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Publication for insurance company
Published by Volga-Dnepr Airlines and New Insurance Company



Volga-Dnepr Group Reports 46% Increase In Sales In 2008

Volga-Dnepr Group has announced a 46% increase in sales for 2008 from its charter and scheduled air cargo services to US\$1.4 billion.

The Group, which owns Volga-Dnepr Airlines - the world's largest charter airline for the movement of outsize and heavyweight cargo – and AirBridgeCargo Airlines, Russia's leading international scheduled cargo airline, reported a 25% rise in cargo tonnage for the year compared to 2007. The Group transported 267,000 tons of cargo over the 12 month period, while FTKs rose 32% to 1,720,060 thousand FTKs.

According to these provisional results, the Group is now rated 12th in the global ranking of air cargo carriers and is the largest Russian all-cargo airline group.

During the past year, the Group continued its aircraft fleet improvement program:

- two brand new B747-400ER Freighters were delivered from the Boeing manufacturing plant in Seattle to replace older B747-200Fs in the AirBridgeCargo Airlines fleet;
- the company continued to operate two modernized IL-76TD-90VD freighters and provided funds for construction of another three airplanes of the same version to the Tashkent Aviation Factory under an agreement with the Russia United Aircraft Corporation (OAK);
- negotiations commenced with OAK for an order for new AN-124-100M-150 aircraft.

2008 saw Volga-Dnepr Group consistently realizing its development strategy based on the concept of offering a 'cargo supermarket' of all-cargo solutions. This combines the advantages of charter and scheduled air cargo operations and long-term relationships with key customers and partners worldwide.

Volga-Dnepr Subgroup of Companies Established in the Structure of the Group of Companies

Volga-Dnepr Subgroup of Companies has been established since December 12th, 2008, in accordance with the Regulation of A. Isaikin, Group President. This Subgroup includes structural units of the Group involved in charter business. These include Volga-Dnepr Airlines, Volga-Dnepr UK, Volga-Dnepr Ireland, Volga-Dnepr China, Volga-Dnepr - Unique Air Cargo, Volga-Dnepr Gulf, Ruslan SALIS, Ruslan International, as well as Volga-Dnepr-Moscow, the Group Managing Company.

The establishment of the new organizational structure shall provide more precise and efficient control of business processes of two basic fields of Volga-Dnepr's activities – charter and cargo services and optimize operational and marketing components of the Group's activity as outlined in strategic goals of the Group of the Companies.

"Establishment of the subgroup will provide conditions for increase of speed of response to outer and inner changes, customers' requirements, that is extremely important for maintenance of competitiveness of the Group of Companies", – Alexey Isaikin, Volga-Dnepr Group President emphasized.

Subgroup management will be performed according to conventional Volga-Dnepr's two-level model (that includes strategic and operational levels). Strategic management of the subgroup will be exclusively performed by the Management Company (Volga-Dnepr-Moscow LLC). Direct control will be performed by the head company of a subgroup Volga-Dnepr Airlines LLC. The person responsible for implementation of the strategy, business-plans and the budget of charter services approved by the Managing Company shall be V. Gabriel, VDA Executive President.

Operational control will be performed by Volga-Dnepr Airline and VDA Executive President. Duties and powers of the Executive President will include control of subgroup's structural units through task assignment, allocating of resources and powers, motivation, activities control and coordination.

Volga-Dnepr Group Reports Transfers of Top Management Personnel

Commencing January 12, 2009 the following significant rearrangements of Managing Personnel take effect in the Volga-Dnepr Group.



Alexey Ivanovich Isaikin will assume duties of Executive President of AirBridge Cargo Airlines LLC.



Sergey Ivanovich Shklyanik who has been holding the position of Senior Vice President of the Group will perform duties of the President of the Group on the interim basis from January, 12 to March 01, 2009 in the Managing Company Volga-Dnepr Moscow.



Gennady Alexandrovich Pivovarov who has been performing the duties of Executive President of AirBridge Cargo Airlines LLC will be transferred to another position within AirBridge Cargo to act as Adviser to Executive President of AirBridge Cargo Airlines LLC.

