's head Alexander Neradko, reports Prime-Tass.

Citing a statement issued by the agency, the news agency says that in January-September, Russian airlines transported 43.8 million people, up 27.4% on the year.

Sheremetyevo airport to stay in state hands to 2013

RIA Novosti

Russia's largest international airport, Moscow Sheremetyevo, will not be privatized before 2013, Transport Minister Igor Levitin told RIA Novosti on Thursday.

Levitin said the airport, wholly owned by the Russian government, was not included in the government's medium-term privatization program.

First Deputy Prime Minister Igor Shuvalov has said the government is ready to privatize Sheremetyevo airport, although a decision will have to be made considering the development of the entire Moscow air hub system, including Domodedovo and Vnukovo airports.

Credit Suisse and Troika Dialog have been appointed as consultants to work out a strategy for Sheremetyevo's privatization after its assets are consolidated.

Meanwhile, the Transport Ministry is in talks with East Line, which operates Moscow's Domodedovo airport, over construction of a third runway, Levitin said.

"We are in talks with the owner over a timetable and conditions," Levitin said.

The cost of the new runway, which will be built between 2013-2015, would be around 20.1 billion rubles ([\$660 mln), Domodedovo airport spokesperson Elena Golanova said.

Sky Express passenger traffic up 5.4% in January-September

bne

The passenger traffic of Russian low-cost airline Sky Express rose 5.4% on the year to 854,000 people in January-September, reports Prime-Tass.

Citing the company, the news agency says that of the total, domestic passenger traffic was at 617,000 people in this period, up 7.8% on the year, while international passenger traffic was at 237,000 people, flat on the year.

Passenger transportation increased 7.6% on the year to 1.26 billion passenger-kilometers in January-September, reports Prime-Tass.

UAC, France's DCNS sign deal to set up consortium

bne

Russia's state-controlled United Aircraft Corporation (UAC) and French shipbuilder DCNS has signed a deal to set up a consortium to carry out joint shipbuilding projects, reports Prime-Tass.

The news agency quoted UAC President Roman Trotsenko as saying that the consortium is expected to operate both in the civilian and military shipbuilding industries.

Vnukovo to impose noise restrictions

RIA Novosti

Moscow's Vnukovo airport will stop receiving aircraft whose

noise levels exceed the existing standards starting in March 2011, Russia's Vedomosti daily said Tuesday citing a senior airport official.

The list of aircraft slated for ban includes the Russian-made Tu-134, Tu-154B and Il-86 airliners.

"It is necessary to reduce noise levels because Vnukovo is the closest to the city among all major Moscow airports," Vedomosti quoted Vitaly Vantsev, first deputy general director of the Vnukovo airport.

Vantsev said that the measure would not affect the profitability of the airport because the Russian air carriers are gradually replacing these aircraft with new planes and their share in airport operations had dropped to 10-15 percent.

Vnukovo is one of Russia's largest air gateways handling more than 130,000 flights and about 8 million passengers annually.

Russia ships

Antitrust OKs Norilsk Nickel to up stake in Yenisei ship co to 100%

bne

Russia's Federal Antimonopoly Service has cleared metals giant Norilsk Nickel to increase its stake in the Yenisei River Shipping Company to 100%, reports Prime-Tass.

Citing the watchdog, the news agency says that currently, Norilsk Nickel holds 51.91% in the Krasnoyarsk Region-based shipping company, while the Federal State Property Management Agency owns 25.5%.

FESCO completes sale of NCC assets

VTB Capital

News: According to FESCO, the company has completed the sale of its 50% stake in NCC Group (which owns Baltic and Black Sea container terminals and some other assets). The price of the deal was originally set at USD 900mn.

Our View: The announcement removes the last uncertainty around the deal. According to it, FESCO received USD 800mn in cash for all NCC's assets, except its 50% in NUTEP's container terminal in Novorossiysk. It was also agreed that FESCO would either receive the remaining USD 100mn for this stake or establish control over NUTEP. The latest announcement implies that FESCO will sell this asset.

Given that the terms of the deal were announced a long time ago, we see the news as neutral for the stock.

Elena Sakhnova

Fesco group closes deal to sell 50% stake in NCC

bne

Russian shipping group Fesco has closed a deal to sell its 50% stake in National Container Company (NCC), reports Prime-Tass.

