

VOLGA-DNEPR GROUP

ВОЛГА  ДНЕПР

FACTS & FIGURES

Volga-Dnepr Group

2010



VOLGA-DNEPR GROUP



FACTS & FIGURES

Volga-Dnepr Group
for the Year Ended December 31, 2010

A portrait of Alexey Isaikin, a middle-aged man with short, light brown hair and a slight beard. He is wearing a dark blue, textured suit jacket over a light blue shirt and a patterned blue tie. He is looking directly at the camera with a neutral expression. The background is a blurred cityscape with a clear sky.

1990

Volga-Dnepr is one of the few Russian companies that started building its business from scratch back in the nineties. Over 20 years, Volga-Dnepr has been transformed from a private cargo carrier into an international group of companies and a strong global brand that now comprises 12 enterprises in 9 countries around the world. The company's specialists created not only a unique aircraft fleet but a whole new market segment for the transportation of outsize and heavyweight air cargo and the fulfillment of unique logistics challenges.

Alexey **ISAIKIN**
President, Volga-Dnepr Group

“When back in the 90s we started our company, the first thing we thought about was how to preserve the unique AN-124 Ruslan cargo airplane. As a result of the hard work and skills of a committed team of enthusiasts, Volga-Dnepr over the course of the past 20 years has managed not only to turn itself into the undisputed leader of the airfreight industry in Russia, but, moreover, represent the Russian aviation and air cargo industry in the global market by becoming ranked within the world’s top 15 airlines cargo. A combination of unique technology and superb human capability has enabled us to create a company that today is known worldwide”.

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A portrait of Sergey Shklyanik, a middle-aged man with thinning hair, wearing a dark blue pinstriped suit jacket, a white shirt, and a red and blue striped tie. He is smiling slightly and looking towards the camera. The background is a soft-focus outdoor setting.

1991

In 1991, the first commercial and international flight was carried out by Volga-Dnepr. On September 17th, 1991, the company signed an agreement in Ulyanovsk that created a joint venture called "HeavyLift-Volga-Dnepr". Volga-Dnepr's experts indicated that at that time the creation of the joint venture was a life-changing strategic decision for the company. Collaborative work between the two companies became an effective 'business school' for Volga-Dnepr's personnel and allowed the company to become a fully competent player in the international aviation logistics market.

Sergey **SHKLYANIK**

Senior Vice-President, Volga-Dnepr Group

"To a large extent we owe our ability to sell transportation services and manage our aviation business in compliance with international standards to the joint venture. At the time of the company's creation in 1991, HeavyLift had already been present in the global transportation market for special cargo for 15 years. The company had commercial ties in the industry and possessed a strong reputation as a reliable partner, which remains extremely important in our market".

\$1 ABOUT THE COMPANY

Volga-Dnepr Group has represented the Russian aviation and air cargo industry in the global market for over 20 years. It is the world's leading transportation company for the movement of superheavy and outsized cargo by air. In 2010, Volga-Dnepr was ranked as Russia's number one airline for both the volume of cargo carried (342,289.5 tonnes) and cargo turnover (2,557,844.8 thousand tkm). Globally, it was the 11th largest air cargo airline in the world with sales revenues of \$1,587.4 million.

The Group comprises of Russia's two largest air cargo operators; Volga-Dnepr Airlines and AirBridgeCargo Airlines it has representatives and subsidiaries in nine countries and employs more than 2,800 staff internationally.

In 2010, Volga-Dnepr's aircraft completed more than 1,400 charter flights to 342 destinations and more than 5,500 scheduled flights to 37 destinations.

Volga-Dnepr is the largest operator of the unique AN-124-100 Ruslan ramp loading freighters and the leading operator of Boeing 747 cargo planes in Central and Eastern Europe. Volga-Dnepr's fleet comprises 25 aircraft (10 AN-124-100s, 3 IL-76TD-90VDs, 1 IL-76TD, and 11 Boeing 747s).

The Group's strategy is based on its 'Cargo Supermarket' business model, through which clients are offered air cargo charter services using AN-124-100 and IL-76 ramp loading freighters (Volga-Dnepr Airlines) and scheduled air cargo services operated by Boeing 747s (AirBridgeCargo Airlines).

Volume of cargo carried by Volga-Dnepr Group in 2010

342.3 THOUSAND TONNES

Cargo turnover of Volga-Dnepr Group in 2010

2.558 BILLION TKM

Revenue from air cargo transportation of Volga-Dnepr Group in 2010

1.587 BILLION USD



The synergies between our two main businesses – the mutually profitable combination of air charter and scheduled freight services - and our logistical services and expertise allow us to select the fastest and most cost efficient means of delivery for almost any cargo shipment, and thus deliver the best individual solution to meet every challenge set by our customers.

Our clients include governments and commercial organisations from sectors including the oil and gas industry, energy, heavy engineering, automotive, construction, aerospace, agriculture, telecommunications, and humanitarian disaster response.

It is the high quality of our services, our individual approach to every client, project management capabilities and never-ending drive to improve service quality that underpins every solution we deliver.

A full-length portrait of Victor Tolmachev, an elderly man with white hair, wearing a brown tweed suit jacket, a light blue shirt, and a patterned tie. He is standing in front of a modern building with large glass windows. The background is slightly blurred.

1992

In 1992, we began the process of civil certification of the AN-124 Ruslan aircraft. In particular the aircraft was stripped of all military equipment and a number of improvements were made in order for the aircraft to enter the commercial market.

Victor TOLMACHEV

Technical Director, Volga-Dnepr Group

“It was extremely important that the work on certification was carried out in a timely and cohesive manner. It took only three months to finish the process. It can be said that the real needs of a business and a project like this help to advance science much faster than dozens of institutes. Such organisations as UAPC, Aviaregister and the Interstate Aviation Committee were a great help to us in this process. We really felt that we were working in a team. The Ruslan was extremely lucky because it had a lot of highly experienced and talented people working on its development”.

KEY PERFORMANCE INDICATORS

For the period in question, Volga-Dnepr Group achieved total sales revenues of \$1,587.4 million, a 27% increase on 2009.

■ GROUP DEVELOPMENT 2005-2010

	2005	2006	2007	2008	2009	2010
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SALES, \$ MILLION

Airfreight						
Charter operations	339.8	420.8*	681.8*	1,004.6*	865*	905.2*
Scheduled operations	115.9	227.4	304.1	451.0	369	672.7
Other income	12.1	11.7	19.6	22	11.7	9.4
Total income	467.8	659.9	1,005.5	1,477.7	1,245.8	1,587.4

FLIGHT TIME, HOURS

Charter operations	15,909	18,859	24,919	29,036	22,372	18,482
Scheduled operations	7,422	12,934	16,511	21,454	21,017	30,526

CARGO TURNOVER, TKM

Charter operations	421,981	325,576	538,017	617,978	526,107	499,292
Scheduled operations	326,463	667,011	861,603	1,106,607	1,318,504	2,058,553
Total turnover	748,444	992,587	1,399,620	1,724,585	1,844,611	2,557,845

CARGO TRANSPORTED, T

Charter operations	61,055	71,361	111,014	136,564	83,894	85,409
Scheduled operations	43,618	78,851	101,904	130,795	158,849	256,881
Total cargo	104,673	150,212	212,918	267,359	242,743	342,290

FLEET (AT YEAR-END)

AN-124-100	10	10	10	10	10	10
IL-76TD	3	6	11	6	3	1
IL-76TD-90VD	-	1	2	2	2	3
Boeing 747F	3	4	6	7	7	11
Yak-40	6	6	5	5	3	-

PERSONNEL

	1,768	2,174	2,410	2,849	2,649	2,878
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* including Ruslan International and Ruslan SALIS sales

A portrait of an elderly man with grey hair and a mustache, wearing a blue suit, white shirt, and a blue patterned tie. He is holding a gold pen in his right hand. The background is a blurred outdoor setting with green foliage.

1993

In 1993, the first commercial transportation flight was successfully completed, setting a new record. The Volga-Dnepr team delivered a 20-meter long unit needed for the repair of an offshore drilling rig support system from Amsterdam (the Netherlands) to Perth (Australia). The team spent 28 hours in the air with a super-heavy, oversized cargo shipment, making only four stops in Istanbul, Sharjah, Madras and Singapore.

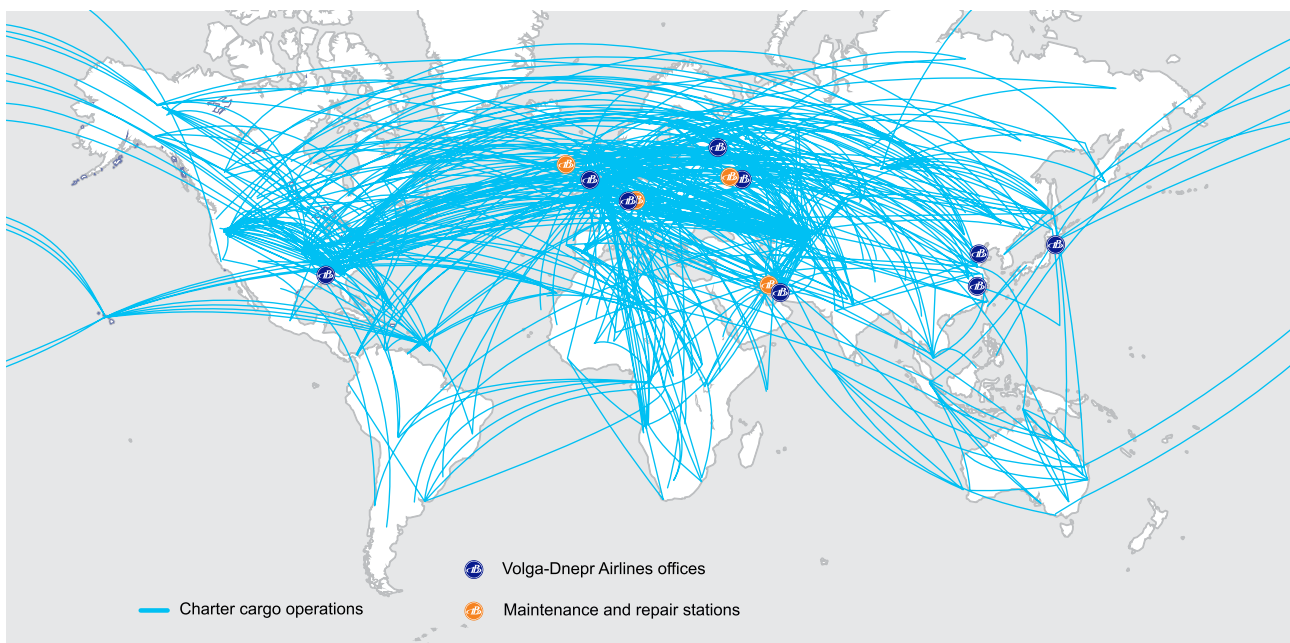
Vladimir **PETRISHEV**

Technical Director, Volga-Dnepr Airlines

“Of course, the cargo’s weight was impressive. It was 130 tonnes. No one had ever transported anything like that by airplane before. The technical preparations were carried out very carefully. Special equipment was designed and built in order to carry out this transportation. Every aspect of the operation required precise calculations and pinpoint accuracy in execution. The payload transported in one flight amounted to 2.5 million tonn-kilometers!”

§4 ROUTE NETWORK AND AIRCRAFT FLEET

CHARTER OPERATIONS



THE VOLGA-DNEPR AIRLINES FLEET

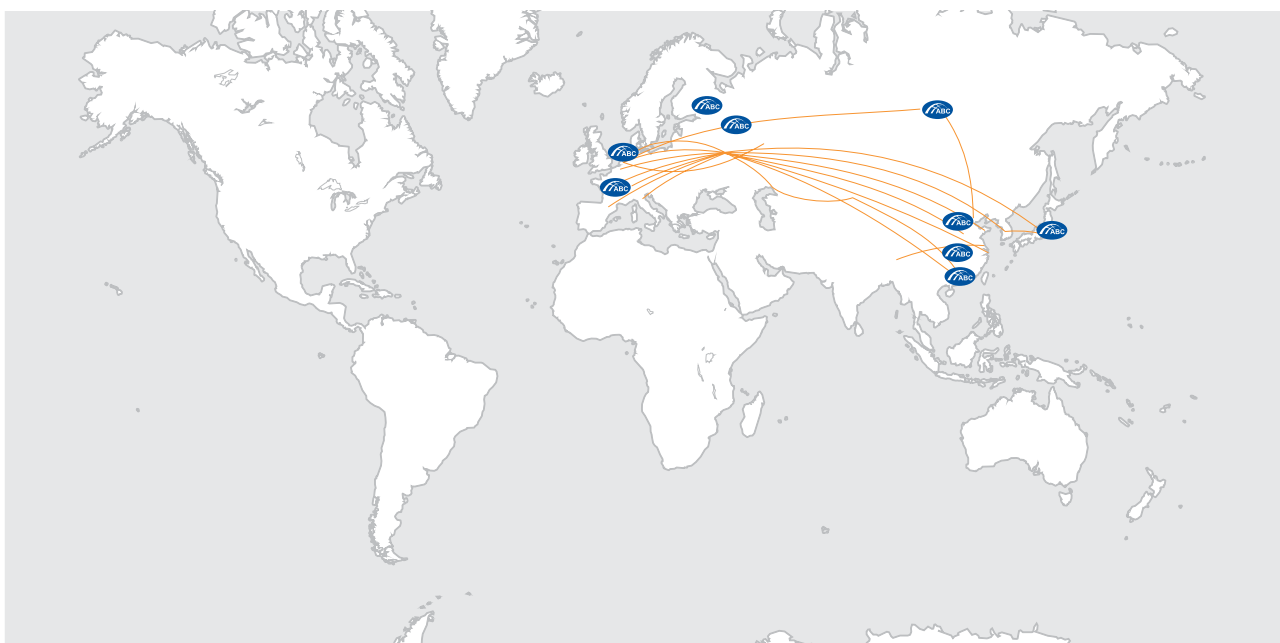


The AN-124-100 Ruslan is capable of carrying super heavy and outsized cargo weighing up to 120 tons over large distances. The construction of its 24-wheeled landing gear allows the plane to 'dip' the fuselage's nose to facilitate loading and unloading.

