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Questions on VD Group presentation:

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From 28 to 30 March 2007 Ulyanovsk hosted a scheduled annual meeting between representatives of foreign insurance companies and Volga-Dnepr Airlines. In the course of presentations many questions were asked by the guests. Below you will find detailed answers to such questions given by key VDA Managers.

1. How fleet expansion has been coordinated with he lack of pilots in Russia?

The problem has existed generally in the industry, rather than with just Volga-Dnepr alone.

Volga-Dnepr Airlines has for many years successfully cooperated with the leading higher education facilities based in Ulyanovsk: State University, State Technical University and Civil Aviation School, and implemented personnel reserve strategy, outsourcing both young management and flight staff to the company. Upon upgrade of AN-124-100 freighters, flight crew

will be reduced releasing certain number of Pilots and Flight Navigators having basic educational background, which FNs, after completion of relevant conversion training at Civil Aviation School, may in 1.5 years obtain pilot license. Another option for generating flight staff: conversion training of Samara Aerospace University graduates, which will also require 1.5 years at Civil Aviation School and 150 f/hrs. To cover pilot deficit, according to Group Fleet Development Plan, we will also use conventional methods of attracting flight staff from the market.

2. Is VD Gulf an independent company?

Volga-Dnepr Gulf Ltd maintenance base was established at Sharjah Airport, UAE in 1996, it has qualified personnel and operations base necessary for conducting all tasks within maintenance scope of AN-124, AN-12, AN-32, AN-26, IL-76 and TU-154. Apart from maintenance of VDA aircraft, Sharjah line maintenance facility provides maintenance and repair services to Russia-based and foreign airlines operating in the region. Volga-Dnepr Gulf conducts commercial activity regarding sales of AN-124-100 and IL-76 charter transportation.

3. Will YAK-40 passenger services be further developed?

YAK-40 services is an auxiliary business of VD Group, and its main goal is hands-on training of young pilots under supervision of Instructor Pilots flying YAK-40 aircraft. According to fleet development strategy and young pilot training needs, this aircraft type will be replaced, and currently aircraft type selection process is underway with VDA Passenger Services.

4. Ware military transportations the reason for revenue increase in the last two years?

Not alone military transportations. Generally, business development was conditioned by successful development of charter operations with AN-124-100 and IL-76 ramp freighters, and dynamic growth of scheduled operations with B747 freighters. The most important result of the last year was the significant growth of long-term contract share in the Group's charter order portfolio conditioned by AH-124-100 strategic freight operations for NATO and EU Member States. Entry into service of IL-76TD 90VD, the new modernized freighter, considerably extended geography of operations, and ensured significant increase of transportations with ramp freighters. No less important a stable growth factor of sales during last year was the development of route network and increased frequencies of AirBridgeCargo.

5. Considering fleet growth by 2030, will any aircraft be phased out?

By 2030, We plan to introduce upgraded version of An-124 freighter. To achieve this goal, we must implement AN-124 Resumed Production Project. As regards scheduled operations, the older B747 will be reploaced by new and more efficient B747-400 and B747-8F. We also plan to introduce TU-204 freighters.

6. Fuel prices. Is it hedging or any other price growth management?

There are several types of long-term fuel contracts.
VDA has annually tendered for fuel contracts with fixed premium for fuel companies i.e. we don't fix fuel price but extra charge which a fueling company will get regardless of fuel price change. Method two: hedging, i.e. we conclude a long-term fuel contract with a fixed price, in which case we undertake all risks of changes to fuel prices.

7. Will fleet expansion of IL 76TD 90VD freighters affect VD Group structure?

With the growth of IL-76TD 90Vd fleet, we plan to establish a dedicated operator of this type, which operator will be a part of the Group and function within our cargo supermarket.

8. Has VDA undertaken proactive negotiations with Russia Foreign Ministry to resolve the issue with UNO?

VDA has cooperated with all relevant agencies, both in Russia and UN, to resolve this issue.

AirBridgeCargo

1. Profitability of ABC business?

Denis Ilyin
General Director
Open-type Joint Stock Company
Air Bridge Cargo

At present, the business gains operational profit, although, with regard to necessity to return funds invested in the business at the early stage, the company has not yet generally achieved break-even level. Bottom line business results are expected in 2008.

2. Has cargo been security checked?

This regards aviation security. ABC has established its list of requirements based on ICAO recommendations and requirements by Russia and foreign aviation authorities of the states to/from which ABC operates flights All of these requirements were presented to relevant agencies, first of all handling agents, and incorporated in contracts with such agents for compliance. These requirements include participation in Known Shipper programme when cargo is accepted from Known Shippers only, cargo scanning and holding at special secured areas for at least 24 hours.

3. Will ABC take IOSA audit?

Yes. When VDA had IOSA audit, we participated as Observer. Some time ago, ABC formally applied for IOSA audit. Currently, organizational issues for IOSA audit are considered. Tentatively, the audit will take place in a year, as ABC needs time to prepare for the audit, and audit companies are relatively busy now.

New routes in more detail.