The news agency says that earlier this year FESCO has agreed to sell the stake to an unspecified investor for \$900mn.

Russian transportation group First Quantum holds 50% in NCC, says Prime-Tass.

FESCO might acquire control in NUTEP

VTB Capital

News: Federal Antimonopoly Service (FAS) has not accepted FESCO's subsidiary application for acquisition of control in the NUTEP container terminal in the Novorossiysk port as reported

by Interfax yesterday. The reason for being rejected was a lack of required information and technical issues.

Our View: While not accepting of the application documents is technical and likely to be easily resolved, it sheds light on the future of the NUTEP option in the FESCO-National Container Corporation (NCC) deal. It looks as if FESCO is getting USD 800mn in cash for a 50% stake in NCC and in addition buys 50% in the NUTEP terminal in the Novorossiysk port giving it full control over the asset (NCC's shareholder has an option to buy FESCO's 50% in NUTEP for USD 100mn in cash or sell its stake in the terminal).

NUTEP's financials have not been disclosed, however considering that based on the option conditions 50% of terminal is valued at USD 100mn our back of the envelope calculations shows that NUTEP might be valued at a 2010F EV/EBITDA of 10-12x. If so, the deal might be value accretive for FESCO (it sold NCC assets at 15x EV/EBITDA 2010F).

From an operational point of view, FESCO was prepared for both of the option's outcomes, however, we think that getting the terminal asset is more valuable than cash in the current climate of rapidly growing interest in infrastructure and port assets pushing up their valuations. NUTEP will provide FESCO with access to the South Basin helping strengthen its operations in European Russia.

Elena Sakhnova

First Container Terminal container traffic up 28.3% in January-October

bne

Container traffic of St. Petersburg's First Container Terminal, part of the National Container Company (NCC), rose 28.3% on the year to 961,498 twenty-foot equivalent units (TEUs) in January-October, reports Prime-Tass.

Citing the press office of the NCC, the news agency says that in October, the terminal's container traffic rose 25.1% on the year to 113,272 TEUs.

The terminal's container traffic fell 12.4% on the year to 938,931 TEUs in 2009, NCC said earlier.

Novorossiysk Commercial Sea Port BoD announces EGM to vote on acquisition of Primorsk Oil Terminal, setting the record date for November 8

Metropol

NCSP BoD announced an EGM to vote on the acquisition of Primorsk Oil Terminal (POT) for USD 2.153bn. The record date for the EGM has been set for November 8, 2010. Voting ballots are due in by December 16, 2010. Shareholders who vote against or do not participate in the vote on the acquisition, can sell their shares to the company at RUB 4.90 per share (USD 12.10 per GDR).

According to Russian law, the company can use 10% of net asset value on the date of the EGM to buy shares from the shareholders. According to our estimates, the company could buyout only as much as 16% of minority shares.

Since the buyout price is 35% and 30% higher than the current price for GDRs and common shares respectively, we expect NCSP stock could increase before the record date.

Andrey Rozhkov

Sovcomflot, USC, Daewoo sign deal to build 12 tankers

bne

Russia's Sovcomflot and United Ship Building Corporation (USC) and South Korea's Daewoo have signed an agreement to build up to 12 oil and petroleum product tankers, Sovcomflot said in a statement, reports Interfax.

The agreement states that six tankers will be built between 2012 and 2014. They include two 1C ice-class LR2 product tankers, deadweight 117,800 tonnes; and four aframax oil tankers, deadweight 120,600 tonnes.

Ukrtranscontainer claims Illichivsk port hindering resumption of works at terminal

bne

Ukrtranscontainer private company, part of Russia's National Container Company Ltd. (NCC), has said that state-run Illichivsk maritime merchant port (Odesa region) is blocking the resumption of work at a container terminal that was jointly used by the company and the port, reports Interfax.

Citing Ukrtranscontainer's press service, the news agency says that on October 20 and October 25 two letters were sent to the port's head with a proposal to resume work at the terminal under the agreement on joint activities, to issue the power of attorney to Ukrtranscontainer's director and register passes for the company's employees.