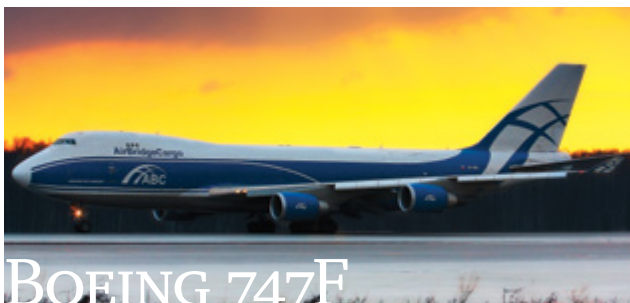


The newly modified IL-76TD-90VD has no geographical operating limits and complies fully with current (2010) and prospective ICAO (International Civil Aviation Organization) guidelines, and is certified for its compliance with global noise and emissions standards.

SCHEDULED OPERATIONS



THE AIRBRIDGECARGO AIRLINES FLEET



BOEING 747F
 The largest non-ramp freighter aircraft, the Boeing 747 family offers an ideal combination of capacity and range. The latest technology and modern equipment enable Boeing 747s to carry any type of cargo.

Volga-Dnepr Group's fleet comprises:

- 10 AN-124-100 Ruslans,
- three IL-76TD-90VDs,
- one IL-76TD,
- 11 Boeing 747s: three Boeing 747-200/300Fs and eight Boeing 747-400Fs, five of which are 747-400ERFs versions.



1994

Volga-Trucks was founded in 1994 within the framework of the Volga-Dnepr Group of companies. The company is a member of the Association of International Automobile Carriers and is using its customs carrier licence to transport cargo according to customs transit regulations.

Pavel **SHAIKIN**
Director, Volga-Trucks

“Volga-Trucks thought about offering its customers an integrated “door-to-door” delivery service. In a short period of time the company managed to become one of the leading providers of road transportation services in the region. The company is characterised by the same level of high quality standards that Volga-Dnepr Airlines is known for”.

85 MAJOR EVENTS OF 2010



CHARTER OPERATIONS

- In 2010, Volga-Dnepr Airlines won the Baltic Air Charter Association's (BACA) prestigious 'Best Cargo Charter Airline' of the year award in its annual BACA Excellence Awards.
- Volga-Dnepr Airlines received the Air Cargo Award of Excellence for the 'Air Carrier' category.

SCHEDULED OPERATIONS

- AirBridgeCargo Airlines was ranked first by Fraport Cargo Services (FCS) at Frankfurt Airport for achieving the 'Biggest Volume Increase 2010' in the company's annual 'Best Cargo Performer' awards.
- AirBridgeCargo Airlines won the 'Wings of Russia' national aviation award for 2010.
- In line with our policy of route expansion, AirBridgeCargo Airlines launched the following new services:
 - Amsterdam (Schiphol, Netherlands) – Ekaterinburg (Koltsovo, Russia)
 - Moscow (Sheremetyevo, Russia) – Tokyo (Narita, Japan) – Seoul (Incheon, South Korea)
 - Amsterdam (Schiphol, Netherlands) – Malmö (Sweden) – Moscow (Sheremetyevo, Russia)
 - Moscow (Domodedovo, Russia) – Frankfurt (Frankfurt, Germany)
 - Moscow (Sheremetyevo, Russia) – Xinzhen (Zhengzhou, China)
 - Moscow (Sheremetyevo, Russia) – Paris (Charles de Gaulle, France).
- AirBridgeCargo Airlines switched to a hub-based business model, making its base at Moscow's Sheremetyevo and Domodedovo Airports.



FLEET EXPANSION

- A third new IL-76TD-90VD entered service with Volga-Dnepr Airlines.
- AirBridgeCargo Airlines added four Boeing 747s to its fleet.
- The AN-124-100's service life was extended to 50,000 hours.

AIRCRAFT MAINTENANCE

- In line with Volga-Dnepr Group's programme of expanding our international network of technical maintenance and repair bases, the Volga-Dnepr Technics GmbH company was registered and an agreement was signed with Leipzig/Halle Airport to build a new hangar complex at the airport.
- In Moscow (Sheremetyevo Airport) we now offer an aircraft repair unit, providing maintenance services for metal constructions and composite materials (rated C-20).
- Volga-Dnepr Group opened a line maintenance station for Boeing aircraft in Sharjah (UAE).

A professional portrait of Alexander Rodionov, a man with short brown hair and glasses, wearing a dark blue suit, white shirt, and blue tie. He is standing in front of a large window with a view of greenery. The image is partially overlaid by a blue and yellow graphic design.

1995

Over the past 15 years, NIC has become one of the leading players in both the Russian and international insurance markets. Going forward, it plans to continue to develop more insurance solutions that support its business philosophy of delivering benefit for all of Volga-Dnepr's business units and employees.

Alexander **RODIONOV**
General Director, NIC insurance company

“In 1995, Volga-Dnepr Group’s President, Alexey Isaikin, implemented a further aspect of the Group’s strategy with the launch of the New Insurance Company (NIC). The main goal of the new business unit – established by the Volga-Dnepr management team with the support of the leading insurance broker, Willis – was to introduce a cost effective insurance model for the growing aircraft fleet of Volga-Dnepr Group. The goals of the company were subsequently broadened to also include competitive insurance programmes for the Group’s staff, such as the separate NIC-Life insurance company established in 2007”.

MANAGERS' ADDRESS

DEAR COLLEAGUES,

In 2010, Volga-Dnepr Group celebrated its 20th anniversary and marked the significant success and development we have achieved whilst also setting ourselves new objectives and defining new opportunities for growth.

As the first post-economic crisis year, 2010 saw the beginning of the market's recovery from its 2008/2009 downturn. In these conditions, conducting a review of 20 years work was, of course, no easy task but at the same time it was extremely revealing. As the company left behind the difficulties of the global economic crisis, its results served to demonstrate which decisions were right, which tools most effective, and to what extent the strategy as a whole was correct.

Our anniversary year of 2010 proved that we had chosen the correct path and despite the obvious difficulties, not only held our ground but also gained strength. This is undoubtedly to the credit of Volga-Dnepr's staff, who, when confronted with demanding conditions, were able to display their best qualities – professionalism, commitment and company loyalty. Equally vital was the experience we have gained over two decades of global operations, our knowledge of the market and our aspiration to work to the highest standards even in the most challenging of circumstances.

2010 was a good year for Volga-Dnepr Group with results comparable to pre-economic crisis figures. Total earnings from the Group's core businesses reached US\$1,587 billion, a 27% increase on 2009.

The adoption in 2010 of a hub-based business model for scheduled operations with Moscow's Sheremetyevo and Domodedovo airports as our base was another important milestone for the Group, as was the further development of logistical services. Volga-Dnepr's aircraft made around 7,000 flights over the 12-month period, including over 160 flights with unique oversize and heavy cargo.

In 2010, the group continued its progress of fleet development and renewal. In particular, the company continued to finance the IL-76TD modernisation programme, a key element of which is the installation of new PS-90A-76 engines that satisfy all current ICAO emissions and noise requirements. During the past year, Volga-Dnepr Airlines put into operation a third aircraft of this modification and the delivery of the fourth and fifth IL-76TD-90VD freighters to the fleet is expected in 2011-2012. Likewise, 2010 saw the continuation of the AN-124 Resumed Series Production Project with Volga-Dnepr's specialists taking a leading role in developing the technical image of the new aircraft and conducting a feasibility study on resumed production of the AN-124 family at the Aviastar-SP plant.

As we have done throughout our 20-year history, in 2010 Volga-Dnepr Group's HR Policy focused on raising the professional skills of its staff and improving the standard of living of its employees. Notably, the decision was taken to move Volga-Dnepr Managing Company and AirBridgeCargo Airlines to new premises, thus improving communication between departments and providing staff with more comfortable working conditions. Great significance was attached to the issue of health and safety and the development of social programmes to support staff, including during retirement. Programmes allowing employees to enhance their qualifications continued during the year, as well as those aimed at attracting and training new staff. 2010 saw more than 80 students from Russian aviation universities receiving on-the-job training in Volga-Dnepr Group companies and many of them were subsequently employed by Volga-Dnepr.

Over the next decade we will strive towards new achievements and successes in the sphere of cargo operations as well as in our Group-initiated industry projects.

We will continue to expand the aircraft fleet, particularly but not exclusively by resuming series production of the AN-124 Ruslan. We will continue to improve our result-focused quality systems and, of course, maintain our commitment to the development of our personnel, enhancing their professional and managerial skills.

20 years of work has tested not only our endurance but also our ability to adapt quickly to new conditions. The world is changing before our eyes, which means we must always be ready for new and quite possibly more demanding challenges. We must be able to find unconventional solutions and to always seek to improve ourselves in order to pre-empt the challenges that lie ahead and discover new horizons. Only our fundamental objectives should remain unchanged: professionalism, reliability and quality.

**Management
of Volga-Dnepr Group**

A portrait of Victor Sherin, General Director of Volga-Dnepr Technics Moscow. He is a middle-aged man with short grey hair, wearing a dark pinstriped suit, a light-colored shirt, and a patterned tie. He has his arms crossed and is standing in front of a modern building with large windows. The background is a clear blue sky. The image is partially overlaid by a blue semi-transparent box in the top right and a yellow semi-transparent box in the bottom right.

1996

Victor **SHERIN**
General Director, Volga-Dnepr Technics Moscow

“One of the key questions in the provision of quality service to Volga-Dnepr’s customers around the world was the vital issue of maintaining the fleet’s airworthiness. Since the company’s aircraft carry cargo all around the world, Volga-Dnepr decided to set up line maintenance stations in Sharjah (UAE) and Shannon (Ireland). This significantly reduced financial costs and the time spent on service provision, and allowed our company to achieve high indicators in terms of the fleet’s airworthiness. Moreover, thanks to the professionalism and high quality work of the line station’s staff, today they are among the market leaders in the area of maintenance and repair of aircraft technology”.

AIR CARGO MARKET IN RUSSIA AND THE WORLD: REPORT AND FORECAST

THE GLOBAL AIR CARGO MARKET IN 2010

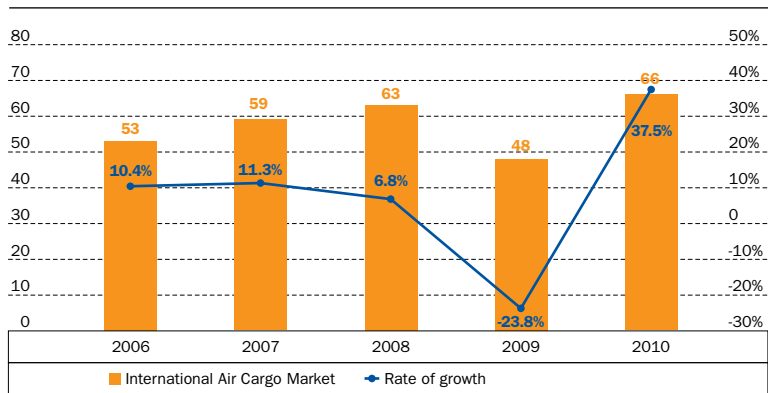
After the decline in cargo operations in 2008/2009 that resulted from the global financial and economic crisis, the market demonstrated confident growth in 2010. By the middle of the year global cargo traffic had risen by 20%, returning to pre-crisis levels even though some forecasts indicated this level of recovery could not be expected any earlier than 2012/2013. According to data compiled by the International Air Transport Association (IATA), the total market size was US\$66 billion in 2010, \$18 billion more than in 2009 and \$3 billion more than in 2008.

Global air cargo operations amounted to 44 million tonnes in 2010; a 13.6% increase on 2009 figures and a 4.7% increase on 2008 – the third quarter of which saw global cargo operations slump. Global cargo turnover rose by 19.8% last year.

Since October 2009, when the cargo market began its recovery, the growth rate of cargo turnover exceeded that of world trade as a whole. This indicates that the market share of air cargo operations, when compared with other types of cargo operations, continues to grow.

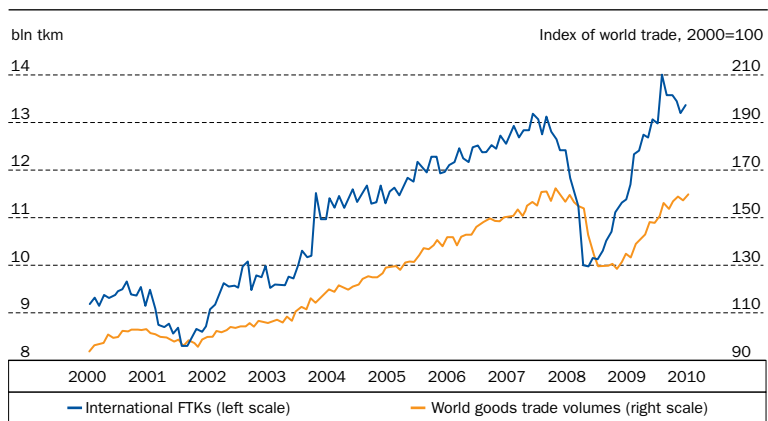
2010 saw a marked change in industry seasonality as figures for the first six months exceeded those for the traditionally-stronger second half-year. This can be explained by the fact that at the start of the recovery cycle businesses needed to replenish stock levels.

THE GLOBAL MARKET OF AIR CARGO OPERATIONS (USD BILLION) AND ITS RATE OF GROWTH



Source: IATA

WORLD TRADE RECOVERY CONTINUES APACE



Source: Netherlands CPB, IATA

First half of 2010 growth rates exceeded figures for the same period of 2009 by 25–30%. Growth in cargo operations peaked in May 2010 (at 35.2%), while the lowest growth was observed in November (5.4%). By June, the industry’s rate of recovery had exceeded all forecasts.

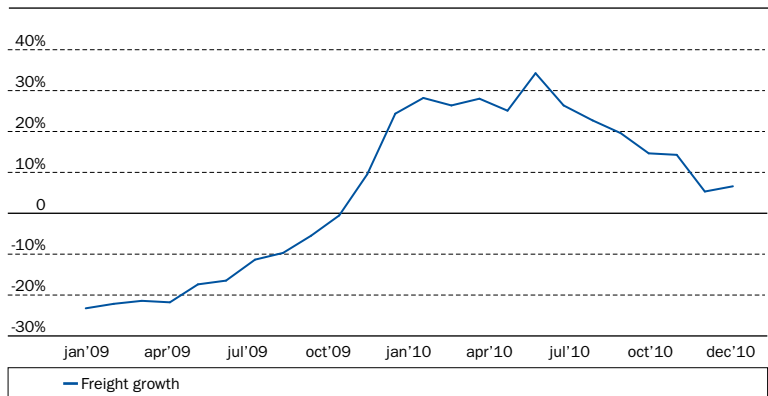
The continued recovery of different industry sectors after the crisis and the fact that the Asian economy (except Japan) recovered faster than had previously been forecast proved the main factors behind the market recovery.