All in all the steps mentioned above are targeted at optimizing the general business activities, improving operations and marketing efficiency of AirBridge Cargo and achieving the Goals set before the Company by the strategic policy of Volga-Dnepr Group.

AirBridgeCargo Airlines: Crew Management and Training System

Maintaining compliance with flight safety requirements is the key objective of any airline operation. Leaders in the air transportation industry do not only fulfill the specific requirements applied by ICAO and other aviation authorities and organizations, they achieve a sustainable leadership position through the continuous safety of operations and act as a facilitator for the introduction of up-to-date international practices and standards.

One of the key components of any flight safety assurance system is flight crew training. Volga-Dnepr Group possesses vast experience in this area, with one of the best training facilities in Russia, constantly improving training methods and its own system for maintaining and developing the professional skills of each flight crew member. Training programs being developed by the Company accommodate both the requirements of the Russian Aviation Authorities and best practice based on the operating experience of international industry leaders.

To learn more about the flight crew management and training system applied by the Company, we spoke to three of the Company's officers that are directly involved in this work; Mr. Andrey Zalyautdinov, Flight Operations Director, Mr. Mikhail Roguchev, Head of Flight Standards and Crew Training Department, and Mr. Andrey Perepelitsyn, Senior Chief Pilot Boeing 747-200/300, Co-Pilot Boeing 747-400.



What criteria does AirBridgeCargo Airlines (ABC) use in the selection of flight crews?

Andrey Zalyautdinov:

- ABC's criteria for flight crew selection is among the most stringent in Russia. It covers professional skills and qualities, English language proficiency and health issues of every candidate and also evaluates the candidate's ability to interact within the flight crew environment. These are the skills relating

to Crew Resource Management (CRM).

CRM provides a proven means of avoiding any human errors during a flight and helps the Pilot in Command take the right decisions. According to statistics, most major accidents, including those with fatalities, occur to aircraft in good operating condition and with fit and healthy pilots. So what is the root cause? In giving their opinion, investigators frequently use the conventional statement of 'human factor'. Our goal is to reduce this factor to an absolute minimum.

All of our pilots must have at least 750 hours operating experience as Pilots in Command of a foreign-built aircraft; Airbus or Boeing. A pilot must have at least 4,000 hours operating experience in total. If a pilot has had a break in flight operations experience of one or two years, the airline would automatically reject their application. A pilot must also present a file of personal documents, which are studied thoroughly by the airline. Furthermore, the airline's senior flight operations officers conduct an interview with each candidate, during which the candidate has to confirm their necessary level of professional qualification and knowledge of regulatory documents.

English language proficiency is an important qualification criteria. ABC only employs pilots that are proficient in English, corresponding to at least the ICAO Level 4 (Operational) standard. Prior to an offer of employment, each candidate is interviewed by our in-house assessors of aviation English language as an additional verification of the pilot's actual knowledge and level of qualification. The simple presentation of a training course completion certificate by the candidate would not be accepted.

Special attention is paid to each candidate's health condition. All pilots are required to have a general medical examination, which is performed by CVLEK - Central Expert Board for Medical Examination. In Russia, this is the supreme authority for the medical examination and certification of aviation personnel. Even if a flight crew member had a medical examination quite recently, repeated certification would still be required. Medical approval can only be issued after the most recent medical examination data on a crew member has been collected and analyzed. The age of the candidate is also a factor. We only review applications from candidates under 50 years old.

Andrey Zalyautdinov:

- The qualification level of ABC flight crews is very high. Indeed, pilots that have worked for us for some time and then leave are often offered positions of senior operations officers due to their experience. Even the least experienced of our pilots would still have a higher qualification compared to those in many other airlines, even those engaged in passenger air services. So, if we ever have to remove a pilot from flight operations, we do this not because they are a bad pilot but because the qualification requirements in our airline are very high.

What methods are used to train ABC flight crews?