Two times we received formal replies from the port's head with a refusal to restart cooperation under the agreement, as Illichivsk maritime merchant port has not received an official document with a ruling from Odesa Economic Court of Appeals, reports Interfax.

CIS infrastructure

Belarus plans to take \$150mn WB loan to reconstruct M5 road

bne

Belarus plans to sign a credit agreement with the World Bank (WB) in November to reconstruct the M5 road section Pukhovichi-Bobruisk worth an estimated \$150mn, says Deputy Transport Minister Anatoly Lytin, reports Prime-Tass.

The news agency quoted Lytin as saying that on November 1, we open envelopes with bids to see who makes the best offer - there are over ten bidders, including Belarusian companies, and I hope we will win. A WB loan will enable us to have a I category road reconstruction.

The news agency says that the largest project envisages the construction of a second runway system and passenger transit terminal at Minsk airport; Chinese investments in the project are projected at \$600mn.

Belarus' Belavia considers buying Airbus, Embraer planes

State-run national air carrier Belavia considers acquiring Airbus and Embraer aircraft, says Belavia General Director Anatoly Gusarov, reports Prime-Tass.

The news agency quoted Gusarov as saying that they plan to have serious talks by the end of the year with Airbus and Embraer.

Belarus sees investments in civil aviation over \$1bn in '11-15

bne

Belarus will invest over \$1bn in civil aviation development in the next five years, in accordance with the recently adopted sector development program, says the director of the aviation department with the Transport Ministry, Vadim Melnik, reports Prime-Tass.

When we decide where to move, we will work out our financial framework. The required sum will depend on whether we acquire the aircraft on financial lease or service lease terms, or buy them using bank loans, Gusarov was quoted as saying.

Belarus' export of motor transport services seen doubling by 2015 to \$1.2bn

bne

Belarusian export of motor transport services is expected to more than double by 2015 from the 2009 level to \$1.2bn, says First Deputy Prime Minister Vladimir Semashko, reports Prime-Tass.

The news agency quoted Semashko as saying that in 2009, export of motor transport services amounted to \$501.2mn, but the figure is projected at \$1.2bn by 2015, which represents an increase of more than 100%.

Poland lifts veto on Belarus participation in key transport program

RIA Novosti

Warsaw has withdrawn its veto on Minsk's participation in the Northern Dimension Partnership for Transport and Logistics (NDPTL), Foreign Minister Radoslaw Sikorski said on Tuesday.

"Today I...have retracted my veto on Belarus' participation in the Northern Dimension Partnership," he said. This will give Belarus a significant economic boost, he added. "Belarus can count on some 3 billion euros in the next three years," the Polish minister said. He stressed, however, that productive work in the NDPTL is only possible if Belarus holds free and fair elections.

The Northern Dimension Partnership for Transport and Logistics includes Germany, Poland, Sweden, Finland, Denmark, Lithuania, Latvia, Estonia, Russia, Belarus and Norway. It has been described as "an important milestone in strengthening the transport market in an area at the crossroads of West and East, North and South."

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MINSK, November 2 (RIA Novosti)

Kyiv authorities appoint new subway head

Kyiv Post

Kyiv City State Administration has approved Volodymyr Fedorenko, who previously served as the acting head of Kyiv Metropolitan, as the director of the enterprise.

Kyiv's mayor signed relevant resolution, No. 788 on Oct. 27, the company's press service said.

Read more: <http://www.kyivpost.com/news/city/detail/88027/#ixzz140mqrtf6>

Kyiv's left bank gets new commuter line, station platform

Kyiv Post

Prime Minister Mykola Azarov on Oct. 28 joined deputy Kyiv City Administration chief Oleksandr Popov and transportation officials to open a new commuter line on the left bank of the capital and inspect reconstruction of the Left Bank railway station.

The projects, started in 2008, were paid for by taxpayers. Azarov was quoted by the press service as saying he is satisfied by the work.