Another result of the crisis was the redistribution of cargo operations. In particular, Chinese consumption increased, including consumption of European products, decreasing the imbalance of cargo operations between Europe and China: cargo operations from Europe to China grew by 49% in 2010. Traffic from China to Europe rose by 26%.

Nevertheless, growth rates did differ from region to region. 2010 saw cargo operations in the Asian region grow by 24%, and the European market demonstrate a growth rate of 10.8% compared to a fall of 20% the year before. The Latin American cargo market led with a rise of 29.1%.

Some aircraft mothballed during the crisis are returning to their airline’s fleets, though a proportion will be replaced by newer, more efficient models. Orders placed for new aircraft reflect their improved economic performance, though at present manufacturing companies are being frequently forced to revise delivery times.

CHANGES IN FTK 2009 – 2010



Source: IATA

While in 2009 the market slump was outstripped by a reduction in availability, in 2010 the global market’s growth rate outstripped available capacity. This resulted in a growth in cargo turnover and general market availability. Despite the growth in demand, air cargo operators increased the availability of capacity cautiously; thus in 2010 capacity levels rose by 8.3%, while growth in demand was 24%.

Besides changes in the ratio of cargo turnover, the industry as a whole experienced a redistribution of forces: thanks to government help, Asian airlines found themselves in a more advantageous position. Expert predictions suggest that in the next 5-10 years Asian airlines may well outstrip American carriers in number of aircraft orders, fleet size and control of cargo turnover.



THE AIR CARGO MARKET IN AN-124-100 AND IL-76 CHARTER OPERATIONS

Throughout the past 20 years, cargo operations on AN-124-100s and IL-76s have proved an integral part of the global air cargo market. These aircraft are in demand for the transportation of outsized and heavyweight cargo for different sectors of international industry, including aerospace, oil and gas, construction, heavy engineering and the automotive industry. The AN-124-100 has also repeatedly demonstrated its capability and competitive advantages in delivering large quantities of humanitarian cargo. 23 AN-124-100 cargo aircraft make up the commercial fleet, which has undergone no changes during the last 10 years.

Demand for non-standard and outsized air cargo services using AN-124-100s is increasing year on year.

This is linked to a number of factors: development of the aerospace industry, implementation of large-scale industrial projects, development of oil and gas fields, and change in the global geo-political climate. Average annual market growth stands at 17%, exceeding the equivalent industry-wide figure by 11.2%. There are periods when market demand can exceed supply.

Despite the global financial crisis of 2009, there was no significant decline in AN-124-100 cargo operations. This is because industry projects, which often use AN-124-100s for logistical operations, are strategic in character so their development was neither postponed nor frozen. Comparing 2010 with pre-crisis 2008, growth in AN-124-100 air cargo operations stood at 8%, while growth in the global air cargo market was around 5%. This proves that growth in the AN-124-100 air cargo market has outstripped the global air cargo market.

2010 saw around 150,000 tonnes of cargo transported by AN-124-100s. Considerable growth was observed in the transportation of heavy industrial equipment and accounted for 60% of the total, while humanitarian cargo made up 31%. In 2010, more than 3,000 tonnes of humanitarian aid was transported, including deliveries to Haiti and Chile, which experienced devastating earthquakes in January and February, and to Pakistan, which suffered flooding in July 2010.

Large global companies in the aerospace industry use AN-124-100 cargo services on a continuing basis. In 2010, 226 flights carrying aerospace cargo were made, 45 of these to space centres worldwide.

Cargo operations on IL-76 freighters are also in demand, both as concerns the aerospace industry (transporting engines and helicopters), and with regard to oil and gas, heavy engineering, and nuclear energy shipments.

The IL-76 fleet is being reduced with an average annual retirement rate of 8-10%. Pro-active companies have started to buy modified versions of the IL-76 (stage IV) and demand for these carriers far exceeds supply. The existing fleet of modernised aircraft serves to severely limit the current size of the market.

THE RUSSIAN AIR CARGO MARKET IN 2010

2010 was also a good year for the Russian air cargo market with the cargo turnover of Russian airlines increasing by 32.4% to 4.711 billion tkm. Cargo and airmail operations grew by 29.9% to 925,194 tonnes.

Leading air cargo operators continued to restructure and consolidate, which could not but have a positive effect on the market's recovery. Nevertheless, the Russian market's shrinkage by more than the global market in 2009 was also a factor.

Experts noted that Russian airlines increased cargo operations predominantly at the expense of international scheduled flights. By charging less for their services, Russian players succeeded in attracting new clients, winning a proportion of the Asia – Europe cargo traffic.

Scheduled operations between Europe and South-East Asia remain a strategic route for Russian air cargo operators. Among the active participants in the market are AirBridgeCargo Airlines, the largest carrier in Russia and at Frankfurt airport, where it has overtaken the airport's former leader Lufthansa Cargo; Aeroflot, which, following the liquidation of its subsidiary Aeroflot Cargo, has included MD-11s in its fleet; and Polet Airlines, which, thanks to its IL-96-400Ts, has been expanding scheduled operations between China, Germany and Belgium since autumn 2010.

When it comes to cargo operations at Russian airports, the year witnessed Sheremetyevo International Airport lead Russian airports in terms of cargo traffic with a throughput figure of 235,000 tonnes compared to Domodedovo's 180,000 tonnes. At the end of the given period, Sheremetyevo International Airport's share comprised 30.6% of the total air cargo market and 61% of Russia's international air cargo market. In 2010, the airport began construction of a multi-modal cargo complex covering an area of around 20,000 m².

A professional portrait of Olga Koroleva, a woman with short dark hair, wearing a grey pinstriped suit jacket over a light purple top. She is smiling and looking towards the camera. The background is a blurred outdoor setting with greenery and a building.

1997

“For Volga-Dnepr, the question of flight safety has always been a top priority. This explains why Volga-Dnepr was among the first Russian companies that passed the American FAA inspection in 1994. Subsequently in 1997, we started training our air crews to account for the human factor in flight operations – the main cause of accidents in modern aviation. The new course was developed and implemented based on ICAO’s standards and recommendations”.

Olga **KOROLEVA**
Managing Director, International Educational Centre

The first results were immediate. The same year, the International Flight Safety Foundation awarded Volga-Dnepr with a certificate “For outstanding achievements in flight safety provision”.

The complex is due to open at the end of 2012 and Sheremetyevo plans to increase the volume of cargo it handles to an annual figure of one million tonnes by 2030. AirBridgeCargo Airlines, Kratos Group of Companies and Interros Company are the airport's partners in the project. Ekaterinburg's Koltsovo Airport has also undertaken a major construction programme with the building of a new cargo terminal. By 2030, Koltsovo's cargo turnover is expected to have more than tripled, reaching 80,000 tonnes. In 2010, the airport handled almost 25,000 tonnes of cargo.

GLOBAL MARKET FORECAST 2011 – 2030

The aviation industry expects further growth in 2011, though the rate of growth is likely to be significantly lower than in 2010, as 2010's high growth figures were based, among other things, on the extremely low figures for 2009. According to IATA's forecasts, in 2011 cargo turnover is expected to increase by 5.5%, and industry net profit will stand at US\$ 4 billion.

One of the main indicators used in the forecast is GDP. IATA predicts growth in GDP will be 3.2% in 2011, while the IMF's most recent forecast gives a figure of 3.3% for growth in international GDP in 2011, and 3.7% in 2012. The last few years have seen growth in air cargo traffic consistently around twice as much as growth in GDP.

According to Boeing's forecasts, air cargo market growth will stand at 5.6% in 2011, with average annual growth of 5.1% for the period between 2011–2030.

Boeing also predicts that over the next 20 years, international air cargo operations will triple in comparison with 2009. This growth will be achieved primarily thanks to the Asian region. Over the next 20 years, air cargo operations to and from Asia are forecast to grow by an average of 7.9% and 6.7% respectively.

According to Boeing's research, over the next 20 years the international cargo fleet will increase by 1,740 aircraft and by 2030 will reach 3,500 aircraft. The proportion of wide-body aircraft will grow from 27% to 33%. Demand for additional capacity will be met by 970 new and 1,990 converted cargo aircraft¹.

Airlines are now carefully assessing how events are likely to unfold. Market players have expressed concern regarding the expected growth in the price of fuel as well as new safety measures introduced in response to the growing number of terrorist threats².

1 http://www.boeing.com/commercial/cmo/freighter_market.html

2 <http://atwonline.com/airline-finance-data/article/topsy-turvy-cargo-1229>



1998

“Receiving the “The Wings of Russia” national award serves as a confirmation of the company’s impeccable reputation and leadership in the Russian airline cargo market. In 1998, the first year of the awards, Volga-Dnepr won “The Wings of Russia” prize. We put tremendous effort into setting certain high standards in the industry and these efforts were highly appreciated and recognised by the aviation community”.

Valery **GABRIEL**
Executive President, Volga-Dnepr Airlines

Volga-Dnepr Airlines has now won the “The Wings of Russia” award five times. In total, together with AirBridgeCargo, the Group has seven major national awards in the airfreight category.

VOLGA-DNEPR GROUP DEVELOPMENT STRATEGY

GROUP STRUCTURE

Volga-Dnepr Group is a multinational organisation with Russian roots, created to meet the worldwide demand for logistical services. The company employs cutting-edge technology and aircraft – AN-124-100s, IL-76s and Boeing 747s – in combination with the endeavours of the best industry personnel.

The Group's vital strength lies in its worldwide air cargo operations.

Volga-Dnepr Group takes as its foundation a strategy of leadership and the 'Cargo Supermarket' marketing concept, which combines:

- air cargo charter operations;
- scheduled air cargo operations;
- aircraft maintenance and repair services.

Air cargo charter operations are run by a subgroup of Volga-Dnepr, consisting of Volga-Dnepr Airlines – the subgroup's primary company which deals with the majority of the work – Volga-Dnepr UK Ltd., Volga-Dnepr Unique Air Cargo Inc, Ruslan SALIS GmbH, Ruslan International Ltd., Volga-Dnepr Gulf, and Volga-Dnepr Ireland.

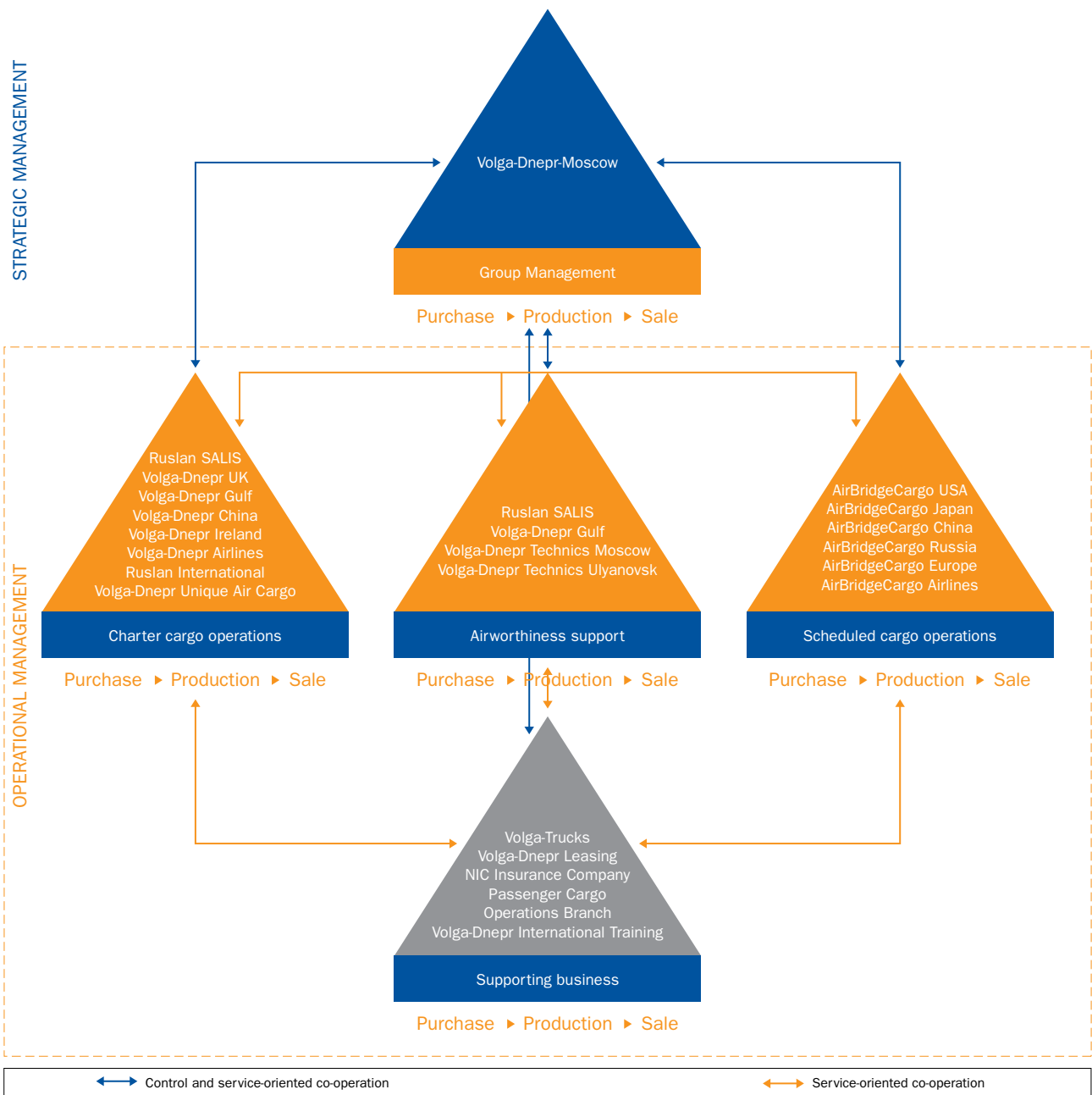
Scheduled air cargo operations are performed by the AirBridgeCargo subgroup, which includes AirBridgeCargo Airlines – the subgroup's primary company which deals with the majority of the work – and representatives of companies in Europe, the U.S., Russia, China and Japan.

Aircraft maintenance and servicing are carried out by the Volga-Dnepr Technics subgroup, which includes Volga-Dnepr Technics Moscow – the subgroup's primary company, responsible for operational maintenance on Boeing-747s – Volga-Dnepr Technics Ulyanovsk, Volga-Dnepr Gulf, and Volga-Dnepr Technics GmbH.

