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Comment by Oleg Pankratov, Global Head of Infrastructure Capital and Project Finance at VTB Capital, for IJ Global

Russia approves QIA's Pulkovo Airport investment

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The Russian Government Commission for Foreign Investments has approved the acquisition by Qatar Investment Authority (QIA) of a 24.99% stake in the concession holder for Pulkovo Airport in St. Petersburg.

Pulkovo Airport is operated by PPP concession company, Northern Capital Gateway. Fraport, VTB Capital and Copelouzos Group are reducing their shares in the concession holding company Thalita Trading Limited in this transaction.

Fraport first announced the agreement for QIA to invest in Pulkovo Airport on 31 July 2016.

The Qatar Investment Authority is due to pay €239 million (\$269 million) for the 24.99% stake, the head of the Federal Anti-Monopoly Service Igor Artemiev said. The parties have not disclosed the amount.

The transaction now requires the approval of the project finance lenders before transaction completion. The Russian government approved QIA's investment on 23 September 2016.

German airport operator Fraport is reducing its stake from 35.5% to 25%. Greek conglomerate Copelouzos Group is selling all of its shares and exiting the investment.

At the same time as QIA is buying into Thalita Trading, a Russian investor AEON is also acquiring shares under an agreement signed with VTB Capital. AEON is the major shareholder of Novaport, a regional Russian airport operator.

Russian bank VTB Capital and Aeon will own 50.01% of Thalita Trading between them.

A major redevelopment of Pulkovo Airport ended last year. Northern Capital Gateway invested €1.2 billion in the renovation and expansion, including a new terminal, new hotel, shopping mall and parking facilities. Northern Capital Gateway raised €1.2 billion of equity and debt for the project in 2010. The works were completed in two stages, in 2014 and then early 2015.

Oleg Pankratov, head of infrastructure and project finance at VTB Capital, told IJGlobal: "In 2015, when we had finished the first stage of the Pulkovo Airport reconstruction project, we received quite a few unsolicited offers, and we were talking to a selective number of investors. QIA provided the most competitive and the most interesting offer. Other investors from the Middle East also were interested. Additionally, we saw interest from Asian, European and some Russian financial and industry investors."

Pulkovo Airport is the main airport serving St. Petersburg, and is the fourth largest in Russia after Moscow's airports. Northern Capital Gateway's concession from St. Petersburg City Government is due to run from 2010 to 30 October 2039. Since the airport operator took over in 2010, traffic has risen from 8.4 million passengers per year to 13.5 million in 2015. There is capacity for 22 million per year.