Read more: <http://www.kyivpost.com/news/city/detail/87948/#ixzz140n9Jjlc>

State-owned company to issue \$568m Eurobond

Dragon Capital

A Ukrainian state-owned company in charge of infrastructure projects is placing a \$568m seven-year Eurobond with a sovereign guarantee, aiming at a yield of 8% (100bp premium over Ukraine 17s). The proceeds will finance the country's preparations for the Euro 2012 football championship. (Debtwire)

The deal is expected to be closed in the coming days. The issuer was established in September, its primary goal being to raise domestic and foreign capital to finance preparations for Euro 2012. The issue was rated B2 by Moody's (in line with the sovereign rating), reflecting its government guarantee.

Olga Slyvynska

Ukrainian railcar producers increase output 3.0x y-o-y in 9M10

Concorde Capital

Ukrainian railcar producers reported 9M10 output results, according to the website Promishlennie Gruzi. The total output of the big four Ukrainian producers grew 3x y-o-y to 23,900 railcars, the highest figure ever.

Yegor Samusenko: All Ukrainian plants are continuing to work at full capacity, driven by a strong order book from Russian railcar operators. We expect these results to transform into solid 3Q10 revenue (supported by ~10% price growth), which should be available in late November, especially for Kryukiv Wagon (11% output growth q-o-q). Stakhaniv Railcar's results might be less positive due to a 9% q-o-q decline in output in 3Q10, though its revenue recognition policy does not always correspond with output data. Profitability, however, might be temporarily contracted due to its VAT bond sale in September at 80-85% of

nominal value, resulting in losses amounting to 15-20% of the face value of the VAT debt.

Ukrzaliznytsya to borrow EUR 304m

Dragon Capital

Ukrzaliznytsya, Ukraine's railway monopoly, is negotiating to attract a EUR 304m loan from Korea's Eximbank to purchase 10 high-speed trains from Hyundai. (Kommersant)

The company is expected to sign the contract with Hyundai in December.

Olga Slyvynska

Ukrzaliznytsya to produce 6 ths cargo railcars in 2011

Art Capital

Ukrzaliznytsya plans to produce 6 ths cargo railcars at its own facilities in 2011. An estimated cost of one cargo railcar made at Ukrzaliznytsya, according to its CEO, Mikhail Kostuk, is UAH 540 ths (\$68 ths).

Oleksiy Andriychenko: Ukrzaliznytsya's plan to produce 6 ths railcars at its own facilities could hurt potential orders from the major Ukrainian producers Azovmash, KVBZ, SVGZ and DNVM ("the big four"). However, we view the news as NEUTRAL for several reasons. First, Ukrzaliznytsya's appetite is likely too big for its own means. In the last 5 years, the state monopoly ordered less than 5 ths new railcars, while its unrealistic plans anticipated a purchase of more than 24 ths. Second, the state facilities are primarily intended to repair railcars as opposed to their production. Thus this year despite the strong demand and a 15 ths railcar deficit in Ukraine, the total output at Ukrzaliznytsya was expected at 825, so the current plan involves an unfeasible 7.3x increase. Finally, state purchases in the last 5 years accounted for only 6% of the total output of the export-oriented "big four."

Yanukovich vows more and more roads to be built in Ukraine every year

bne

Ukrainian President Viktor Yanukovich has said that the amount of road construction in Ukraine will grow from year to year, reports Interfax.

The news agency quoted Yanukovich as saying that they're planning to boost the amount of road construction from year to year.

Eurasia infrastructure

BG Capital completes four-day U.S. road show for Georgian Railway

BG Capital, Kyiv

November 1, 2010 - JSC "BG Capital" completed a four-day non-deal road show in the USA for Georgian Railway, covering three major cities and meeting with over 20 leading investment funds.

The trip was designed to raise awareness of Georgian Railway's debut USD 250 mln bond issue and meet with current bond holders.

Georgian Railway, the country's national railway monopoly, met with over 20 leading investment funds last week including: Templeton Asset Management, Morgan Stanley Asset Management, Fidelity Investments, Eaton Vance and Citadel on a four-day road show with stops in New York, Boston and Chicago.

Representing BG Capital was Head of Sales - Lucas Romriell from Kiev and Sales Manager - Giorgi Shengelia from the Tbilisi office. Representing Georgian Railway was the company's CFO - Giorgi Gagnidze and Business Development Manager - Irakli Gejadze.

"Meetings with fund managers in New York, Boston and Chicago were very positive.