Supporting businesses are also part of the Group, serving both the Group's companies and outside clients. Supporting businesses include Volga-Dnepr Leasing, Volga-Dnepr International Training, NIC Insurance Company and NIC-Life, and Volga-Dnepr Airlines' branches: Volga-Trucks and Volga-Dnepr Airlines' Moscow Office.

On a strategic level, the Group is managed through its management company (Volga-Dnepr-Moscow), while the subgroups' primary companies deal with business at the operational level.

■ GROUP STRUCTURE





1998

“At the very beginning of its commercial exploitation, the AN-124 Ruslan’s resources were not satisfactory. It was completely understandable; the aircraft was not needed by the army personnel since its maximum flight time amounted to 200 hours annually whereas the aircraft’s engine had only 500 hours of life. In commercial exploitation, the flight time started reaching 500 hours annually. As a result of more than 100 operations designed to modernise the aircraft, in 1999 we were able to set a record of 1,200 hours of flight time for one aircraft”.

Alexey **GERIMOVICH**

Pilot of the AN-124-100 special flight group

The mark of 1,000 hours per year was reached fairly easily. Soon afterwards, the designated resource for the aircraft was set at 8,000 hours and at the present time it is now 50,000 hours.



MISSION STATEMENT

The Group's mission is: we build reliable air bridges for our partners worldwide. We work to change the air logistics concept using our unique capabilities. We are confident that we will reach our goals by facilitating the success of each employee that will result in the overall success of the company.

The Group's main target for 2030 is: Volga-Dnepr – a 'perpetual', professional organisation, the global leader in the air cargo industry.

PRINCIPAL OBJECTIVES OF 2010 AND THEIR RESULTS

The Group's strategy for 2010 was aimed at enhancing efficiency, improving the production process, strengthening market leadership, and gaining and keeping experience.

One of 2010's main activities was the compilation of long-term (up to 2030) development plans for both the Group's subgroups and for the Group as a whole.

2010 saw the Group keep its position as one of the top 15 highest-earning air cargo companies in the world.

■ **PRINCIPAL OBJECTIVES OF 2010 AND THEIR RESULTS**

Objectives	Results
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SCHEDULED CARGO OPERATIONS

To ensure AirBridgeCargo Airlines breaks even	AirBridgeCargo Airlines finished 2010 with profits of US\$ 86.6 million.
To raise the quality of standard cargo delivery to the level of an industry leader	Operational standards have been compiled and 95% reliability achieved. Quality assurance will remain an objective for 2011.
To expand AirBridgeCargo Airlines' fleet	Four Boeing 747-400s have been brought on line, one of which is a Boeing-747-400ERF. By 31st December 2010, the airline's fleet numbered eleven aircraft.
Accommodate the professional development of AirBridgeCargo Airlines' management team	A training and corporate events programme has been developed and a personnel reserve formed.

CHARTER CARGO OPERATIONS

To meet our profit target	With a net profit of US\$ 159 million.
To develop an Engineering and Logistics Centre	The Engineering and Logistics Centre is now operational with a set level of logistics services and sales of US\$5 million.
To create training centres for Volga-Dnepr Airlines	One training centre has been built. It includes a full AN-124-100 flight simulator for the training of flight crew and an AN-124-100 Flight Procedures Training Device. We have developed training centre programmes.
Staff development in Volga-Dnepr subgroups	A personnel reserve has been established for the subgroup and individual development plans created for staff. Events were held on increasing productivity and on increasing staff motivation.

AIRCRAFT MAINTENANCE AND REPAIR SERVICES

To ensure the targeted level of airworthiness of the AirBridgeCargo Airlines' fleet	Compared with figures for 2009, significant growth has been achieved: <ul style="list-style-type: none"> • idle hours per number of landings have fallen by 8%; • idle hours per aircraft have fallen by 16%; • idle hours per number of idle times have fallen by 31%.
To form teams of executives and production professionals	A list has been compiled of key personnel. Key performance indicators have been prepared and programmes for personnel development and experience sharing established.

CORPORATE DEVELOPMENT

To meet the Group's targets for profit and earning capacity	Net profit for the given period was US\$ 235 million.
To develop cutting-edge management technology	<ul style="list-style-type: none"> • a development plan has been created for the corporate university; • procedures have been formalised for the acceptance and control of how strategic managerial decisions are implemented; • we have established a prospective architecture for IT systems, oriented towards meeting the Group's strategic objectives; • we are continuing to develop technologies for project management; • the Project Office has been created.
To draw up long-term plans for the expansion of the Group's fleet	Work has begun on developing long-term business plans for Volga-Dnepr Airlines' and AirBridgeCargo's fleets in line with the Group's draft strategic business plan until 2030. This work is continuing in 2011.

PRINCIPAL OBJECTIVES FOR 2011

Objectives

SCHEDULED CARGO OPERATIONS

- To meet the reliability target of 95% with flight punctuality of 65%
- To enter new international markets in the USA
- To further improve production, to ensure an uninterrupted, smooth operation in the company's Moscow hub, to achieve the punctuality and reliability targets by reducing the number of idle hours caused by technical difficulties

CHARTER CARGO OPERATIONS

- To modernise the existing AN-124 fleet
- To further develop the Operations centre
- To ensure accident prevention and flight safety objectives are met

AIRCRAFT MAINTENANCE AND REPAIR SERVICES

- To build and bring on-line systems for fast, high-quality aircraft restoration, lowering the restoration idle time by 20%

CORPORATE DEVELOPMENT

- To establish and accomplish strategies for fleet expansion, including the AN-124 Ruslan Resumed Series Production Project
- To implement cutting-edge management technology, including the Project Office
- To continue to develop the corporate university
- To develop and implement result-oriented systems for quality control
- To accommodate staff development by improving employees' managerial skills, creating personnel reserves, promoting a healthy lifestyle and improving motivation systems

A man with short brown hair and glasses, wearing a grey suit, white shirt, and a purple and white patterned tie. He is standing in front of a window with a view of trees. The background is a blue gradient with a tree silhouette.

2000

In order to build its own global service network, the Volga-Dnepr Group of companies created subsidiary companies on both sides of the Atlantic Ocean: Volga-Dnepr Unique Air Cargo, Inc. Houston (USA) and Volga-Dnepr UK Ltd. in Stansted (Great Britain).

Konstantin **VEKCHINE**

Vice-President, Volga-Dnepr Unique Air Cargo

“Our customers are located in different parts of the world. Consequently, such things as time difference or a language barrier should not interfere and become obstacles in our work. We operate 24/7. The opening of our offices in the U.S. and Great Britain became an important step in building our global service network”.

89 LINES OF BUSINESS IN 2010

CHARTER CARGO OPERATIONS



Volga-Dnepr Airlines, a part of Volga-Dnepr Group, carries out air charter operations for the global transportation of cargo, including outsize and heavy cargo, using AN-124-100 Ruslan and IL-76 freighter aircraft. Over the last two decades, the airline company has accumulated vast experience of transporting cargo for aerospace, automotive, oil and gas and other industries. In addition, Volga-Dnepr takes part in international humanitarian and peace-keeping campaigns on a regular basis.

In 2010, despite the aftermath of the global financial crisis, Volga-Dnepr Airlines maintained its leadership in the global air cargo charter market. In the reporting period, Volga-Dnepr sales amounted to US\$ 905.2 million, a 4.5% increase over the previous year. The tonnage of cargo carried increased by 1.8% to a total of 85,408.5 tonnes as against 83,894 tonnes the year before. In terms of cargo turnover (499,291.8 thousand tkm), Volga-Dnepr was rated as the second largest Russian airline after AirBridgeCargo Airlines, which is also a part of Volga-Dnepr Group. In 2010, Volga-Dnepr Airlines performed over 1,480 flights to 342 destinations.

The success achieved in 2010 resulted from both the general industry recovery after the economic crisis and the efficient implementation of the airline's strategy through the following:

- Active liaison with key customers; in 2010, aircraft availability was prioritised for strategic clients.
- Efficient aircraft fleet management incorporating market trends and customer demands, including a reallocation of resources to commercial and humanitarian traffic.
- Further development of logistic services for unique outsize and heavy cargo.
- Personnel development. In 2010, the company continued improving the professional training system for its flight crews, which included the use of a Full Flight Simulator (FFS) for the AN-124 that was designed and constructed in-house. The training results unequivocally demonstrate the key role of the FFS in preventing air accidents.

In 2010, Volga-Dnepr Group continued working for Ruslan SALIS and Ruslan International, the joint international projects for air cargo charter operations.

Ruslan SALIS is the first international project involving Russian and Ukrainian companies to provide cutting-edge technology services to European countries. Ruslan SALIS GmbH, incorporated in Germany, represents the interests of SOE Antonov (O.K. Antonov AREC) and Volga-Dnepr Group for their involvement in NATO's Strategic Airlift Interim Solution (SALIS) programme. According to the agreement signed in 2005, Volga-Dnepr provides the project parties (presently including 16 NATO countries) with up to six AN-124-100 freighters at a time.

Volga-Dnepr Airlines sales in 2010 amounted to

905.2 MILLION USD

The tonnage of cargo increased to a total of

85.4 THOUSAND TONNES

Volga-Dnepr Airlines performed in 2010 over

1,400 FLIGHTS TO 342 DESTINATIONS

2010 was the most productive year since the project began over five years ago. Ruslan SALIS GmbH operated 1,935 flights and transported over 106,000 tonnes of cargo.

Ruslan International is a joint venture of Volga-Dnepr Airlines and Antonov Airlines and was also founded in 2006. It is a common marketing agent of both airline companies in the international market for AN-124-100 services. The joint utilisation of the fleets of both cargo operators has allowed the companies to offer better service options to customers through greater availability of aircraft, more flexible flight scheduling and cooperation in aircraft maintenance.

Ruslan International strives to improve service quality through the combined technical expertise of AN-124-100 operators and the efficient utilisation of the joint fleet, loading equipment and maintenance facilities. At the same time, the two member companies have continued performing flights as independent operators. Together, the airlines now market a fleet of 17 AN-124-100 Ruslan freighters (10 aircraft of Volga-Dnepr and seven of Antonov Airlines). In 2010, Ruslan International operated 563 flights, transporting 35,000 tonnes of cargo. This represented a 10% increase over 2009.

In the air cargo charter market, Volga-Dnepr Group serves some of the largest international manufacturing, aerospace and oil and gas companies, including Lockheed Martin/United Launch Alliance, Thales Alenia Space, Eurocopter, Space System Loral, Sikorsky Aircraft, RSK MIG, RosOboronExport, General Electric, British Petroleum, Exxon, Siemens, and Mitsubishi Heavy Industries, as well as the governments of the USA and EU countries, and international humanitarian and governmental agencies.

The AN-124-100 Ruslan is an unrivalled ramp freighter. Its record-breaking 120-tonn cargo lifting capacity allows it to provide a solution for even the most complex air logistics tasks. As part of its AN-124-100 fleet modernisation programme, Volga-Dnepr Airlines has invested to extend the design service life of the aircraft and vendor components, which has ensured the uninterrupted operation of the fleet.

IL-76TD freighters are designed to carry non-standard, heavy and general cargo of up to 50 tonnes.

Since 2002, Volga-Dnepr Group has been carrying out the IL-76TD Deep Modification Programme, where one of the key components is to equip the aircraft with PS-90A-76 engines. This new type of engine meets the current and forthcoming ICAO emissions and noise requirements. By the end of 2010, Volga-Dnepr had three modernised IL-76TD-90VD aircraft in its fleet.

In addition to air cargo operations, Volga-Dnepr markets completed door-to-door logistics solutions for outside, heavy and other cargoes, including multi-modal transport arrangements involving worldwide road, railway and water transportation. For this purpose, the Group created a special Engineering and Logistics Centre with offices in Russia, the United Kingdom and the USA which operate 24/7/365.

In the reporting period, 62 transportation solutions were performed for customers that utilised the expertise of the Engineering and Logistics Centre.

Over five years, Ruslan SALIS GmbH transported over

106 THOUSAND TONNES OF CARGO

In 2010, Ruslan International project transported

35 THOUSAND TONNES OF CARGO

A portrait of Dennis Gliznoutsa, a man with short brown hair, wearing a dark blue pinstriped suit jacket, a light blue striped shirt, and a dark tie with light blue stripes. He is standing with his arms crossed, looking slightly to the right of the camera. The background is a blurred outdoor setting with vertical lines, possibly a building or airport structure.

2001

On February 1, 2001, a Russian-British joint venture "HeavyLift-Volga-Dnepr" that was created on September 17, 1991 in order to introduce the unique AN-124-100 cargo aircraft into the international market, ceased to exist. The partnership between the two companies has gone a long way; the company developed and incorporated international standards in its operations and learned to work with western customers.

As it was noted by Michael Hayles, the general director of HeavyLift: "What was achieved by Volga-Dnepr was not achieved by practically any other Russian company. It was one of the first companies that was able to work in compliance with international standards. It continuously increased its business operations and became one of the largest cargo companies."

Dennis **GLIZNOUTSA**
Vice-President for Sales, Volga-Dnepr Airlines

"It was a risky choice, but the right one. It was important not to perpetuate the company's success but continue to grow and actively develop. We needed to make independent decisions and take responsibility for them. By choosing our own path we were able to succeed".



The scope of services of the Engineering and Logistics Centre includes the following:

- Provision of ground equipment at airports for loading and offloading;
- Ground transportation of cargo to/from airports, including obtaining all required permits;
- Technical evaluation of cargo and its preparation for transportation;
- Development and manufacture of special-purpose transportation modules for specific projects;
- Consultation regarding the transportation options for specific cargo, including recommendations for its packaging and preparation for transporting;
- Facilitation of customs clearance and cargo insurance;
- Utilisation of smaller capacity aircraft (AN-12, AN-26, AN-72) engaged through partner airlines to deliver the most cost efficient solution for customers.

SCHEDULED CARGO OPERATIONS

Volga-Dnepr Group operates in the scheduled cargo operations market through AirBridgeCargo Airlines.

At the end of 2010, AirBridgeCargo Airlines' sales revenues were US\$ 672.7 million, an 82% increase over 2009. The company's cargo turnover in 2010 increased by 56% (while the industry-average growth was 21%) to 2,058,553 thousand tkm. In 2010, the company operated 5,801 flights, transporting 256,881 tonnes of cargo. This represented a 61% increase year-on-year.

AirBridgeCargo Airlines is not only Russia's first international scheduled cargo airline operating Boeing 747 freighters, it is also the largest cargo airline in Russia. In acknowledgement of this, the airline has been awarded the prestigious "Wings of Russia" national aviation award for three consecutive years.

