

Russia : Economic News

- GROWTH OF FOIL-ROLLING PRODUCTION OF RUSAL UC IN 1Q, 2008, BY OVER 18% HAS BECOME RESULT OF PLANNED ACHIEVEMENT OF DESIGN CAPACITY BY ARMENAL PLANT

/APRIL 16/arminfo/

Growth of foil-rolling production of RUSAL UC in 1Q, 2008, by over 18% has become a result of planned achievement of design capacity by ARMENAL plant, the press release of RUSAL reads.

According to the Company data, mining of grew by 13,1% to 4 537 288 tons as compared with 1Q, 2007. The volume of alumina production increased by 3,5% to 2 837 030 tons as compared with the similar period, 2007. Aluminum production grew by 9,4% to 1 096 236 tons, that has become a reason of achievement of full design capacity by Khakas aluminum plant. Output of cast production with high added value grew by 17,8%, and its share made up 52% of the total volume of aluminum production. Growth of foil-rolling production made up 18,4%. The total investments in 1Q, 2008, reached about \$457 mln, among which the investments for expansion, reconstruction, upgrading and re-equipment of the active enterprises made up about \$235 mln.

Commenting on the results of the Company's activity in 1Q, Director General of RUSAL Alexander Bulygin said: "Stable growth on all the production indicators, reached during three months, 2007, is the best proof of successful integration with the frames of the united company, created a year ago. Having assured and tightened the position of the biggest producer of aluminum and alumina in the world, we prepared a good basis for beginning of implementation of a strategy of diversification and turning our company into one of the leaders of the world mining industry".

- RUSSIA, LIBYA TO SET UP JOINT OIL AND GAS VENTURE

/APRIL 17/RIA Novosti/

Russia's state natural gas giant Gazprom and the National Oil Corporation of Libya have agreed to set up a joint venture, Gazprom said.

The deal came during President Vladimir Putin's visit to the north African country, where he yesterday met with Libyan leader Colonel Muammar Qaddafi. The new joint venture "will operate in literally all areas of cooperation in the oil and gas sector, on all parts of the chain - from geological prospecting to production, transportation and sales, both in gas and oil," Gazprom CEO Alexei Miller said on Wednesday.

He also said Gazprom is interested in joint liquefied natural gas (LNG) projects with Libya, as well as taking part in the construction of a gas pipeline from Libya to Italy, and operations in other North African markets. Russia's outgoing president arrived in Tripoli on Wednesday for a two-day visit.

- GAZPROM TO TAKE OVER SERBIAN STATE OIL FIRM AFTER ELECTION

/APRIL 17/RIA Novosti/

Gazprom [RTS: GAZP] announced it will close a deal to buy a controlling stake in Serbia's oil company Naftna Industrija Srbije (NIS) after the May 10 parliamentary election in the Balkan state.

Gazprom Neft, the main oil-producing arm of Gazprom, signed a deal on the purchase of a 51% stake in Serbia's state-owned oil monopoly during talks between Russian President Vladimir Putin and his Serbian counterpart Boris Tadic in Moscow on January 25.

"The agreement must be ratified. This is just a technical issue," Alexei Miller told reporters in Libya's capital, where he is staying as part of the

Russian business delegation during Putin's visit to the North African country.

Gazprom reportedly offered \$580 million for a 51% stake in NIS, which produces about a million metric tons (7.3 million barrels) of crude annually, refines 7 million metric tons (51 million barrels) and has Serbia's largest network of filling stations.

- RUSSIA CANCELS LIBYA'S \$4.5 BLN DEBT IN EXCHANGE FOR CONTRACTS

/APRIL 17/RIA Novosti/

Moscow wrote off on Thursday Libya's \$4.5 billion debt in exchange for contracts for Russian companies worth several billions of dollars.

The debt cancellation was part of an intergovernmental agreement on bilateral economic and financial relations signed by Russian President Vladimir Putin and Libyan leader Muammar Qaddafi.

After the signing ceremony, the outgoing Russian leader told reporters: "We are satisfied with the way we have resolved this problem. I am absolutely convinced that the scheme we have arrived at will benefit both the Russian and the Libyan economies, as well as the Russian and the Libyan people."

More than ten agreements were reached, including a contract for rail monopoly Russian Railways worth more than \$2 billion, Putin said.