US-based investors were genuinely impressed with Georgia's ability to survive a war and global economic crisis without straying from its economic and political reforms. The funds that met with Georgia Railway were pleased with the management and are eager to see more investment offering from the company in the future", said Lucas Romriell.

BG Capital, Georgian Railway's corporate broker and market maker, has traded nearly USD 50 mln worth of paper since issue. Moreover, Georgian Railway's Eurobond (GRAIL 9.875% 2015) has been among the top performers in the Emerging Market Eurobond space. Riding a wave of EM buying support this autumn, the bond has rallied from a 10% yield at new issue to 7.9%, a move of nearly 8 points to 107.5. The sovereign ownership and support has kept it on the radar for investors and even in the weaker credit environment of the last two weeks, the bond has remained well bid and held on to gains it has enjoyed since its debut this summer.

"The bond yield has fallen from 10% to 7.9% and this is only with a limited number of investors from Europe involved in trading. Now, the demand of American investors will be added to that of the current investors", said Giorgi Gagnidze.

You can find the latest research on Georgian Railway and the Georgian Economy, as well as a broad range of analytical tools on BG Capital's website:

Georgia: World Bank to finance infrastructure in Georgia

Press release

WASHINGTON, November 2, 2010 - The World Bank Board of Executive Directors today approved an Additional Financing (AF) in the amount of US\$ 45 million to Georgia for the Regional and

Municipal Infrastructure Development Project (RMIDP). The Additional Financing has been requested by the Government of Georgia to scale up the Project activities through rehabilitating additional municipal services and infrastructure throughout the country, and preparing strategic development plans for a number of selected cities.

The goal of the original RMIDP (US\$ 40 million equivalent, International Development Association (IDA) Credit) was to mitigate the impact of the August 2008 conflict. The Project was approved by the World Bank Board of Directors on October 2, 2008. The RMIDP Additional Financing includes a US\$ 33.5 million loan from the International Bank for Reconstruction and Development (IBRD) and an IDA credit of US\$ 11.5 million. "This project will bring real benefits to tens of thousands of Georgian families across the country through improved local roads, clean water services and better sanitation, which are especially important for women and girls," said Asad Alam, World Bank Regional Director for the South Caucasus. "With the new co-financing from the EU, the original RMIDP project will further expand infrastructure restoration and improvement of housing conditions for conflict affected people in Georgia. It will also help to enhance the institutional capacity and performance of municipalities."

The Project will support infrastructure investments by providing loans through the Municipal Development Fund (MDF) to creditworthy municipalities, and grants to municipalities which are not yet ready for borrowing. Technical support will be provided to participating municipalities to ensure sustainable services.

"The Municipal Development Fund has grown up to become a solid non-bank financial intermediary that plays a very substantial role in funding municipal infrastructure development in the country," said Ahmed Eiweida, Sustainable Development Country Sector Coordinator for the South Caucasus. "The MDF's good performance is well appreciated and reflected by the growing interest both from the Government and the donors in using the MDF as a primary organization for channeling grants and credits to the local self-governments."

The Project involves significant collaboration with donor partners. The World Bank has a service agreement with the Millennium Challenge Corporation (MCC) to supervise its municipal infrastructure projects implemented by the MDF, and a recent co-financing Trust Fund agreement with the EU to fund activities

related to Internally Displaced Persons (IDPs) in Georgia. The Bank is also collaborating with the ADB, EBRD, USAID, German Cooperation (GTZ and KfW), UNHCR and the Cities Alliance Program, all of which provide technical assistance or finance municipal infrastructure projects.

Current World Bank portfolio in Georgia consists of 12 active investment projects for a total of US\$ 469 million. In addition, the second in a series of the Development Policy Operations (DPO2) was approved by the World Bank Board of Directors on July 2010 with a total financing of US\$ 50 million.

Provided as the Additional Financing for the Regional and Municipal Infrastructure Development Project, the IDA Credit carries a maturity of 20 years including a grace period of 10 years, and the IBRD Loan carries a maturity of 27 years including an 8 year grace period.

Luhanskteplovoz to Supply 35 Locomotives to Mongolia

Art Capital

Luhanskteplovoz won a large order from Mongolian Railways for 35 locomotives (70 sections) due in 1H2011. The order was placed by Transmashholding, co-owned by Russian Railways, which in turn owns 50% of Mongolian Railways.