In 2007, the emphasis has been made on development of Russia

domestic operations: two weekly frequencies to St. Petersburg and one to Khabarovsk, we also intend to increase operations on the existing routes, ensure stability on these markets. The new routes will be available with putting into service new aircraft: B747-400 ERF. We plan to start operations to North America (USA and Canada). We consider a possibility of a route from Krasnoyarsk to Toronto, then Houston and Europe. Among long-term perspectives (after 2009) are operations to Singapore, India and Thailand.

AN-124-100 project.

1. With the development of the aircraft factory, where will personnel be outsourced from: returne of the old or training of new personnel?

Ponomareva Lubov

Deputy Project Manager, AN-124-100

The activity is conducted under two trends. Those personnel who could be returned, are already employed with the factory and become instructors for the new personnel. In this regard, motivation system is extensively used, both for instructors and young personnel. There is educational institution in Ulyanovsk for aviation work force and specialists. They start their experience as hands-on training at the factory, and get employed on completion of such training. The business plan contains list of higher education institutions which train aviation industry specialists, and it also shows calculated demand for such employees.

2. With the project implementation, will possibility of aircraft maintenance at the factory be retained?

Maintenance services which the factory provides for aircraft in operation have been accounted for during planning the production facilities. Besides, we have taken consideration of costs on establishment of maintenance and repair base as the fleet growth will require relevant after sale support and maintenance and training necessary personnel.

3. Have there been any military orders for AN-124 freighter?

Presently, Russia based fleet of AN-124 requires conducting modifications, and the factory has plans to accomplish such work according to allocated funds. Although, the business plan estimates provide for military demand for the new aircraft to replace the older fleet.

4. Are there An -124 customers in other states?

We have inquiries for the freighters from Ukraine and UAE. Several aircraft were purchased by foreign customers (Lybia, UAE).

5. Were there any meetings held with the suppliers of spares under the project?

In 2006, a meeting was held with major component and material suppliers which expressed their readiness for the resumed production of the aircraft based on risk sharing partnership and establishment of Managing Company for the project. To date, such managing company has been established by Russia and Ukraine-based companies, and the process of completion with the new partners is currently in progress.

6. Will the number of the crew be changed on the new aircraft?

The business plan provides for launch into production of the updated version, AN-124-100M-150, with three crewmembers.

7. Will the aircraft version and engine manufacturers be different?

The business plan provides for two basic versions of the freighter: One of these I specified above. The second version is 'westernized' version, the AN-124-300, which will use western-built engines and avionics.

Flight Operations Control Centre (FOCC).

1. For how long may AN-124 be based away from Ulyanovsk?

Sidorin Alexander

Director, Flight Operations Control Centre

About 2.5 years. This period is conditioned by service life extension work. major maintenance tasks can be performed at bases away from Ulyanovsk (Sharjah, Leipzig).

2. Does Captain have the right to change a route in emergency?

Yes, he does. Captain is the person to take ultimate decision. Although, we have a system in place which regulates management activities in taking decision in emergency.

3. Do you have contact with Transaviaexport, did they ask for your opinion on situation in Mogadisho?

We have used their aircraft in sub-charter for conducting several operations. We have also provided operational support of their flights on certain segments and routes according to their requests and relevant contracts. Transaviaexport is a stand-alone foreign air carrier, and, naturally, they did not apply to Volga-Dnepr for advice. Neither they applied to us for operational support of flights to this country.

Flight Data Monitoring System

Ensuring flight safety has always been among priority activities of VDA. In recent years, special emphasis has been made on accident prevention, which assumes proactive search for failure

contributors for the purpose of their elimination or avoidance. Particularly this regards FDM.

What is FDM and what is it needed for?

FDM is engaged in acquisition and analysis of flight data received from onboard flight data recorders. This helps solving several important tasks:

- Monitoring flight modes and rules of flight operations,
- Monitoring serviceability of aircraft,
- CRM monitoring,
- Monitoring interaction of crew with ATC executive,
- Determining causes for aviation accidents and incidents.

Besides, flight data is used for preventive activities and flight staff training, objective assessment of technical status and continuing airworthiness of aircraft.

FDM's main objective is prevention of aviation accidents by continuous analysis of flight data and providing quality information on deviations from pilot technique and serviceability of aircraft.

Company's FDM history

From 1991 to 1994, flight data processing for VDA aircraft was performed flight test base of Aviastar-SP factory. In 1994, VDA established and conducted testing of its own software/hardware flight data processing complex . In 1997, the complex was certified by Russia State Flight Safety Agency and included in the Register of software approved for Flight data processing within Russia territory.

In 1996, the Company established line maintenance bases in Sharjah, UAE, and Shannon, Ireland, and, recently, in Leipzig, Germany. Each of these line maintenance bases has available equipment capable to download flight data from aircraft data acquisition units and transfer it for further processing and analysis to Flight Data Processing Division in Ulyanovsk. Worth noting, that the airlines specializes in long-time operations away from base. In the last years, the company's share of international operations amounts to 95%.