Another major deal was closed between Russian natural gas giant Gazprom and Libya's National Oil Corporation to set up a joint venture to engage in both upstream and downstream oil and gas operations.

An agreement on military cooperation was also signed.

Russian Finance Minister Alexei Kudrin told reporters that the size of Libya's debt to Russia had been brought down by \$100 million from \$4.6 billion to take into account Russian state bank VTB's debt to Libyan companies.

Russia's president arrived in Tripoli on Wednesday for a two-day visit. This evening he will leave for Sardinia, to meet with Italian president-elect Silvio Berlusconi.

- RUSSIA'S GAZ, BRAZIL'S MARCOPOLO INVEST \$300 MLN IN BUS OUTPUT

/APRIL 17/RIA Novosti/

GAZ [RTS: GAZA], a leading Russian automaker, and Brazilian bus manufacturer Marcopolo, have invested around \$300 million in a joint venture to produce buses in Russia, the venture's CEO said on Thursday.

Yuri Kayo, general director of the Russian Marco Buses, which was set up in 2006 on a parity basis, said the parties would launch the production of Brazilian Real and Andare buses at two production facilities located in the Volga area and in central Russia.

The Pavlovsk facility in the Volga area will produce Real mini-buses and the Golitsino facility in the Moscow Region will turn out Andare buses for international and tourist trips.

The Pavlovsk plant has already turned out 150 Real buses and is expected to reach its designed capacity of 3,000 buses a year in 2010-2011 while the Golitsino facility where production began in the summer of 2007 will reach its projected output of 1,000 buses annually in four to five years, Kayo said.

- RUSSIA'S MECHEL BUYS OVER 95% OF SHARES IN BRITAIN'S ORIEL

/APRIL 17/RIA Novosti/

Mechel [RTS: MTLR], a leading Russian mining and metals company, said on Thursday it had acquired 95.69% of shares in the U.K.-based Oriel Resources Plc, which owns assets in Russia and Kazakhstan.

Mechel made a \$1.498 billion purchase offer to Oriel, a London-based chrome and nickel mining and processing company valued at around \$1.2 billion, in late March.

The Russian company said it would now start compulsory acquisition of the remaining stock. The company received approval from the Russian and Kazakh regulators on Wednesday for the acquisition of Oriel's stock. Oriel owns the Tikhvin smelter near St. Petersburg and has two deposits in Kazakhstan, including the Voskhod chrome and the Shevchenko nickel projects. Mechel's market capitalization stands at around \$18 billion. Last year, the company increased its coal output by 25% to 21.2 million metric tons, and pushed rolled steel production up 9% to 5.1 million metric tons.

- TALKS WITH AEROFLOT ON ALITALIA ACQUISITION COULD BE RESUMED

/APRIL 17/RIA Novosti/

Italy's prime minister-elect Silvio Berlusconi is not ruling out that talks with Russian air carrier Aeroflot to buy state-run Alitalia, stalled in November, could be resumed.

"All options are being considered as long as Alitalia remains the national air carrier, and decisions are made in Italy," Berlusconi told journalists shortly before a meeting with Russian President Vladimir Putin on Sardinia. Putin, now in the final weeks of his presidency, arrived in Sardinia Thursday evening to meet with Berlusconi.

During the Italian billionaire's second term as premier in 2001-2006, the two met on numerous occasions, and Berlusconi was seen as Putin's key ally in Europe.

Alitalia's losses in 2006 were 380 million euros (\$604 million). The strategic investor the Italian authorities are looking for will have to implement a rescue plan for the carrier.

During the tender to buy a state-held package in the Italian air carrier, the previous Alitalia management preferred a bid by Air France-KLM, but in March the talks were suspended.

The Italian press Wednesday carried reports that with Berlusconi returning to power, talks could be resumed. Aeroflot was unavailable for comment.

- SUKHOI INVESTS \$300 MLN TO EQUIP SUPERJET 100 MANUFACTURERS

/APRIL 17/RIA Novosti/

Russian aircraft maker Sukhoi will invest about \$300 million to re-equip the manufacturers that will produce the new regional aircraft Superjet 100, the Sukhoi CEO said Thursday.

The Superjet 100 project is a family of medium-range passenger aircraft developed by the Sukhoi Design Bureau in cooperation with major American and European aviation corporations, including Boeing, Snecma, Thales, Messier Dowty, Liebherr Aerospace, and Honeywell.