Oleksiy Andriychenko: The news is STRONGLY POSITIVE for Luhanskteplovoz because it negates the fears that Transmashholding will withdraw its orders due to the stand-off with Ukraine's State Property Fund over the privatization of LTPL. Not only did the Russian company continue its cooperation with LTPL, but it also signed a contract for 70 locomotive sections for 1H2011, which will exceed LTPL's entire 2010 output. Together with expected orders from Russian Railways, the new contract will allow Luhanskteplovoz to output 10 sections a month, or a 67% increase over 2010E.

CE infrastructure

Chinese interested in Slovak infrastructure

bne

Chinese investors are interested in taking part in projects of building infrastructure in Slovakia, news agency TASR learnt in an interview with the new Chinese Ambassador to Slovakia Gu Ziping. "However, private companies in China are still only awaiting the announcement of the tender for building Slovak highways.

They need to know what conditions will be set by the Slovak Government," said Gu.

The potential arrival of Chinese firms has already been discussed with Economy Minister Juraj Miskov (SaS), said the diplomat, mentioning China Railway as an example. According to Gu, nothing specific has been launched yet, however. Gu stressed that Chinese companies are particularly interested in being involved in large-scale projects in Slovakia.

"Chinese firms have placed their investments in more than 110 countries around the world. In some of them, there's no more room for investments. That's why they're looking for new business destinations, and that's why Slovakia has become so attractive," said Gu, who believes that the interest of Chinese investors from was whetted because of Slovakia's promotions at this year's EXPO exhibition in Shanghai.

SE infrastructure

Bulgaria is 6th in EU for funds fraud

bne

A new European Commission report has found Bulgaria to be 6th in the EU for funds fraud, according to Novinite.

The EC report has revealed that the amount of EU funding lost in fraud and "irregular payments" in 2009 almost doubled to reach 1.3bn euros.

An estimated one euro in every five in aid was said to be "siphoned off by corrupt officials," the report shows while a staggering two-thirds of alleged EU fraud concerns just six countries: Bulgaria, Romania, Greece, Italy, Poland and Spain.

The revelations came after EU leaders agreed to a 2.9% increase in the EU budget for 2011 and as Member States introduce tough austerity measures.

Some examples of EU funds fraud, listed in the report include claims for a lemon and orange grove orchard that did not actually exist on the Italian island of Sicily or payment of thousands of euros to livestock owners in Slovenia for "non-existent" cattle.

According to the European Commission's "Fight Against Fraud"

report, irregularities in the common agricultural policy (CAP), which accounts for about half the EU budget, cost 1.2bn euros, up 23%.

The worst area for fraud in 2009 was the cohesion policy, where funds go to Europe's poorest regions and which takes up more than one third of the whole EU budget. Suspected fraud and irregularities in this area was 1.2bn euros, up 109%.

Bulgaria to begin tenders for highway by December

bne

Regional Development Minister Plevneliev says that by December, Bulgaria will begin the tenders for two more lots of the southwestern highway Struma, according to Novinite.

Plevneliev said the government is ready to launch the tenders for the lots from the existing section near Sofia to the town of Dupnitsa, and from the Kulata border crossing to Sandanski.

One of the middle sections between Dupnitsa and Blagoevgrad, however, will be extremely hard to build because of the rough

terrain, and the minister said Bulgaria was seeking aid in executing that from other EU states and EU institutions.

Some of the sections of the 156-km road are promised to be completed by the end of the Borisov Cabinet's term in 2013. A total of 19 km have been completed so far.

The Struma Highway will start at the Daskalovo road junction to the west of Sofia, where it will be connected with the short Lyulin Highway, and will run to the Kulata border crossing on the Bulgarian border with Greece.

Bulgarian customs blamed for border jam

bne

Vehicles were backed up for kilometers on Sunday at the Capitan Andreevo Kapakule cross border point between Bulgaria and Turkey, according to Novinite

The line has been growing since Saturday and has reached 18 kilometers on Sunday with over 800 trucks waiting on the road between Edirne and Kapakule.