Kuznetcov Grigorij

Manager, Flight Data Processing

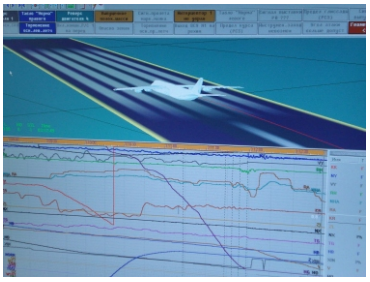
To ensure efficiency in ensuring flight safety, the company management has required that flight data be transferred to Ulyanovsk after each flight. To meet this requirement, in 1999, a real breakthrough was made: a dedicated interface was installed in each AN-124-100 freighter by means of which flight data could be downloaded from FDR to PC (notebook). Immediately after landing, the data was transferred from any world location to Ulyanovsk via Internet link. . In 1999, all company's aircraft were completed with such download interface and PC. Russia Agency for Patents and Trademarks issued to VDA relevant invention patent 2194307, which was incorporated in the State Register.

Upon completion of AN-124-100 fleet with onboard PCs, relevant instruction on mandatory transfer of data was drafted. Flight data is transferred in case of aviation accident, as requested by Department Managers (Flight, Maintenance or Flight Safety Inspectorate). Flight data can be transferred by Captain when found necessary. But in any case, flight data must be received at base at least within eight days of landing.

Software complex also undergoes continuous update. Apart from express analysis which automatically identifies violations in pilot technique, the software includes flight portrait i.e.. quality value accompanies each element of pilot technique. Confidential interviews with flight staff on flight operation analysis provide for efficient improvement of operations quality, identification of trends and errors. The software is capable to visually 'playback' a flight, show graphs and flight paths, and synchronization with sound data. All of these improvements make significant effect on ensuring flight safety and prevention of aviation accidents.

Let us point out an interesting fact as an example. VDA has frequently contracted flight staff from other carriers for IL-76 operations. Initially, they show not so good performance quality as compared to VDA's own personnel, because requirements of other companies to operational quality (accurate adherence to pilot technique requirements) are not so strict as at our company. VDA analyzes each of its flight operations to reveal deviations, deviation trends and pilot techniques. Upon completion of two to three missions, the outsourced Captains perform more punctually, and their operational performance is improved.

In 2006, FDM team was added up with flight data analysis team consisting of three specialists. Two of these staff are resigned AN-124-100 pilots with 14 years of operation on the type as Captains. One of these three is voice data expert rated at ICAO Level 6 language proficiency, English R/O phraseology and rules of radio communications. Worth noting that listening to voice data is accomplished to analyze R/O phraseology and rules of communications, as well as adhering to crew interaction instructions and procedures, and CRM (human factor). Besides, there is Voluntary Report System in place with the airline. The crews are aware errors or even violations will be analyzed (when violation have not been eliminated), the interview will be confidential and without further penalty. This set of action has given good results. Quality indices in pilot technique have significantly improved. When in 1993, we had 52 deviations and



violation, in 2006 only 8. Though, in 1993, AN-124-100 fleet included three aircraft, while in 2006, ten.

In 2006, 98% of AN-124-100 operations, 96% of IL-76 and 81% of YAK-40 were analyzed. IL-76 and YAK-40 have the same approved flight data processing software as AN-124-100.

VDA has shared its system approach in ensuring flight safety and accident prevention with many Russia-based and foreign companies.

In 2005, the Airline's flight data acquisition, processing and analysis system was successfully demonstrated to FAA representatives in Washington.

Flight safety.

1. Calculation of flight safety coefficient.

Briefly, there is a formula:

Flight Safety Coefficient = N number of incidents / 1000 flight cycles

2. Which audit was the most tough?

There are no tough audits. I would choose another criterion. There are instructive audits from which one can gain useful information for the company, and there are, unfortunately, useless audits.

3. Has Chief Flight Safety Inspector for Russia a practice to hold conferences or meetings?

Of course, for example, on 22 March 2007, flight safety officials from Russia-based carriers were invited to discuss issues regarding audits under SAFA programme.

4. In the last two years, Russia faced serious aviation incidents, what do you think about changes with Russia-based carriers?

There occurred certain incidents, but considering Russia from safety point, we should rely on actual facts, notably, global flight safety indices. And not short-term, say one-year period, but for example 3-5 years. This way, it would be more unbiased.

5. Which hot spots and political aspects affect decision taking, which locations would you not wish to operate to?

Malevinskij Yurij

Director, Accident Prevention and Quality Department

There is a concept of 'heightened risk airfield': operations to such airfields are regarded as dangerous and require special procedure for working out and taking fly/no fly decision.

Following are factors conditioning treatment of airfield as heightened risk airfield:

- Airfields located within states, regions with unstable military and political situation characterized by continuing warfare or threat thereof;

- "Unknown Airfields," airfields on which the Airline does not have sufficient information to operate a safe flight;

- Airfields with geographical and physical characteristics do not fully comply with aircraft type operational data.

There are phases for taking fly decisions to heightened risk regions: risk categorization, risk assessment by Emergency Board and procedure for decision taking.

6. Is there any airfield to which BDA would reject to fly (excluding war risk)?

There are problem airfields, and we should learn to manage risks during operations to such locations.

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