Andrey Zalyautdinov:

- After all stages of selection and the initial qualification check have been completed, and pilots have been awarded an employment contract, they will be scheduled for transition training, which is arranged with certified aviation training centers.

Initially, transition training on Boeing 747-200/300 was conducted for us at the Lufthansa Flight Training Center in Germany, where our pilots studied theoretical subjects, tested their skills using flight simulators and flew all Line Trainings as part of the Lufthansa crews.

For Boeing 747-400s, now the core aircraft in ABC's fleet, it was decided that all crews would be trained at Boeing's Alteon Training facility in Seattle, USA. This is a highly respected center where pilots from all over the world are trained. All of our Boeing 747-400 flight crews complete transition training there.

Andrey Perepelitsyn:

- I can confirm that training processes at the Alteon Training facility in the US are extremely well designed and implemented. Training takes one month, and the course is continuous and very intense. The center is well supplied with training materials, visual aids and equipment.

Andrey Zalyautdinov:

- In order to enhance our experience, we sent four Captains for line training as PICs to Global Supply Systems (UK), where they successfully completed the line training programme on the aircraft and on GSS routes. Thus, we combine the operating experience of both US and UK operators.

Training flight crews abroad was quite costly to the company, wasn't it?

Andrey Zalyautdinov:

- Flight training is critical to safety so it is not where we should economize. It is better to pay more and have highly qualified flight crews who ensure the highest level of flight safety. Moreover, no other airline in Russia had prior experience of flight crew training on Boeing 747-400 aircraft.

How does ABC maintain the qualifications of its flight crews?

Mikhail Roguchev:

- We maintain our pilots' qualifications in accordance with international standards, which are documented by the International Civil Aviation Organization, contained in EU Standards and stated in JAR and the requirements of the Russian Civil Aviation Authorities. It should be mentioned that currently there are certain differences in regulatory frameworks of the Russian authorities and ICAO. Our company originates from Volga-Dnepr Airlines, a Russian airline, which operates in the international air cargo market but utilizes Russian-built aircraft. When we first started to operate foreign built Boeing 747 aircraft, we were simultaneously affected by several pieces of different legislation. First there was US legislation, since the aircraft manufacturer is a US company and compliance documents are issued by the US FAA (Federal Aviation Administration). Secondly, laws of the State of Registry of the aircraft - in our case it is Bermuda. And the third legislation is the State of Operator, i.e., Russia. Our goal was to develop a system for maintaining flight crew qualification which should comply with legal requirements of the above three states. An enormous amount of work was subsequently done and, finally, we achieved our goal. The system we developed was approved by the Russian Civil Aviation Authorities and the company obtained permission to train flight crews in accordance with the new programme. In addition, the Transportation Ministry of Canada reviewed our flight crew training, qualification and recurrent training programme among other aspects of airline operation and issued a National Air Operator's Certificate to AirBridgeCargo Airlines. This document confirms the airline's ability to meet the required level of flight safety and availability of nominated managers within its organization structure who are assigned responsibility for the Flight Safety Programme and Operational Safety Policy. ABC now operates to Canada.

Classic programmes used in the USSR and Russia for the training and qualification of flight crews give no consideration to new technological capabilities of computer equipment and software and do not accommodate the up-to-date experience used by international airline leaders. Furthermore, these older programmes are not quite suitable for ABC's flight crews due to the specific features of scheduled cargo operations and the



airline's route network. The time flight crew members spend at the base is not sufficient for training based on traditional training techniques. As we discussed before, the qualification standards our airline uses are very high and we have come to a conclusion that we need to implement methods of distance training and qualification. When a crew is on relay shift away from base for several days, it is necessary to make sure they use this time efficiently.

We had to change our approach to knowledge checking as well. So, we dropped stereotypes that plagued the Russian air transport industry in the past and classified qualification check questions into two categories. First: firm knowledge, i.e., trigger-type questions, answers to which must be given on the spot, without long consideration, and which invoke exactly the necessary response to a situation. It is a situation where there is no time to look-up advice in a handbook. Something happened, the emergency alert activated, deviation from glide slope is observed, a pilot must take the right decision at once. This category of questions refers to firm knowledge – and pilots must know the exact answers off by heart!

