

## Analyst view: Russia plans sale of \$29 billion state assets

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(Reuters) - [Russia](#) plans to sell minority stakes in major state-owned companies to raise over \$29 billion in the next three years to plug budget gaps, in the biggest sell-off since mass privatizations of the 1990s.

Finance Ministry confirmed on Monday the preliminary plans, but said nothing has been approved yet.

Finance Ministry sources told Reuters of the plan to sell stakes in 10 major companies in 2011-2013, earning some 300 billion roubles (\$9.88 billion) per year.

[Russian stocks](#) [.IRTS](#) rose in early trade, with shares in Russian pipeline monopoly Transneft ([TRNF\\_p.MM](#)) leading the way with a 5 percent gain.

### COMMENTS:

#### VTB BANK

"We note the 2011-23 privatization plan announced by MinFin for a total of RUB 900 BILLION. Reducing the state's involvement in the economy is one of the most efficient ways to modernize and so we think that the initiative, which has been actively discussed since last autumn, will be taken positively."

Analyst Mikhail Galkin, however, warned there were risks to the plan's implementation: "It's not a sensation and its only a draft. We've heard such talk before."

#### YAROSLAV LISSOVOLIK, CHIEF STRATEGIST, DEUTSCHE BANK

"The projections are conservative, intentionally conservative (...) They do ascribe the importance to the security of receiving the money. They're not too rosy, they're not too optimistic, this is not something that strikes you as window dressing. That's encouraging."

"This (privatization) creates greater liquidity in the stocks and the role of the state in general is reduced and you have more room for market mechanisms to work."

"People will be taking this positively, given the fact that these are really the blue chips of the market, with some of them being in so-called strategic sectors of the economy."

#### ANTON STRUCHENEVSKY, SENIOR ECONOMIST, TROIKA DIALOG

"It is positive development-- less state in the economy is better for the economy. The government has to sell assets as it fights for every rouble to tackle state budget's deficit.

I think to sell stakes through transparent and open auctions is the most logical way. The key for investors will be what will they get with those stakes, will they get a seat in the board of directors? will they be involved in the decision making process?

I do not see any political-driven motivation behind this privatization plans. The state just needs money."

#### FRANK SCHAUFF, CHIEF EXECUTIVE OFFICER, ASSOCIATION OF EUROPEAN BUSINESSES

"The fact that the [Russian](#) government shows the willingness to decrease its stake in major companies is definitely a positive sign for foreign investors. It is the right moment to go ahead with privatization plans, since economic activity in Europe is resuming. We would expect 2011-

2013 to be the time when foreign investors will be showing again active interest in the Russian market."

VLADIMIR KUZNETSOV, STRATEGIST, UNICREDIT:

"The only reason (for the sale) is high spending. In the last quarter of 2009 [Russia](#) has spent almost the same amount of money as in the entire of 2005. Therefore Russia needs much higher oil prices in order to balance the budget even without any additional spending due to upcoming elections."

KEVIN DOUGHERTY, FUND MANAAGER, PHAROS

"This is a genuine attempt to broaden the investor profile in [Russia](#). Russia is dealing with a budget deficit this year and next year. The privatization plan is one way of dealing with the budget deficit."

CHRIS WEAVER, CHIEF STRATEGIST AT URALSIB

"It is very likely that some of the equity issuance may include SPOs in Hong Kong as the government looks to extend its economic foot print in Asia.

Given that the state will be very keen to avoid selling additional equity in VTB and Rosneft, i.e. the people's IPOs, below the original issue price (\$10.56 and \$7.55 respectively) this news may create some speculative interest in both stocks over the medium term."

(Reporting by [John Bowker](#), Lidia Kelly, Dmitry Sergeev; Editing by Toby Chopra)