"The first stage of the technical re-equipping has been completed. And the first planes are being manufactured. The second phase envisions the production of 20-30 aircraft a year. The next re-equipping stage is calculated to produce 70 planes," Mikhail Pogosyan told journalists.

The whole project to manufacture Superjet 100 medium-haul passenger airliners is worth approximately \$1.4 billion. The first flight tests are expected to take place in May.

The Russian state corporation Development Bank, France's export agency Coface and Italy's agency SACE signed Thursday a joint statement aimed at establishing an integrated system of financing for international sales of Superjet 100s, the Russian bank said. The document will promote the aircraft on the international market.

Sukhoi successfully tested the Superjet 100 engines in mid-February.

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

Pogosyan said in January that the company had secured 73 solid orders for the aircraft.

The list price of a 95-seat base model is \$28 million, but the company is currently working on both smaller and larger capacity modifications. The market for the Superjet 100 is estimated at around \$100 billion for around 5,500 planes, through to 2023.

- AEROFLOT LAUNCHES BLACK SEA-SIBERIA FLIGHTS

/APRIL 14/Thomson Financial News/philip.waller@thomson.com

LONDON (Thomson Financial) - Aeroflot said it is launching flights between the Black Sea coast and Siberia.

The Russian flag carrier said the four-times weekly service between Sochi, the host city of the 2014 Winter Olympic Games, and the south western Siberian industrial city of Novosibirsk would begin on April 30.

Aeroflot said the flights are intended to strengthen its domestic coverage and to advance its Asian route network.

It said it plans to set up further routes between Sochi and other Russian cities to cater for an expected increase in air travel demand ahead of the Winter Olympics.

Chief executive Valery Okulov said: 'We expect it to be a busy service that will be of particular interest to business travellers going to and from these two growing economic centres.'

- FORBES SAYS TOP 100 RUSSIAN BILLIONAIRES WORTH OVER \$522 BLN

/APRIL 18/RIA Novosti/

The number of Russian billionaires has grown to over 100, with 10 unable to make it onto Forbes Russia magazine's rich list, the respected business daily Vedomosti said Friday.

With a combined wealth of a staggering \$522 billion, the Forbes 'golden hundred' list for Russia is topped by Oleg Deripaska, the head of holding company Basic Element, at \$28.6 billion, who has seen his capital grow by over \$11.8 billion from last year.

In second place is steel tycoon Alexei Mordashov, owner of Russia's largest steelmaker Severstal, with \$24.5 billion, more than double his recorded wealth in 2007, while Chelsea soccer club owner Roman Abramovich slipped to third with \$24.3 billion.

The fall in the value of the dollar is believed to be one of the reasons for the sharp rise in Russian billionaires, whose numbers have jumped by 50 to 110 since 2007, with \$1.1 billion needed to make it into the 100 list compared with the 2007 figure of \$660 million.

According to the Forbes global rich list published in March, Moscow has become the billionaire capital of the world with 74 billionaires overtaking New York.

- PUTIN, BERLUSCONI TO HOLD TALKS ON SARDINIA

/APRIL 18/RIA Novosti/

Russia's Vladimir Putin, now in the final weeks of his presidency, will hold talks on Sardinia on Friday with Italian prime minister-elect Silvio Berlusconi.

During the Italian billionaire's second term as premier from 2001 to 2006, the two met on numerous occasions, and Berlusconi was seen as Putin's key ally in Europe.

Putin arrived in Sardinia on Thursday evening after the completion of his two-day visit to Libya.

Putin's spokesman, Alexei Gromov, said the talks would address the future of Russian-Italian relations, but did not give details on the agenda.

Putin had an official dinner with Berlusconi, whose coalition won parliamentary elections on April 13-14. Berlusconi's spokesman, Paolo Bonaiuti, described the dinner as a meeting of old friends. He said the two leaders discussed their future plans and the situations in their countries, including the recent elections in Italy.

Putin, who will cede the presidency to his hand-picked successor Dmitry Medvedev on May 7 and will become Russia's prime minister and chairman of the ruling United Russia party, spent three days at Berlusconi's villa on Sardinia in 2003 and called the island "a luxurious place."