The second category of questions includes so-called 'skills'. OK, trigger has worked, light indication came on, and now pilot has a chance to look up advice in the Quick Reference Handbook or some other manual. Here, skills come into play. A question is asked in such a manner that the pilot needs to check with a document available on board in order to take necessary action or make calculations to resolve an issue relating to the operation of a flight. When answering questions in this category, pilots are allowed to use documents that are normally available on board the aircraft.

Now, durability of knowledge; all pilots have had training and passed final exams with 'excellent' marks but after some time, and without notice - for example when the flight crew have reported for a pre-flight briefing - we ask them the same questions. After this experiment was completed, it turned out that three months after completion of their training, pilots did not answer correctly to 100% of questions. As a result, we switched to a quarterly retraining system. The system for controlling completion of all stages of the recurrent training program is very stringent. There is a documented requirement in the airline's Flight Operations Manual to remove any flight crew member from flight operations if there is a breach of the training programme completion schedule.



Andrey Perepelitsyn:

- The new training system enables flight personnel to maintain the required level of knowledge systematically and consistently and this ultimately results in a higher level of flight safety.

Have the findings from the B737 accident near the city of Perm been accommodated in the training programme?

Mikhail Roguchev:

- When we train flight crews to prepare them for abnormal or emergency situations in flight, we pay much attention to simulator training, which allows full simulation of any abnormal condition. The Company's Flight Standards and Crew Training Department has developed programmes for training and exercises on Boeing-747-200/300/400 aircraft which are approved by the Russian Civil Aviation Authorities. A normal flight - including take-off, climb and level flight - is not very often associated with extreme conditions.

training programmes include an Upset Recovery exercise. The pilot flying the aircraft closes his eyes or is distracted from the instruments that indicate the altitude of the aircraft and the instructor sets an unusual configuration (Unusual Altitude) - that is an attitude the aircraft cannot enter during a normal flight. Having opened his eyes, the pilot is tested by having to regain awareness and perform the right actions to recover from the abnormal situation.

Andrey Perepelitsyn:

- It needs to be mentioned that in this case, the pilot should only rely on indications of HSI and not on his vestibular apparatus. It is known, however, that these instruments differ on Russian and non-Russian-built aircraft.

Mikhail Roguchev:

- The second important aspect is associated with stall recovery. There is an exercise in the training programme which determines just in time when an aircraft is about to stall and allows necessary recovery action. All these situations, in addition to basic emergency cases, are trained on the simulator.

Does your flight crew training system cover the operation of different modifications of Boeing aircraft?

Andrey Zalyautdinov:

- It's a must. The cockpits of Boeing 747-200 and Boeing 747-300 aircraft are nearly identical as both aircraft belong to the same generation. When crews are being prepared for operations on these two types, they have a 'Differences' course which highlights specific features that are different.

The Boeing 747-400, however, is a new generation aircraft. The cockpit equipment, for example, differs as it is based on the 'glass cockpit' concept. Furthermore, the flight crew consists of only two members, the Captain and First Officer. Cockpits in Boeing 747-200/300 aircraft have an additional workstation for a Flight Engineer. This difference clearly affects the way in which crew operating procedures are arranged and, accordingly, the flight training process.

What improvements were made to the ABC flight training system in 2008, and what are your plans for 2009?

Mikhail Roguchev:

- All flight crew training principles have been implemented in the software training system that we are currently using - the Learning Managing System. This interactive software allows pilots to access information and guidance materials, flight training and re-qualification programs from any location in the world via an Internet connection. The system is protected from unauthorized access and enables distance learning from any time zone, thus minimizing non-flying duty time of flight crews. We are the first airline in Russia to use a system like this.

We have now completed a one-year training course and are going to start a new version in 2009. The difficulty level and the number of questions in the flight training programme will be increased as part of our goal to continuously improve knowledge levels.