A portrait of Marat Mukhametzyanov, a man with short dark hair, wearing a dark suit, light blue shirt, and striped tie. He is smiling slightly and has his hands clasped in front of him. The background is a blurred outdoor setting.

2002

In Spring 2002, Volga-Dnepr's aircraft performed a series of cargo flights, transporting a hospital unit and related equipment from Prague to Kabul, the capital of Afghanistan. In addition to the hospital unit, the company's aircraft transported a variety of vehicles required to carry out operations in Afghanistan's medical centre.

Marat MUKHAMETZYANOV

Commercial Director, Volga-Dnepr Airlines

"The volume of humanitarian cargo we carry increases annually. In order to assist people and provide relief at a time of natural disasters, to assist victims in emergency situations and rescue people there needs to be efficiency, reliability and a high level of professionalism in all logistics operations. Those are the qualities that we continuously work on and develop in the personnel of Volga-Dnepr".

These achievements are not only a result of the favourable economic situation and the general recovery of the industry from the global financial crisis, but also from the successful implementation of the company's strategy, which included the following:

- Expansion to new markets and increase of flight frequencies on existing routes. The airline's network included 37 routes by the end of 2010.
- In 2010, AirBridgeCargo Airlines started regular operations on routes between Amsterdam–Yekaterinburg, Moscow–Seoul (via Tokyo), Moscow (Domodedovo)–Frankfurt, and Moscow–Paris (Charles de Gaulle).
- Increasing market share through fleet optimisation. In 2010, as part of its fleet optimisation programme, AirBridgeCargo Airlines put into service four advanced Boeing 747-400 aircraft, including one 747-400ERF.
- The airline's fleet of Boeing 747s with the 747-400ERF modification amounted to five aircraft. In total, there are 11 Boeing 747 aircraft in the company fleet: three Boeing 747-200/300Fs and eight 747-400Fs.
- Growth of Russian cargo turnover and development of hub operations. AirBridgeCargo Airlines continued its efforts to increase the efficiency of its hub operation in Sheremetyevo Airport and commenced hub operations at another Moscow airport, Domodedovo.
- Personnel development. In 2010, AirBridgeCargo Airlines had an effective system of continuous training and development of knowledge, skills and abilities obtained through the training process.

In addition, AirBridgeCargo Airlines continued implementing its strategy to develop long-term cooperation with key customers and reduce round-trip cargo imbalances. This further contributed to the airline's success in the marketplace.

In 2010, the airline continued its efforts to improve flight reliability and punctuality: AirBridgeCargo Airlines' flight reliability was 99%, take-off punctuality was 47.4%, and landing punctuality was 44.4%.

*At the end of 2010,
the sales of AirBridgeCargo Airlines were*

672.7 MILLION
USD

*Total cargo transported
of AirBridgeCargo in 2010*

256.9 THOUSAND
TONNES

*In 2010, AirBridgeCargo Airlines
operated over*

5,800 FLIGHTS



AirBridgeCargo Airlines' customers include many of the largest international manufacturers and freight forwarders in the world, such as DB Schenker, Panalpina, DHL, Inditex, Dachser, TNT, CYTS, CTD, DSV, and Kerry Logistics.

As the largest non-ramp freighter aircraft, the Boeing 747 offers a perfect combination of airlift capability and flight distance. Thanks to cutting-edge technology and state-of-the-art equipment, the Boeing 747 is capable of transporting any type of cargo, including those requiring special handling and temperature-sensitive shipments.

BOEING 747-200F/300F

This aircraft was designed for long-distance cargo transportation and has more powerful engines than its passenger counterpart and an increased take-off weight.

BOEING 747-400ERF

Equipped with improved avionics, optimised for long-haul flights, the Boeing 747-400ERF is the most advanced model among Boeing 747 freighters.



AIRCRAFT MAINTENANCE

In 2008, Volga-Dnepr Group created an MRO network named Volga-Dnepr Technics, which helped cut costs and improve maintenance quality and efficiency for the Group's fleet, as well as providing aircraft maintenance services to other airlines.

By the end of 2010, the sales of Volga-Dnepr Technics Moscow were US\$ 7.12 million for services provided to the Group and US\$220,000 for services rendered to third-party customers.

In 2010, the labour input for line maintenance amounted to 94,803 standard hours (including auxiliary works).

Over the reporting period, Volga-Dnepr Group has continued developing the Volga-Dnepr Technics MRO network.

By the end of 2010, the sales of Volga-Dnepr Technics Moscow were

7.34 MILLION USD

In 2010, the labour input for line maintenance amounted to

94.8 STANDARD THOUSAND HOURS

A portrait of Georgy Kuznetsov, an elderly man with white hair, wearing a white shirt, a red tie with white polka dots, a dark vest, and dark pinstriped trousers. He is standing with his arms crossed in front of a blue metal structure, possibly an aircraft fuselage. The background is a bright blue sky.

2003

In 2003, the State Register of Inventions of the Russian Federation registered a new invention introduced by Volga-Dnepr called "the system for collection, registration, transmission, processing and analysis of flight data on parameters of transport vehicles movement, mainly aircraft".

Georgy **KUZNETSOV**
Head of flight data processing and analysis center

"Flight safety is our top priority. For that reason a lot of attention is paid to the analysis of the work of our crew, aviation technology and technical support services. As a result we were able to create a system that allows us not only to collect and transmit information about the flight but to dynamically monitor each of our flights, simultaneously analysing pilot quality indicators and data concerning the technical condition of the plane".



As part of the programme to develop the international MRO network, Volga-Dnepr Technics GmbH was registered in Germany in 2010 and an agreement was signed with Leipzig-Halle Airport to construct a maintenance hangar complex at the airport.

As of today, Volga-Dnepr Technics operates a network of facilities for maintenance and repair of both Russian and foreign aircraft. This network includes four major facilities:

- Volga-Dnepr Technics Moscow provides on-line maintenance (pre-flight, daily check, service check) and related services for Boeing 747 aircraft at the two largest Moscow airports, Domodedovo and Sheremetyevo.
- Volga-Dnepr Technics Sharjah (Sharjah Airport, UAE) provides on-line and regular maintenance of Russian-made aircraft (AN-124, AN-24, AN-26, AN-32, AN-74 and IL-76) and line maintenance of Boeing 747 aircraft.
- Volga-Dnepr Technics Ulyanovsk (Ulyanovsk-East Airport), is a maintenance and repair operation based on the existing maintenance facility of Volga-Dnepr Airlines, which has been in operation for over two decades. The scope of works covers maintenance of AN-124-100 and IL-76 aircraft. Volga-Dnepr Technics intends to become one of the first residents in the Special Port Economic Zone in Ulyanovsk.
- Volga-Dnepr Technics Leipzig (Leipzig-Halle Airport, Germany) is a maintenance operation at the Ruslan SALIS maintenance facility, which has been operating since 2006. Volga-Dnepr Technics intends to provide line and basic maintenance services in Leipzig as well as related services (repair of wheels and brakes, sales of aircraft oils and lubricants) for Boeing 747-200/300/400 aircraft and aircraft made in Russia.

FLIGHT SAFETY

Ensuring a high level of flight safety is a top priority for Volga-Dnepr Group. The continuous introduction and development of new proactive forms of accident prevention and safety management in accordance with global trends and advancements – and in line with ICAO ideology – are at the forefront of the Group's general safety philosophy.

The organisation chart of the Group includes Accident Prevention and Flight Safety Inspectorates (AP&FSI). Coordination of activity and accident prevention guidance is vested in the Accident Prevention Department of the Managing Company. The published implementation principles of the Group Accident Prevention and Flight Safety Policy constitute the code of conduct for all employees and form the basis for the Group's corporate safety culture.

The Group has continued implementing its in-house flight safety management system. Companies continuously monitor flight safety and establish their own stringent requirements for target flight safety levels measured by the number of accidents per 1,000 flights. Target flight safety levels are revised on an annual basis.

At the end of 2010, AirBridgeCargo Airlines achieved an actual flight safety level of 0.35 as against the reference level of 0.49.

Volga-Dnepr Airlines showed a slightly lower actual safety level in 2010 (1.88 compared to the target of 1.11). This has required some significant work to introduce additional corrective and preventive measures.

In 2010, the company prepared for the IATA Operational Safety Audit (IOSA), which is scheduled for 2011. The audit is a mandatory condition of renewing membership of this reputable organisation. Volga-Dnepr Airlines was the first Russian all-cargo carrier to receive the IOSA operational safety certificate in 2007, and in 2009 it was successfully renewed. After the reporting date, Volga-Dnepr Airlines successfully passed another audit and the IOSA certificate was renewed until September 2013.

Throughout the reporting period, Volga-Dnepr Airlines continued using the Full Flight Simulator (FFS) for the AN-124, which was designed and built in-house for the Flight Crew Training System. Training results have undoubtedly proved the key role of the FFS in air accident prevention; however, there is still much work to do to identify and capitalise on its capabilities.

Striving to ensure continuous improvement of the flight safety management system, Volga-Dnepr Airlines joined forces with the Ulyanovsk State University and in 2010 participated in a design contest aimed at the implementation of the RF Government Resolution 218 pertaining to the creation of high-technology equipment. A project to develop the Flight Safety Management and Accident Prevention System was among 122 competition winners out of over 800 participants. The project is financed on a parity basis by the state and the airline. Some leading scientists in the sphere of safety and risk management have been engaged to work on the project. The first stage, the Conceptual Design, was successfully completed in December 2010.



Volga-Dnepr Group has systematically maintained a high level of airworthiness of its unique aircraft fleet and invested in staff training for safe operation and maintenance of its Russian and western-built aircraft to the highest international standards. 2010 saw a continued transfer of MRO functions to Volga-Dnepr Technics, a part of the Group, with the objective of improving quality of aircraft maintenance and repair, and to optimise cost efficiency by following best international practices.

QUALITY MANAGEMENT

The recognised brand name of Volga-Dnepr Group in the global air cargo market has been supported by its reputation for high quality of service. The Group's primary goal in the field of quality assurance has always been to deliver products and services that continuously meet customer requirements and mandatory conditions guiding air cargo carriers.

In 2000, Volga-Dnepr Airlines introduced an ISO 9001:2000 certified Quality Management System. In 2009, the company successfully passed the re-certification procedure for compliance with ISO 9001:2008.

In 2010, a strategic objective was formulated to create the Group Management System focused on quality (customer satisfaction). The company plans to achieve this objective within a few years. A group of system designers have been tasked with bringing the existing management system into compliance with ISO 9001:2008 and developing in-house corporate operational standards exceeding ISO requirements.

In order to implement the set objective and achieve the strategic goal, negotiations are under way with leading European companies specialising in the preparation and certification of quality management systems in accordance with both ISO 9001:2008 and AS 9110, Quality Maintenance Systems – Aerospace – Requirements for Maintenance Organisations.



2004

AirBridgeCargo Airlines – Russia’s first scheduled cargo airline, entered the global cargo market in May 2004. At that time, the first AirBridgeCargo branded Boeing 747 made its inaugural flight from Moscow to Beijing. This milestone was preceded by two years of preliminary work, which included designing a strategy for the scheduled cargo flights project, and building the airline’s fleet, network, management and personnel.

Tatyana **ARSLANOVA**

Executive President, AirBridgeCargo Airlines

“The establishment of AirBridgeCargo Airlines added scheduled cargo operations to the Group’s air charter capability, considerably widening the range of services offered by our company. The broad geographic area served by our flights, convenient connections into international hubs as well as the possibility to carry both standard container shipments and special cargo loads allowed us to create the so-called ‘Cargo Supermarket’ business concept where each customer can order the service required”.



SUPPORTING BUSINESS

VOLGA-TRUCKS

Volga-Trucks is a subsidiary of Volga-Dnepr Group specialising in road transportation of cargo as part of its multi-modal cargo logistics solutions offering. In 2010, the company operated more than 4,630 trips. Its revenues generated from trucking services totalled 130.5 million rubles, a 29% increase over 2009.

The company has continued to provide land transportation services under contracts with AirBridgeCargo Airlines and shipment requests of Volga-Dnepr Airlines. In total, over 250 tonnes of cargo was transported in 2010. Freight has been delivered from Moscow-Sheremetyevo airport to locations in Central Russia, the Volga region, and the Southern and North-Western regions.

An impressive level of sales was demonstrated in 2010 for fluid cargo transportation in tanker lorries. Volga-Trucks performed deliveries of milk, vegetable oil, syrups and other fluid products to processing facilities in the Volga region. Over the reporting period, the company transported 17,000 tonnes of fluid cargo.

In 2010, a branch of Volga-Trucks commenced a project to transport temperature-sensitive cargo in refrigerator vans. These vehicles are capable of maintaining any temperature, which allows for the transportation of perishable products (deep-frozen foodstuffs, drinks, dairy products etc.) at any time of the year. In the first year of providing this service, Volga-Trucks transported 670 tonnes of such cargo.

A portrait of Andrey Dyatlov, a man with short brown hair, wearing a dark blue suit, white shirt, and patterned tie. He is looking slightly to the left of the camera. The background is a blurred outdoor setting.

2005

In 2005, Volga-Dnepr received ISO 9000:2001 compliance to the international quality standards. The certificate was issued by the global certification body IQNet.

Andrey **DYATLOV**
Quality Director, Volga-Dnepr Airlines

“In order to successfully compete in the global market the company needs to comply with the strictest international standards. That is why the receipt of the ISO 9000:2001 certificate became a crucial event that opened new possibilities for the company”.

A branch of Volga-Trucks founded in 1997 is a member of the International Automobile Transportation Association and has a bonded carrier licence enabling it to provide transportation services under the domestic transit customs regime. Volga-Trucks' fleet consists of imported vehicles manufactured by Mercedes-Benz and Scania that are used to transport general, bonded and fluid cargo.

NIC INSURANCE

NIC Insurance Company represents Volga-Dnepr Group in the insurance market to minimise insurance premiums and to optimise insurance revenues.

By the end of 2010, NIC Insurance Company collected the seventh most insurance premiums within the aviation risks insurance market among members of the Russian Aviation and Aerospace Insurance Association (RAAIA). By the year-end, insurance claims totalled 70,749,000 rubles for all insurance products.

As part of the project to optimise insurance programmes and ensure an individual approach to air fleet insurance risk assessment, NIC Insurance Company - jointly with the insurance broker Willis Ltd. - reduced the rate under Hull Risk plus Aviation Liability by over 20% compared to 2009, which led to it achieving the best results in rate management among international cargo carriers.