- PUTIN TO SCALE DOWN HIS INTERNATIONAL ROLE AS PM

/APRIL 18/RIA Novosti/

Russia's outgoing President Vladimir Putin said on Friday he plans to scale down his international activities as prime minister to focus on domestic issues, and will not attend the G8 summit in Japan.

"I am not going to the G8. There will be international meetings, fewer of them.

I have to deal with solving social and economic problems," said Putin, who will become prime minister after president-elect Dmitry Medvedev is inaugurated in May.

When asked whether he will be as active as prime minister as he was during his eight years as president, Putin said: "I think I will be working in the same way, otherwise there would be no sense in agreeing [to become premier]." As well as becoming prime minister, Putin will be chairman of the ruling party, United Russia.

The president, who is currently on an official visit to Italy's Sardinia and met with Italian prime-minister elect Silvio Berlusconi today and yesterday, said he had selected a new Russian government lineup, but that the new president will have the final say on the issue.

"I have largely selected members of a new government, but the new president has to approve the lineup," Putin told a news conference, adding he planned to cut the number of ministers in the cabinet, while increasing the number of deputy prime ministers.

- PRESIDENT-ELECT DMITRY MEDVEDEV VISITS DUBNA INSTITUTE FOR NUCLEAR RESEARCH

/APRIL 18/Itar-Tass/

President-Elect Dmitry Medvedev is now on a visit in Dubna, a city of physicists and nuclear researchers, which today ranks among the main leaders of the developing Russian innovation economy. Before going to the meeting of the State Council Presidium, devoted to the development of the innovation system in Russia, Medvedev called at the legendary Dubna Joint Institute for Nuclear Research (JINR) which, besides everything else, has turned during the past three years into the "nucleus" of the local technology application-type special economic zone.

This erstwhile classified city, standing on the banks of the Volga River, which was formerly known for its biggest accelerator of elementary particles, accounts for fifty per cent of all the Soviet discoveries in nuclear physics. The institute's outstanding scientific contribution was immortalised in the Mendeleev Periodic Table where the 105th element is "Dubnium".

The first place Medvedev wished to see within the premises of the International Scientific Centre, uniting eighteen countries, was the Flerov Laboratory of Nuclear Reactions, a global leader in the field of heavy and superheavy nuclear synthesis. Today, it is dealing with the problem of developing nanotechnologies. JINR officials explained that "semi-industrial samples of flexible printed-circuit cards for microelectronics and new-generation condensers were already developed at the laboratory with the help of ion-ray technologies".

The institute has eight laboratories and employs five thousand people. Institute officials said the average pay of a scientific worker now adds up to 17.5 thousand roubles.

The famous institute is now the head organisation of the Special Economic Zone for Nuclear Physics and Nanotechnologies. Medvedev is also expected to visit the exhibition of innovation projects, displaying those that were drawn up at the CIS International Innovation Centre of Nanotechnologies. They include instruments and systems to detect different contraband cargoes, as

well as the world's most "sensitive" detectors of explosives and drugs, "nanoconductors" to introduce medicines into the human organism to cure cellular ailments, seismoacoustic technology methods of prospecting and extracting oil and gas.

- RUSSIAN SHIPBUILDER TO BUILD TANKERS FOR PANAMA COMPANY

/APRIL 22/RIA Novosti/

NIZHNY NOVGOROD - Russia's Krasnoye Sormovo shipyard based in Nizhny Novgorod on the Volga River said on Tuesday it plans to build three tankers for a Panama shipping company with deadweight of 5,600 metric tons each.

"Under a contract that has been signed with Argo Shipping International, the shipyard will build the first tanker by late 2009, the second tanker in the summer of 2010 and the third tanker in the fall of 2010. In addition, an option for a fourth vessel is expected to be confirmed in summer," the shipyard said in a statement.

The tankers will be 141 m long, 16.9 m wide, with 3.7/3.6 m draught, speed of 10 knots, a crew of 12/14 and capable of 15-day long voyages without refueling, the shipyard said.

Krasnoye Sormovo is currently building vessels for Italian, Turkish and Azerbaijani shipping companies.

- LUKOIL STARTS PREPARATIONS FOR OIL WELL DRILLING IN COLOMBIA

/APRIL 22/RIA Novosti/

LUKoil Overseas, the international projects operator of Russia's largest independent crude producer LUKoil [RTS: LKOH] said on Tuesday it had launched preparations to develop oil deposits in Colombia.