Turkish media report the line is again the result of the sluggish work of the Bulgarian Customs at the Capitan Andreevo border crossing point, citing sources from the Kapakule checkpoint on the Turkish side of the border, and the Chief of Security and Customs in Edirne, who said only one of the two scales at Capitan Andreevo was functioning.

"We warned the Bulgarian side to not stop the work of the scales over the installment of cameras at the end of the week, when truck traffic is the heaviest, but they ignored us. For this reason our Customs are working at half capacity," the Turkish official is quoted saying.

Turkish authorities are trying to redirect traffic to other border checkpoint Lesovo.

Outraged truck drivers are, reportedly, blowing their horns, insisting the issue is resolved as fast as possible.

to finance the upgrade of the road system in the city of Sibiu, one of the most important cultural centres in the country and a major transport hub in central Romania.

The proceeds of the loan extended to the municipality of Sibiu will be used to finance the rehabilitation of a number of roads in the city, including the renewal of asphalt and pedestrian pavements and an upgrade of water and sewage pipelines along the streets. The investment is part of the EBRD's Urban Road Management and Rehabilitation Framework, aimed at supporting urban road sector reform in Romania.

The project also includes the construction of a new three-lane bridge in Sibiu with access for vehicles, cyclists and pedestrians. It will replace an existing wooden pedestrian bridge and will provide a key connection to the city centre for a large residential neighbourhood, helping to alleviate heavy traffic in the area.

The upgrade of the transport system in Sibiu will ensure a more integrated traffic flow in the city, improve accessibility for local residents and will enable the extension of public transport services in areas currently underserved in the city.

The project will be complemented by grant financing provided by the German Agency for Technical Cooperation for the preparation of performance based management and maintenance of roads (PMMR) contracts, which will be used for further implementation of Sibiu's street rehabilitation programme. This will ensure a more competitive and efficient approach to managing road infrastructure in Sibiu, which is expected to be replicated in other cities in the country.

"This is an important project for the citizens of Sibiu and its numerous visitors attracted by the city's unique medieval architecture and historic centre. We are pleased to support the modernization of local streets and road infrastructure in Sibiu with necessary financing in the current conditions when commercial funding remains limited," said Jean-Patrick Marquet, EBRD Director for Municipal and Environmental Infrastructure.

"The new funds will enable the city of Sibiu to implement important infrastructure improvements. We are delighted to have the support of such a reliable partner as the EBRD," said the Mayor of Sibiu, Klaus Werner Johannis.

Since the beginning of its operations in Romania the EBRD has committed over €4.8 billion in various sectors of the country's economy, mobilising additional investment in excess of 8 euros billion.

EBRD funds road modernisation in Romania

EBRD

The EBRD is supporting further modernisation of the transport infrastructure in Romania with a loan of up to 11.5 million euros

EBRD Procurement notices Corridor Vc Motorway Project in Bosnia and Herzegovina

Press release

Procurement ref:
6237-PRE-38716
Country:
Bosnia and Herzegovina
Sector:
Transport
Project number:
38716
Funding sources:
EBRD
Contract type:
Project goods, works and services
Notice type:
Invitation for pre-qualification
Issue date:
1 Nov 2010
Closing date:
15 Dec 2010
(14:00 hours, Local Time)
More about this project

This Invitation for Prequalification follows the General Procurement Notice (GPN) for this project which was published on EBRD web site "Procurement notice" on 13th Oct. 2008 and updated 13 July 2010.

Bosnia and Herzegovina signed loan agreements with European Investment Bank (hereinafter EIB) and the European Bank for Reconstruction and Development (hereinafter EBRD) to finance priority sections of motorway on the route of Pan European Corridor 5c through Bosnia and Herzegovina. The Federation of Bosnia and Herzegovina will use these loans for payments of the works and consulting services to be procured under this project of construction of priority sections which includes, inter alia, section Vlakovo - Tar_in. Construction of section Vlakovo - Tar_in in total length of 20,25 km, has been divided into four contracts as follow: Contracts No.1: Subsection Suhodol - Tar_in, length of 4,69 km, will be financed by the loan signed with European Bank for Reconstruction and Development (EBRD) Contracts No.2: Subsection, Lepenica - Suhodol length of 5,46 km, will be financed by the loan signed with European Investment Bank (EIB) Contracts No.3: Subsection, Rakovica - Lepenica, length of 4,50 km, will be financed by the loan signed with European Investment Bank (EIB) Contracts No.4: Subsection, Vlakovo-Rakovica, length of 5,60 km, will be financed by the loan signed with European Investment Bank (EIB)