In 2010, NIC-Life, a subsidiary providing personal insurance services under the Social Programmes of Volga-Dnepr Group, paid out insurance claims of 19,431 thousand rubles. By the end of 2010, NIC-Life provided additional pension benefits to 97 Group employees who had reached retirement age.

NIC Insurance Company was founded in 1995 as part of the supporting business structure of Volga-Dnepr Group to provide reliable insurance coverage of major aviation risks. Today, it operates in the international insurance market and is a unique Russian insurance company in terms of acquired expertise in air cargo insurance and partnership relationships in the reinsurance business with some of the leaders in the international insurance field: Chartis, GAUM, syndicates of Lloyd's, Aspen, Atrium, Partner Re, Allianz, and others. Through regular business communication with international partners and expansion of its range of long-term reinsurance partners, in direct co-operation with the insurance broker Willis Ltd, the company works to bring down the cost of aviation and associated risk insurance of Volga-Dnepr Group compared to those of western cargo airlines.

In pursuing the general goal to satisfy the full needs and requirements of the Group and its personnel in reliable insurance protection, NIC Insurance Company provides insurance services to employees of all business units of the Group as part of their social benefits. These include voluntary health insurance, personal accident insurance, and loss of licence insurance. In addition to the corporate programmes, NIC provides insurance protection of personnel and their property and personal liability.

By the year-end, insurance claims for all insurance products totalled

70.7 MILLION RUBLES



\$10 DEVELOPMENT PROJECTS

In 2010, Volga-Dnepr Group continued implementing a number of strategic projects aimed at ensuring long-term competitive advantages for the Group in the international market.

In the air cargo charter business, the primary strategic goal is to ensure production of AN-124 and IL-76 ramp freighters. Volga-Dnepr Group is the originator and an active participant in the projects to resume series production of AN-124 aircraft and manufacture of modernised IL-76 freighters. In the long run, this work will ensure sustainability of the heavy freighter fleet and preserve the leadership of Russian companies in the international air cargo market, including the specialist market niche for outsize and heavy cargo transportation.

A progressive and rapidly developing project of creating cargo hubs at Moscow's Domodedovo and Sheremetyevo airports plays an important role in the development strategy of the scheduled cargo operations of AirBridgeCargo Airlines.

AN-124 RESUMED SERIES PRODUCTION PROJECT

During over two decades in the commercial market, the AN-124 freighter has become an irreplaceable tool for achieving previously impossible integrated air logistics solutions for outsize and heavy cargo transportation. Volga-Dnepr Group has initiated the AN-124 Resumed Series Production Project, which will allow Volga-Dnepr Airlines, as well as other cargo carriers and governments operating the AN-124s, to renew their freighter fleet.

The project will also ensure that Russia can maintain its leadership in the market for air transportation of non-standard cargo.

As early as 2008, as part of its fleet renewal programme, Volga-Dnepr Group placed an order with Russia's United Aircraft Corporation (UAC) committing to 40 new AN-124 aircraft by 2027. In 2009, in the International Aviation and Space Salon MAKS in Zhukovsky, the parties of Volga-Dnepr Group, United Aircraft Corporation and Antonov ASTC agreed on the technical specifications for the start of production of the AN-124-300 version modification. It is planned that 20 AN-124-300 aircraft with improved performance and compliant with all the forthcoming ICAO requirements, will be delivered to Volga-Dnepr Group under a standing order; an order for the remaining 20 aircraft will be placed under an option agreement.

In 2009, the President of the Russian Federation supported the project of resumed series production of AN-124 heavy freighter in its advanced modification, which was initiated by Volga-Dnepr Group. The Russian Government was tasked with including the manufacture of 20 AN-124 modernised military transport aircraft into the State Armaments Programme 2020 and providing all the required assistance to the United Aircraft Corporation to promote this aircraft in domestic and international markets.



Victor Tolmachev supervises all the engineering aspects of the new Volga-Dnepr projects. From 1994 to 2011, Volga-Dnepr has introduced 19 primary and 340 secondary design modifications to the AN-124-100 alone, which will make the aircraft fully compliant with current international requirements. At the same time, Volga-Dnepr has created an entire system for outsize and heavy cargo transportation by introducing 16 types of special-purpose loading/unloading facilities.

In the reporting period, Volga-Dnepr Group continued co-operating with the responsible ministries and authorities in pursuance of the instructions by the President of Russia to organise production of AN-124 aircraft for Russia's Ministry of Defence. In particular, assistance was rendered to the ministries and institutions in defining the technical appearance of the new aircraft and working through the feasibility of AN-124 manufacturing by Aviastar-SP. In 2010, the list of commercial customers ordering the modified AN-124 was revised to reflect new orders placed with UAC (the company had received 62 orders for the aircraft as of October 2010).

A crucial decision in pursuance of the Russian President's instruction issued in late 2009 was to approve construction of 10 new AN-124-300V aircraft under the State Armaments Programme 2020, as well as to modify the existing military cargo fleet by 2020, including the programme of aircraft construction by Aviastar-SP.

In 2010, Volga-Dnepr Group experts continued working with their American counterparts on the issue of American companies' participation in the project and their integration in the aircraft manufacturing process. In particular, representatives of American industries and the US military visited Aviastar-SP in Ulyanovsk and Volga-Dnepr Airlines in September and October. A programme of fleet modernisation for 10 AN-124-100 aircraft for Volga-Dnepr Airlines will become an important milestone in the strategy of developing cooperation between the Russian and American aviation industry. This programme envisages a full replacement of analogue aircraft avionics with digital systems, which will involve cooperation with the American companies Honeywell and Rockwell Collins.



After the date of the last report, Volga-Dnepr Group (Russia) reached an agreement with SC Antonov (Ukraine), the holder of the type certificate, regarding the modernisation of the first AN-124-100 Ruslan aircraft of Volga-Dnepr Airlines into the AN-124-111 model. The signed-off Procedure of R&D to Modernise the First AN-124-100-150 (AN-124-100) Operated by Volga-Dnepr Airlines into the AN-124-111 with D-18T Series 3M Engines and the Technical Design Assignment define the following specifications of the modernised AN-124-111: take-off weight: 402 tonnes; airlift capacity: 150 tonnes; flight distance with 120-tonn load: at least 5,000 km; minimum crew: three. The parties developed and approved the R&D cycle schedule. Financing of the programme is expected to be US\$400–600 million.

Another modernisation programme was launched in 2010 for the modification of D-18-3 engines into the D-18-3M model, resulting in contracts with the engine designer and manufacturer SC Ivchenko-Progress and with Motor Sich (Ukraine)

in April 2011. As for the issue of designing and ensuring delivery of engines for the series production of the new AN-124-300 modification, the manufacturer is currently considering the options to equip the aircraft with either Ukrainian D-18T-5 engines, with a take-off thrust of 30,000 kgf, or Russian NK-65 engines proposed by the Kuznetsov Company (part of the United Aircraft Corporation), which are based on the NK-32 series jet engine with a minimum engine development cost. There is also an option to equip the AN-124 aircraft with western engines by General Electric, Rolls-Royce or Pratt & Whitney.

In 2011, it is planned to elaborate the project implementationscenarioswithrelevantministries and agencies for either Ukraine's involvement under shared risk partnership terms or for independent implementation of the project in Russia, with capital investments into the refurbishment of production facilities from Russia's federal budget, under the approved State Armaments Programme 2020 and the federal special-purpose programmes.

A portrait of Andrey Pakhomov, a man with short brown hair, wearing a dark blue suit, white shirt, and blue patterned tie. He is standing in front of a large window with a view of a city. The image is partially overlaid by a blue vertical bar on the right and a yellow vertical bar at the bottom right.

2006

During the ILA-2006 exhibition that took place in Berlin, Volga-Dnepr Group introduced an upgraded IL-76TD-90VD aircraft model designed for commercial operations.

Andrey **PAKHOMOV**

General Director, Volga-Dnepr-Leasing

“The IL-76 is a unique cargo aircraft, one of the most successful ones in the history of international cargo aviation. However, ICAO emissions and noise requirements introduced in 2002 prevented it from operating in the countries of Western Europe, North America as well as Australia and Japan. The result of many years of our work was the return of the modernised IL-76 to the global market, which opened new possibilities for us and our customers”.



IL-76 DEEP MODIFICATION PROGRAMME

Since 2002, Volga-Dnepr Airlines has been implementing the IL-76TD Deep Modification Programme, a fundamental part of which is re-equipping the aircraft with PS-90A-76 engines. The new engines are compliant with current and forthcoming ICAO emissions and noise requirements. The implementation of this modification programme has allowed Volga-Dnepr Airlines to recommence cargo services to the prime markets of Western Europe and North America, which were closed to older IL-76 modifications. In 2004, Volga-Dnepr Leasing was founded to manage the project of constructing modernised IL-76TD aircraft. The project's business plan envisages production of up to 15 IL-76TD-90VD aircraft by 2020.

In 2010, Volga-Dnepr Airlines operated three modernised IL-76TD-90VD aircraft (the delivery of the third unit aircraft took place in May 2010). By the end of 2010, total sales from services of the modernised aircraft amounted to US\$ 56 million. Tonnage transported and cargo traffic on IL-76TD-90VDs increased by 21% and 18% respectively compared with 2009. In 2010, Volga-Dnepr Group confirmed its intention to continue the renewal of the IL-76TD fleet. Despite difficult economic conditions, Volga-Dnepr Leasing and UAC-Cargo Aircraft have continued financing the production of the fourth and the fifth IL-76TD-90VD freighters. As before, the aircraft are being built at the V.P. Chkalov Tashkent Aircraft Factory. The company expects the delivery of its fourth aircraft in the fourth quarter of 2011. The fifth IL-76TD-90VD will join the fleet in the second quarter of 2012.

CARGO HUBS

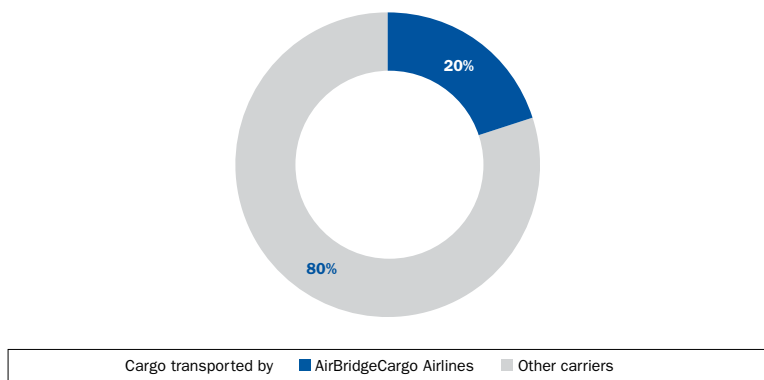
An important place in the scheduled cargo business strategy of Volga-Dnepr Group is taken by its Air Transport Hubs in Russia project. In 2010, AirBridgeCargo Airlines continued working on its hub model at Moscow-Sheremetyevo Airport. In mid-2010, in response to increasing traffic, AirBridgeCargo Airlines decided to also commence hub operations in Domodedovo Airport. This has created a unique double-site hub, which provides customers with services in two of the largest airports in Moscow.

At the end of 2010, AirBridgeCargo Airlines was running the largest cargo operation at Sheremetyevo International Airport, generating 37% of international cargo traffic. Transit cargo tonnage amounted to 52,526 tonnes, which was 17% higher than in 2009 and constitutes 21% of the total cargo traffic throughput at the airport. The cargo carrier was the third largest operator at Domodedovo Airport with 5,000 tonnes throughput.

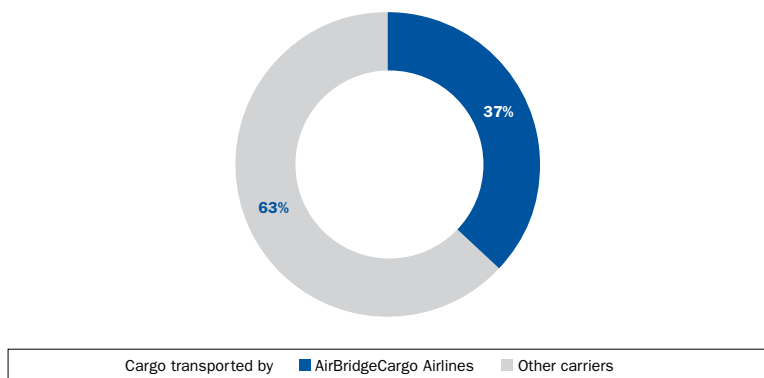
In December 2010, AirBridgeCargo Airlines, Sheremetyevo International Airport, Kratos Group of Companies and FSUE Rostek signed an agreement for the development of the cargo infrastructure at Sheremetyevo Airport. Implementation of this project included the construction of the new advanced cargo hub, which will substantially increase the quality of services provided at the airport.

The cargo hub development has also benefited the operating performance of both Sheremetyevo and Domodedovo international airports.

■ CARGO TRANSPORTED THROUGH SHEREMETYEVO AIRPORT IN 2009



■ CARGO TRANSPORTED THROUGH SHEREMETYEVO AIRPORT IN 2010



A portrait of Yuriy Malevinsky, a middle-aged man with thinning hair, wearing a dark grey suit jacket, a light blue shirt, and a green and blue striped tie. He is standing outdoors with a blurred background of greenery and a building. The image is partially overlaid by a blue semi-transparent box on the right and a yellow semi-transparent box at the bottom right.

2007

On November 14, 2007, a ceremony took place where the IOSA certificate (IATA Operational Safety Audit) was awarded to the company, confirming the airline's compliance with the highest international flight safety standards.

Yuriy MALEVINSKY

Head of flight safety and air accidents prevention inspection, Volga-Dnepr Airlines

“The IOSA certificate can be seen as a pass which allows you to join the world's largest international alliances and remains to be a prerequisite for IATA membership. International recognition of safety standards provides a higher status for the air carrier in both domestic and international markets. Receipt of the IOSA certificate became an important milestone for Volga-Dnepr and an important step in the company's development in the global market”.

\$10 CORPORATE MANAGEMENT AND SOCIAL RESPONSIBILITY

GROUP MANAGEMENT

The top management of Volga-Dnepr Group combines extensive industry expertise and an innovative business approach, a deep understanding of the market and the ability to generate and implement new ideas. Top managers in the Group include specialists in the aviation industry, air transport, finance, human resources, and economics. Team spirit and a focus on achieving objectives allow Volga-Dnepr Group to consistently achieve high performance in any circumstances. The Group's growth and development over 20 years in the Russian and international markets and its proven experience and expertise is solid proof of this capability.