LUKoil discovered oil at the Medina field with commercial crude reserves in early 2007 as a result of drilling the Condor-1 deep exploration well.

A contract on the Condor block in the foothills of Eastern Cordillera, in the western part of the Llanos oil basin, was signed between LUKoil Overseas and the Colombian national oil company Ecopetrol on April 7, 2002.

The document includes exploration activities at the block for six years and the development of the field for 22 years in the case of a commercial discovery.

LUKoil Overseas has a 70% share in the project while Ecopetrol holds 30%. The project operator is LUKoil Overseas Colombia Ltd.

- LUKOIL COULD BUY REGAL PETROLEUM'S GAS ASSETS IN UKRAINE - PAPER

/APRIL 23/RIA Novosti/

Russia's largest independent crude producer LUKoil [RTS: LKOH] is in talks with U.K.-based Regal Petroleum on buying its gas deposits in Ukraine, a British paper said on Wednesday.

Regal Petroleum, licensed to develop Ukraine's Mekhediviska-Golotvschinska and Svyrydivske fields with total reserves of over 25 billion cu m of gas and almost 6 million cu m of gas condensate, said it had received offers from several companies but talks are at the initial stage, The Guardian newspaper wrote.

LUKoil's name was not mentioned by the U.K. firm but sources say the Russian crude producer is prepared to pay \$1 billion for the gas assets, the paper reported.

Regal Petroleum conducted purchase talks with Shell five months ago but no deal was reached due to changes in the management at the British company, the paper said.

LUKoil has declined to comment on the reports.

- RUSSIA-IRAN NPP CARGO SEIZURE 'POLITICAL FORCE-MAJEURE' - SOURCE

/APRIL 23/RIA Novosti/

The decision by Azerbaijan to seize equipment en route from Russia to the Iranian Bushehr nuclear power plant nearly a month ago is a 'political force-majeure,' a source close to the issue said on Wednesday.

"The unwillingness by the Azerbaijani authorities to allow through the border non-nuclear equipment, registered in a strict accordance with international freight transportation regulations, is a politically motivated decision by the republic authorities," he said.

Russia's Atomstroyexport on Monday confirmed reports that Azerbaijani border officials had stopped the cargo from crossing the border with Iran several weeks ago.

Russia delivered its final and eighth fuel shipment to Bushehr on January 28. Russia has supplied a total of 82 metric tons of low-enriched uranium to the light-water nuclear power plant. Iran hopes its first nuclear power plant will be launched in October.

Tehran is currently under three sets of UN sanctions over its uranium enrichment program. The latest resolution saw a number of new restrictions imposed against the Islamic Republic, including inspections of goods leaving and entering Iran.

- RUSSIA'S AEROFLOT COULD BUY STAKE IN LOSS-MAKING ALITALIA

/APRIL 22/RIA Novosti/

Russia's air carrier Aeroflot could reconsider buying the Italian government's 49.9% stake in cash-strapped Alitalia, although the airline could have its license revoked, Aeroflot's deputy director said Tuesday. Aeroflot earlier took part in the tender to buy the stake, but the Alitalia management considered a bid by Air France-KLM more feasible. The French carrier announced Monday it was pulling out of the negotiations over a deadlock with trade unions.

At a meeting between Russia's incumbent President Vladimir Putin and Italian prime minister-elect Silvio Berlusconi in Sardinia last weekend, Putin signaled that Aeroflot might be interested in continuing negotiations on the takeover.

"The Russian president gave instructions that the talks be resumed. It is most likely that the Italian side after the Sardinia meeting put some new ideas forward for joint discussion," Lev Koshlyakov said.

Meanwhile, Vito Riggio, head of Italy's civil aviation agency ENAC, said on Tuesday the agency could revoke the carrier's license due to its existing financial problems.

During the meeting on April 18, Putin said the situation surrounding the Italian airline is complicated. "Debts need to be paid, the company has to be made profitable, and talks have to be held with the government and trade union," he said

Berlusconi earlier told reporters he was not ruling out a resumption of talks between Aeroflot and Alitalia, which stalled last November.

Alitalia's losses in 2006 were 380 million euros (\$604 million). A strategic investor picked by the Italian authorities will have to implement a rescue plan for the carrier.