The subject of this Invitation for prequalification is Contract No.1 only. The Federal Directorate for construction, managing and maintenance of highways (hereinafter FEDA) on behalf of the Government of Federation of Bosnia and Herzegovina (hereinafter: Employer) intends to apply the proceeds of the loans from EBRD [the Bank] towards the cost of Construction of motorway on Corridor 5c, section Vlakovo - Tar_in, subsection

Suhodol - Tar_in (hereinafter the Project).

The Employer intends to pre-qualify firms and joint ventures to tender for the contract to be funded from the proceeds of the loans. This contract consists of the construction of the subsection of motorway between Suhodol and Tar_in which will start from the regulation of stream Suhodol and it will finish in the interchange "Tar_in". Subsection Suhodol-Tar_in is 4,69 km long. Beginning of the subsection is between tunnel Grabosje and tunnel Suhodol on regulation of stream Suhodol, which length is 160 m'. The rout of the motorway going through tunnel "Suhodol" which length is 2800 m'. After the exit from the tunnel "Suhodol" is bridge "Bijela" in the length of 90 m'. After the bridge the rout going through other tunnel "Tar_in" which is 381 m' long on the left tube and 437 m' on the right tunnel tube. After the exit from the tunnel "Tar_in" the rout of the motorway going through valley of river Bijela and finish on the interchange "Tar_in". For construction of interchange it is necessary to make regulation of river Kala_nica in the length of 218 m'.

Prequalification and tendering for contracts to be financed with the proceeds of the loans from the Banks is open to firms and joint ventures from any country.

Prequalification documents may be obtained from the address below upon payment of a non-refundable fee of EURO 250 or equivalent in a convertible currency by bank transfer to: Deposit account for public income opened in UniCredit Bank dd Mostar BA 39 338 900 2211529491, Swift Code: UNCRBA22 (for payments in €) or No. 338-900-22115294-91 (for payments in BAM), Beneficiary: Federal Directorate for construction, managing and maintenance of highways; revenue category 722631, sort code 1804001, municipality 180. Payment option is OUR which means that the Applicant will cover all Bank costs related to this payment and money transfer.

If requested, the documents will be promptly dispatched by courier, but no liability can be accepted for loss or late delivery.

The prequalification documents must be duly completed and delivered to the address below, on or before 15 December 2010, 14:00 (Local time):

First flight from London to Bulgaria's Plovdiv today

bne

The first flight from London to Bulgaria's second largest city of Plovdiv are expected to arrive today at the city's new airport terminal, according to Novinite.

Regular flights from and to Plovdiv are one of the main steps towards the region's economic recovery, according to Regional Governor, Ivan Totev.

"After one year of determination and thanks to the joint effort of the State, the airport's management and the municipalities, the

launch of the regular line of the Irish Ryanair is now a fact," Totev says.

Major new highway project begins in Turkey

bne

The Gebze-Orhangazi-Izmir Highway and the Izmit Gulf Crossing Project, which aims to dramatically shorten the distance between Istanbul and Izmir, began Thursday, according to Today's Zaman.

The highest ever build-transfer-operate (BTO) project in Turkish history, the construction of the motorway will last for around

seven years and cost \$6bn. The foundation was laid by the Prime Minister Recep Tayyip Erdogan and the Minister of Transportation Binali Yildirim with the participation of the representatives from six companies, which made up a consortium.

In his speech, the PM said he doesn't normally attend groundbreaking ceremonies as a principle, adding, however, that he was glad to appear in yesterday's occasion for the sake of "the grand project to connect two major cities together."

"Today we are starting one of the biggest projects of the Republic's history. We are crowning with this project our Republic, the 87th anniversary of which we will be celebrating tomorrow, and we are virtually presenting a holiday gift to our country," he asserted.

The motorway that will connect Gebze, of the northwestern province of Izmit, with the Aegean province of Izmir via Orhangazi, of the northwestern province of Bursa.