ALEXEY ISAIKIN
President, Volga-Dnepr Group

Having graduated from the Irkutsk Institute of National Economy in 1976, Mr. Isaikin joined the Ulan-Ude Aviation Factory as an Air Force economist. His responsibilities included control over the cost of aviation equipment. During the late 1980s, Mr. Isaikin worked at the Ulyanovsk Aircraft Manufacturing Complex as an executive officer responsible for the fulfillment of USSR Military Air Transportation Department contracts for AN-124 aircraft delivery. In 1989, after having finished his military career, Mr. Isaikin headed a group of entrepreneurs and enthusiasts whose aim was to establish a new air cargo company.

1990 saw the creation of Volga-Dnepr Airlines – the first private cargo airline in Russia and the first joint-stock company in the Ulyanovsk region. Between 1990 - 2002, Mr. Isaikin acted as the Chairman of the Board, Executive Director, and General Director of Volga-Dnepr Airlines. Since 2002, he has been President of Volga-Dnepr Group.

During almost 20 years of productive work Mr. Isaikin has managed to create a diversified business, operating in the key segments of the Russian and international air cargo markets. He is actively involved in public work to strengthen the prestige of the Russian civil aviation industry both inside the country and globally. His work has been honoured by international, national government and industry awards and medals.



SERGEY SHKLYANIK

Senior Vice-President, Volga-Dnepr Group

In 1979, Mr. Shklyanik graduated from the Kharkov Aviation Institute with the qualification of Mechanical Engineer of Aircraft Construction. Mr. Shklyanik started his professional career at the Ulyanovsk Aircraft Manufacturing Complex (now Aviastar-SP) commencing as shop floor foreman and quickly rising through the ranks to become Deputy Director for Finance and Costing of Aircraft Components Production Plant. He was directly involved in the design and manufacturing of the first series of Antonov AN-124 aircraft.

In 1991, Mr. Shklyanik joined Volga-Dnepr Airlines as Financial Director and held this position until 1997. In the same year he was promoted to the position of Deputy Director for Corporate Management and, in 2003, he became Vice President for Corporate Management of Volga-Dnepr Group. In November 2005, he was appointed Senior Vice-President of Volga-Dnepr Group.

Under Mr. Shklyanik's management, the Group successfully financed the project for manufacturing of AN-124-100s, incorporated the NIK insurance company, financed the modernisation of AN-124-100 and IL-76TD aircraft and acquired modern Boeing 747s.



VICTOR TOLMACHEV

Technical Director, Volga-Dnepr Group

In 1959, Mr. Tolmachev graduated from the Kharkov Aviation Institute and started his professional career at the Antonov Design Bureau as a design engineer. He participated in the development of numerous models of the AN aircraft series.

In 1971, Mr. Tolmachev was appointed leading design engineer of the AN-124. He participated in the entire AN-124 project – from the development and manufacturing of the aircraft through to its operational launch. In 1983, Mr. Tolmachev became Deputy Chief Engineer; in 1985 he was appointed Chief Engineer of AN-124 Ruslan and its derivative, the six-engine AN-225 Mria.

Between 1991 and 2002, Mr. Tolmachev worked as Technical Director of Volga-Dnepr Group and, in 1997, he was appointed Chairman of the Board of Directors. Since 2002, he has been working as the Technical Director of Volga-Dnepr Group.

Mr. Tolmachev has been awarded the State Prize of Ukraine for his AN-124 Ruslan design. He is also the author of over 100 scientific and technical publications and the inventor of numerous aviation devices. In 1997, Mr. Tolmachev was elected as a member of the Russian Academy of Natural Sciences and in 1998 he became a member of the International Inventors Association.



DMITRY OBSHAROV

Marketing and Strategic Director, Volga-Dnepr Group

In 1995, Mr. Obsharov graduated from the Ulyanovsk Polytechnic Institute (Helicopter and Airplane Engineering Faculty). He started his career as an IT specialist with the PAKT Leasing Company. In 1995, he joined the Volga-Dnepr team, where he worked as a sales manager, senior leasing manager, and senior sales manager. In 2004-2006, he was Deputy Marketing Director. Since 2006, he has been working as the Marketing and Strategic Director of Volga-Dnepr Group.



NATALIA PLOTNIKOVA

Human Resources Director, Volga-Dnepr Group

In 1992, Ms. Plotnikova graduated from the Ulyanovsk State Technical University (Automated Management Systems Faculty). In the same year she started working for Aviastar JSC as a pre-production engineer. In the period between 1994-2004 she worked as a programmer in the Municipal Hospital No. 6. In 2004, Ms. Plotnikova joined the Volga-Dnepr team, where she has held various posts from human resources manager and senior HR manager to Deputy HR Director. In 2009, she was appointed HR Director of AirBridgeCargo and since 2010 she has been HR Director of Volga-Dnepr Group.

CHARTER OPERATIONS



VALERY GABRIEL

Executive President, Volga-Dnepr Airlines

In 1979, Mr. Gabriel graduated from the Kharkov Aviation Institute with a major in “aircraft manufacturing”. Between 1979 - 1992 he worked at the Ulyanovsk Aircraft Manufacturing Complex, where he held various posts – from an engineer to the assembly shop manager. From 1992 until 1994, Mr. Gabriel worked as Commercial Director of JSC “Middle Volga Industrial Company” (Ulyanovsk).

In 1994, he joined Volga-Dnepr Airlines as Head of the Target Management Department and two years later he became the airline’s Deputy Commercial Director. In 1998, Mr. Gabriel was appointed Commercial Director of Volga-Dnepr Airlines.

Mr. Gabriel’s crucial contribution allows Volga-Dnepr to operate successfully abroad, ensuring its leadership in the international market for unique and oversize cargo transportation. Under his leadership the company implemented the Ruslan International and Ruslan SALIS projects, and focused on further promotion of global cargo transportation using the unique AN-124-100 Ruslan aircraft. Since 2006, Valery Gabriel has been the head of both companies.

Since 2009, Valery Gabriel has been working as the Executive President of Volga-Dnepr Airlines.



SERGEY DYACHKOV

Senior Vice-President for Operations, Volga-Dnepr Airlines

In 1976, Mr. Dyachkov started his career as a construction electrician at the Ulyanovsk Instrument Factory. In 1983, he graduated from the Kuybyshev Aviation Institute named after the academic S.P. Korolyov with a Major in “aircraft manufacturing”, qualifying as a mechanical engineer. After graduation, from 1983 until 1992, he worked in various posts in the aircraft industry.

In 1993, Mr. Dyachkov joined Volga-Dnepr Airlines as the Head of AN-124-100 Heavy Maintenance. Since then he has worked as the Leading Engineer of Aircraft and Engines’ Heavy Maintenance, Senior Engineer of AN-124-100, and Head of the Aviation Engineering Service.

In 2005, he was appointed First Deputy General Director of Operations of Volga-Dnepr Airlines and since October, 2007 has been the General Director of Volga-Dnepr Airlines.

In February 2009, Mr. Dyachkov was appointed Executive Senior Vice President for Operations of Volga-Dnepr Airlines.



DENNIS GLIZNOUTSA

Vice-President for Sales, Volga-Dnepr Airlines

In 1995, Mr. Gliznoutsa graduated from the Ulyanovsk branch of Moscow State University and joined Volga-Dnepr Airlines as an assistant sales manager. In 1996-1997, he worked as a sales manager in Volga-Dnepr's commercial department.

Between 1997 and 2001, he worked as a sales manager for Volga-Dnepr UK Ltd, where he was subsequently promoted to Sales Director, coordinating the sale of charters for Volga-Dnepr Group.

In 2005 Mr. Gliznoutsa was appointed Sales director of Volga-Dnepr Group.

Since 2010 he has been the Vice-President for Sales of Volga-Dnepr Airlines.



SERGEY PEDAN

Financial Director and Chief Accountant, Volga-Dnepr Airlines

In 1978, Mr. Pedan graduated from the Kiev Institute of National Economy (today, the Kiev National Economic University) as a specialist in industrial planning.

He started his career in 1978 as a programming engineer in the manufacturing organisation department of the Ulyanovsk Aircraft Manufacturing Complex. During 14 years with the company, he worked as a mathematical engineer, planning economist, head of the core manufacturing planning department, and head of the manufacturing planning department.

In 1993, Mr. Pedan joined Volga-Dnepr Airlines as a Deputy Chief Accountant. In 1996-1997, he worked as the First Deputy of the Chief Accountant and from 1997-2003 he was head of the Internal Audit Department. Between 2003 - 2008 he worked as the Internal Audit Director of Volga-Dnepr Group. Since 2007, he has been Financial Director and Chief Accountant of Volga-Dnepr Airlines.

SCHEDULED OPERATIONS



TATYANA ARSLANOVA

Executive President, AirBridgeCargo Airlines

Having graduated in 1995 from the economic faculty of the Ulyanovsk State University (qualifying as a specialist in strategic management and marketing), Ms. Arslanova joined Volga-Dnepr Airlines' sales department.

Subsequently, she was appointed marketing manager, leading marketing expert, Director of the Department of Management Technologies, and Director of the Marketing Department. In April 2007, Ms. Arslanova became Vice-President for Strategic Management and Marketing of Volga-Dnepr Group. In October 2008, she was appointed Senior Vice-President for Strategy, Marketing and Sales of AirBridgeCargo Airlines. Ms. Arslanova was responsible for the development of Volga-Dnepr Group and AirBridgeCargo Airlines' strategies, business planning of long-term development projects, marketing research and promotion of services, as well as implementation and control over the fulfillment of the key strategic goals of Volga-Dnepr Group and AirBridgeCargo Airlines.

In January 2010, Ms. Arslanova was appointed Executive President of AirBridgeCargo Airlines.



WOLFGANG MEIER

Executive Senior Vice-President for Sales, AirBridgeCargo Airlines

Mr. Meyer started his career in cargo transportation as a sales manager over 25 years ago. Before joining AirBridgeCargo in 2009, he worked in such well-known transportation companies as Kuehne + Nagel and Panalpina, where he was in charge of charter deliveries and the development of scheduled airlines.

His key responsibilities as the Executive Senior Vice-President for Sales include coordination of the company's sales, development of client relationships and key solutions for the further business success of AirBridgeCargo operations.



EVGENY BORISOV

Director of Operations, AirBridgeCargo Airlines

After graduation from the Aktyubinsk Higher Civil Aviation School, Mr. Borisov started working as a captain of Yak-40s, and subsequently of IL-96s, AN-124-100s and Boeing 747s. Mr. Borosov has been working for AirBridgeCargo since its formation in 2004 as the chief pilot of the Boeing 747 flying group. In 2008, he was appointed deputy director of the flying group. Mr. Borisov holds several awards and honours from Volga-Dnepr Group management and was also awarded a certificate of honour by the Federal Air Transport Agency for several years of productive work in civil air forces, personal contribution to the development and improvement of manufacturing, and in commemoration of the Day of the Russian Air Fleet. He also holds a medal for his accident-free flying record with the inserted badge "Pilot 7000", a certificate of honour of the Russian Ministry of Transport "85 Years of Civil Aviation", and the anniversary medal "In Commemoration of 200 Years of Managing Water and Land Transport".

Since December 2009, Mr. Borisov has been working as the Director of Operations of AirBridgeCargo.



ANDREY KOLESNIKOV

Financial Director and Chief Accountant, AirBridgeCargo

In 1994, Mr. Kolesnikov graduated from Moscow State University as a specialist in applied mathematics. Between 1994 - 1999, he worked in the planning and economics department of the Incombank Volga Branch as an economist, senior economist and chief economist.

Mr. Kolesnikov joined Volga-Dnepr Airlines in 1999 as the leader of the project management team performing the implementation of SAP R/3. In 2002-2003, he was appointed to lead the "Creation of a Cost Control System for the Core Product of the Group" project. In 2003-2004, he worked as Deputy Financial Director of the Group for Management Accounting. In 2005-2007, Mr. Kolesnikov held the position of Financial Director and Chief Accountant of Volga-Dnepr Airlines. In 2007-2008, he was Financial Director of AirBridgeCargo and since 2008, he has been combining the positions of the company's Financial Director and Chief Accountant.

AIRCRAFT MAINTENANCE



VICTOR SHERIN

General Director, LLC Volga-Dnepr Technics Moscow

Having graduated in 1983 from the Kuybyshev Aviation Institute, named after the academic S.P. Korolyov, as a specialist in the maintenance of aircraft and airplane engines, Mr. Sherin worked at the Ulyanovsk Aircraft Manufacturing Complex (today, CJSC Aviastar-SP), where he was promoted to a maintenance engineer involved in testing aircraft.

In 1992, Mr. Sherin joined Volga-Dnepr Group and since 1998 he has been in charge of the maintenance and overhaul station in Sharjah (today, VD Gulf). In 2007, he was appointed to lead the project of centralisation of technical maintenance and overhaul for the Group – Volga-Dnepr Technics. In 2008, he was appointed General Director of LLC Volga-Dnepr Technics Ulyanovsk. A year later, Mr. Sherin became General Director of LLC Volga-Dnepr Technics Moscow.



KONSTANTIN ZORIN

Executive and Financial Director, LLC Volga-Dnepr Technics Moscow

In 1979, Mr. Zorin graduated from the Kuzbass Polytechnic Institute as a specialist in the technology of machine building, metal cutting equipment and instruments. In 1988, he obtained a second degree at the Kemerovo State University, qualifying as a financial accountant.

In 1992, Mr. Zorin joined Volga-Dnepr Group and a year later, he was appointed Chief Accountant. In 1996, he became Financial Director and Chief Accountant of CJSC Volga-Dnepr Airlines. From 2004–2007, Mr. Zorin worked in various management positions in East-Line and Atlant-Soyuz.

In 2008, he returned to Volga-Dnepr Group, where he headed the department of managerial decisions at Volga-Dnepr Moscow. In 2009, Mr. Zorin was appointed mentor to the Financial Director and Chief Accountant of AirBridgeCargo. Since the end of 2009, he has been Executive and Financial Director of Volga-Dnepr Technics.



ILDAR ILYASOV

Managing Director, Volga-Dnepr Technics GmbH

In 1983, Mr. Ilyasov graduated from the Kazan Aviation Institute, qualifying as a specialist in aviation instrument engineering. After two years in the USSR army, from 1985-1991 he worked in the flight testing station of the Ulyanovsk Aircraft Manufacturing Complex as a test engineer for AN-124 aircraft.

In 1991, Mr. Ilyasov joined Volga-Dnepr as a chief engineer of AN-124-100 Ruslan aircraft. From 2002-2006, he worked as head of the air maintenance base of Volga-Dnepr Airlines Ltd in Ireland before being appointed Deputy Managing Director of Operations of Ruslan SALIS GmbH. Since 2010, he has been working as the Managing Director of Volga-Dnepr Technics GmbH and, since 2011, as head of the engineering and aviation department of Volga-Dnepr Airlines.



ALEXEI SDOBNOV

Financial Director, Volga-Dnepr Gulf

In 1997, Mr. Sdobnov graduated from the Ulyanovsk State Technical University as a specialist in airplane and helicopter manufacturing. In 2004, he received a second university degree at the same university in the field of financial management.

Since 2002, he has been working at various positions within Volga-Dnepr Airlines: financial economist, cash management planner, and senior cash management planner. Mr. Sdobnov has been Financial Director of Volga-Dnepr Gulf since 2006.



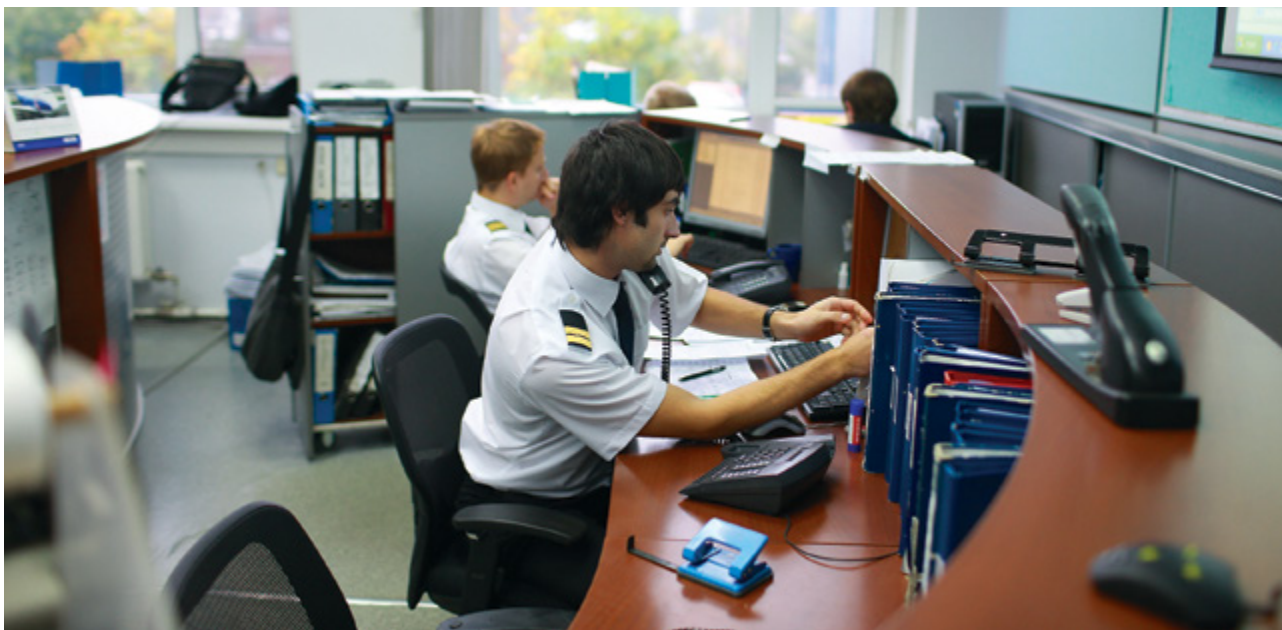
2008

In 2007-2008, AirBridgeCargo Airlines, a member of the Volga-Dnepr Group, received three Boeing 747-400ERF, the most economical freight aircraft in the aviation industry.

Wolfgang MEIER

Executive Senior Vice-President for Sales, AirBridgeCargo Airlines

“One of the most important strategic directions of AirBridgeCargo’s activity is flight operations between Europe and Asia. In order to succeed on this attractive but difficult route, the company needed to possess the latest aircraft models, the ability to adapt to the needs of customers both in the East and in the West, as well as provide the highest quality service levels. And, of course, the company must have an absolute adherence to all strict international standards. Possession of the new Boeings 747-400ERF aircraft enabled the company to meet these requirements”.



SOCIAL RESPONSIBILITY

Volga-Dnepr Group is an important element of the international transportation system. The scope of its operations implies both a high impact and a dependence on the economic, social and environmental situation in Russia and abroad. For this reason, for over 20 years Volga-Dnepr Group has been creating a socially responsible business, which meets strict rules and regulations applied to the activities of companies in various countries.

- Hiring highly qualified individuals with potential for professional growth;
- Carrying out effective social policy and protection of employees, including after retirement;
- Improvement of labour efficiency in keeping with European standards, through implementation of state-of-the-art technologies and using modern systems of motivation.

EMPLOYEES OF VOLGA-DNEPR

The human resources policy of Volga-Dnepr Group is targeted at securing its leading positions in the Russian and international air cargo markets. This objective is achieved through the following:

- Providing staff with attractive working conditions and professional development opportunities;

Volga-Dnepr Group attaches great value to its human resources and constantly ensures the confidence of employees in their future. Employees of the Group are provided with social benefits and guarantees on a continuous basis. The main aim of these social programmes is to hire and retain staff that contribute to the strengthening of the Group's business and the achievement of its corporate objectives.

Key social programmes:

- **Sanatorium-and-spa treatment:** over 70 employees received treatment in recreational facilities; over 20 children were treated in health care and resort centres.
- **Insurance of employees:** NIC Insurance Company, a part of Volga-Dnepr Group, provides voluntary medical insurance, accident and loss of licence insurance for flight crew members on beneficial terms. In the reporting period, insurance payouts to the Group's employees amounted to 21,473,422 rubles. NIC also insures the personal property of employees as well as offering life and health insurance to staff and their families on beneficial tariffs.
- **Relocation to a new office:** in the reporting period it was decided to move Volga-Dnepr Management Company and AirBridgeCargo to a new A-class office. This provided an enhanced and more comfortable working environment for employees.
- **Payment for gym and swimming pool memberships.**
- **Volga-Dnepr City project:** in order to create comfortable living conditions for Volga-Dnepr employees and provide houses for young pilots and engineers, the Group has been implementing the Volga-Dnepr City project. The project involves the construction of a manufacturing and residential complex on 13.2 hectares on a green bank of the Volga River, where social and residential facilities will be combined with an aviation learning centre and administrative office buildings. Total capital investments amount to US\$75 million.
- **Private pension schemes for pilots and maintenance personnel.**
- **Benefit payments related to weddings, births, severe diseases requiring expensive treatment, emergencies.**

- **Medical consultations at the company's offices.**
- **Interest-free loans for the improvement of living conditions and purchase of houses.**
- **Provision of houses to employees from other locations and young specialists with a right of subsequent purchase.**

As in the previous years, in 2010 Volga-Dnepr focused on accident prevention. The Group has created a system of safe and comfortable labour conditions for employees, labour safety training sessions are held on a continuous basis, internal regulations are developed and their implementation is constantly monitored.

PARTICIPATION IN SOCIALLY IMPORTANT INDUSTRY PROJECTS

The basis of Volga-Dnepr's social responsibility is the active participation of the Group in key projects of the national aircraft building and transportation industries. They include renewal of the series production of AN-124 Ruslan planes, financing the construction of the environmentally-friendly IL-76TD-90VD, construction of ground transportation infrastructure (cargo hubs), and the development of a network delivery system for cargo transportation. Successful implementation of these initiatives is a major step towards an independent national economy not relying on energy exports. Moreover, these projects play an important social role, providing jobs for tens of thousands of people and retaining their high qualifications, as well as supporting the economic restoration of the national aircraft industry. Building a modern transport infrastructure is a strategic long-term investment, allowing Russia to hold an influential position in the international logistics system.

ENVIRONMENT

A strong focus on environmental protection and economical use of natural resources makes environmental policy an important component of Volga-Dnepr Group's business. In 2010, the Group continued the implementation of programmes aimed at fuel economy and the transfer to a modern fuel-efficient fleet.

Volga-Dnepr Group provides financing for IL-76TD modernisation, the key element of which is the installation of PS-90A-76 engines. These new engines meet the current and forthcoming requirements of the International Civil Aviation Organization (ICAO) on emission of harmful substances and noise. After the reporting date in the second quarter of 2010, the third plane of this modification was launched into operation. Delivery of the fourth and fifth IL-76 TD-90VD is expected in 2011-2012.

In 2010, within the framework of the fleet optimisation programme, AirBridgeCargo Airlines purchased four modern Boeing 747-400s, including one Boeing 747-400ERF.

The total number of Boeing 747-400ERFs in the ABC fleet has reached five aircraft. A modern aircraft fleet allows the scheduled airline to minimise environmental impact. In addition, an order for five new Boeing 747-8Fs has been confirmed, which are expected to be delivered in 2012-2013.

The Boeing 747-8F is one of the "greenest" airplanes in the world.

CHARITY AND SOCIAL WORK

Volga-Dnepr's participation in sponsorship and charity projects is targeted at the improvement of the social and business climate, establishment of constructive dialogue between business and local and educational communities, and the development of relationships and cooperation between various Russian regions. With the Group's direct support, the Istochnik secondary school was founded to bring high-end technologies for education and development to local children.

SUPPORT OF SOCIALLY DISADVANTAGED CITIZENS

In 2010, the Group continued to pursue its social mission to support socially vulnerable citizens – children, the handicapped, and pensioners.

Volga-Dnepr pays special attention to supporting children who are in need due to unfavourable family conditions or bad health. Volga-Dnepr was an active supporter of the "Prepare for school" campaign.

Another important focus of the Group's social activity is support of the World War II veterans. Volga-Dnepr has rendered assistance to the veterans who worked in the Group, as well as veterans from the Ulyanovsk Regional Hospital of War Veterans, City Social Organisation of Invalids, Regional Gerontological Center, and other social organisations of the Ulyanovsk Region.



2009

In 2009, AirBridgeCargo switched from a linear to a network business model, which became possible thanks to the opening of its own hub based at Moscow's Sheremetyevo airport.

Elena **GORINA**

Hubs Development Director, AirBridgeCargo Airlines

“Transit airports – hubs – allow us to multiply and significantly expand the range of services provided by offering connecting flights on different routes. The introduction of hub operations allowed our company to improve its product and to offer our customers daily delivery service from any point in our European route network to any point in Asia”.

SUPPORT OF CULTURE AND SPORT

Over several years, Volga-Dnepr Group has been an active supporter of cultural and sports activities in Russia.

In 2010, the Group supported a range of major cultural facilities in the Ulyanovsk region, including the Ulyanovsk Regional Philharmonic Society, A. A. Plastov Museum of Modern Fine Arts, Folk Arts and Leisure Club. Volga-Dnepr also continued its long-standing sponsorship of the Ulyanovsk Drama Theatre.

CORPORATE UNIVERSITY

The Corporate University is a centralised educational and development centre for Volga-Dnepr employees. It is targeted at the training of professional and successful employees to meet the demands of the company and the external environment to support the fulfilment of the Group's objectives and to improve the personal development of employees. The Corporate University is a key component in the corporate structure for accumulation of knowledge and experience, being one of the ways to preserve and maintain corporate traditions and values.

The Corporate University operates as a Private Educational Centre - "Volga-Dnepr International Education" - and includes the Aviation Training Centre, Management School, School of Leadership, Expertise Centre, and Foreign Languages School.

The key objective of the Corporate University is to ensure that 70% of the Group's objectives are achieved by employees trained in the Corporate University.

In order to achieve this key objective, the Corporate University performs the following:

- Meets the demand of Volga-Dnepr Group for qualified management, operations, and supporting personnel through training and development of employees;
- Develops and improves related training courses and programmes;
- Retrieves, preserves, organises, spreads, and ensures the exchange of knowledge and best practices among employees;
- Retains and develops the corporate culture through education and knowledge management.

Training and development of management personnel is performed under succession programmes for top-managers and through team-building. A special focus is placed on project management. Functional managers are trained in specialised schools: Salesman School, Personal Assistants School, etc.

Pilots and engineers receive initial and advanced training in the Aviation Training Centre. In 2010, over 3,000 employees received training there.

In 2010, the Aviation Training Centre successfully passed a certification check, which resulted in the prolongation of the certificate and expansion of its training programme. Today, the Aviation Training Centre offers 92 training courses.

Volga-Dnepr employees study English, German and French in the Foreign Languages School of the Corporate University, which has been operating for over 15 years.



Employees of the school annually take part in methodological conferences and forums in various countries. Annually, over 2,000 people are successfully educated in Volga-Dnepr schools.

The consumers mentioned the high quality of educational services, professionalism of personnel, and the well-deserved reputation of the centre.

The training provided in all Schools and Centres of the Corporate University meets international standards and is based on state-of-the-art international technologies. The activities of the Corporate University are continuously monitored by certification authorities of the Russian Ministry of Transport, Ministry of Education and Science, licensing bodies under the administration of the Ulyanovsk Region, as well as the founders represented by Volga-Dnepr-Moscow Management Company.

In 2010, the quantity of services rendered by the Aviation Training Centre increased by 41.5%, compared with 2009.

Volga-Dnepr Group co-operates with the leading Russian aviation colleges, including the Ulyanovsk Higher Civil Aviation College, Ulyanovsk State University, and Ulyanovsk State Technical University, as well as Samara Aerospace University, which provides training to maintenance engineers for the aircraft industry and is an active participant in educational programmes for future specialists. In 2010, more than 87 students of these universities and colleges worked as interns in Volga-Dnepr Group. 16 of them were subsequently hired by the company.

Based on a consumer opinion survey of organisations and individuals conducted in the Volga Federal District by the Department of Statistics and Expertise, the Private Educational Centre “Volga-Dnepr International Education” was recognised as the best educational facility in 2010.



2010

In 2010, Volga-Dnepr Group celebrated 20 years of its successful development.

Alexey **ISAIKIN**
President, Volga-Dnepr Group

“2010 was marked by a series of important events in a number of areas: charter and scheduled cargo transportation as well as in industrial and social projects. We have been working to achieve these results for 20 years since our company was founded. Today, I can say with confidence that the main outcome of our 20-years of hard work and innovation is undoubtedly the creation of a highly-skilled team of professionals capable of meeting any challenges and offering truly innovative and creative solutions to the problems they are presented with. They are a team of people with the skills and ability to change the aviation world for the better!”

VOLGA-DNEPR GROUP



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