Apart from the stringent selection criteria and tight training process control, what else is done to ensure the safety of operations?

Andrey Zalyautdinov:

- Almost every Boeing 747 flight is subject to Flight Recorder Data Analysis. Through this, close attention is paid to analysis of deviations and irregularities. In addition to the Flight Data Analysis team, who perform processing of data on the technical side, we also have a data analysis specialist. This person's goal is to determine the slightest trend towards a deviation and to

keep associated statistics. If such a trend is determined, Chief Pilots and flying instructors must conduct debriefing on the flight concerned with the operating crew. If a major deviation is found, each member of the operating crew is given a special task. The advantage of this method is that it makes it possible to identify the root cause of deviation or irregularity and to take corrective action in a timely manner. This is the way we manage the flight safety assurance process.

Social

What is done for flight personnel healthcare and rest, what

benefits are there for flight crew members, and how often is flight crew rehabilitation arranged?

Andrey Zalyautdinov:

- It is not the best time now to think about any kind of bonuses. However, one of the things that never changes at ABC is Loss of License Insurance for pilots. Entitlement to this benefit becomes valid after at least three years' work with the airline. The primary principle is the longer you work with the company, the more you are paid. We have salary increases every year. More benefits are available in accordance with the crew member's record with the company.

Volga-Dnepr's Contribution to the Baikal Expedition

The Baikal Assistance Preservation Fund thanked Volga-Dnepr Airlines for its valuable contribution into the Baikal expedition MIR.

On July 11, 2008 Antonov AN-124-100 of Volga-Dnepr Airlines



delivered from Kaliningrad, the Chkalovsk military aerodrome, into Ulan-Ude the MIR deep-sea vehicles involved in the scientific expedition on Lake Baikal. The shipment carried weighed 80 tons and included two small Mir-1 and Mir-2 submersibles, an

oceanographic craft and the required research facilities.

In the letter of gratitude President of the Baikal Assistance Preservation Fund, Hero of the Russian Federation and Russian State Duma Deputy, Arthur Chilingarov, said: "We highly appreciate your operational and qualified support in finding



solutions to the existing problems. We do hope that with all your active participation we will further manage to implement plans of the Baikal Assistance Preservation Fund focused on protection of the greatest freshwater habitat on Earth".

IOSA Audit in Volga-Dnepr Airlines

From 16 to 20 February, Volga-Dnepr Airlines hosted an audit team coming to validate the company under the IATA's Operational Safety Audit (IOSA) program. The audit was conducted by an expert company Wake QA, UK. The purpose of this visit was to confirm the company's compliance with IOSA standards and renew its registration.

Volga-Dnepr Airlines was inspected in eight fields of activity, namely organization and management system, flight operations, operational control and flight dispatch, aircraft engineering and maintenance, cabin and cargo compartment operations, ground handling, cargo operations, and operational security. In contrast to the previous audit in 2007, this time compliance of IL-76TD and YAK-40 aircraft was also checked, although these types were initially excluded from the scope of audit.

The auditors positively commented on results of their examination of the company's operational status. Final conclusions will be

summarized in Wake QA's formal report to be sent to IATA and Volga-Dnepr Airlines.

The company's General Director Sergey Dyachkov thanked the audit organization's team for their thorough work. The lead auditor Martin Engeler, in his turn, made special mention of the excellent level of organizational preparation for the audit. "We appreciate the assistance from company staff. All issues were handled in a professional and speedy manner. It was a pleasure for us to work with you," said Mr. Engeler.



'Cargo Supermarket' Strategy results in another successful delivery

Volga-Dnepr Group of Companies accomplished delivery of equipment for hydroelectric power station Corumba III in Brazil, which is now under construction. The Air carriage was arranged within the framework of 'Cargo Supermarket' Strategy being implemented by the Group of Companies.



Airport (ULY). The Boeing-747 was positioned at Kazan (KZN) airport, with total of 50 tons of similar cargo being loaded. Both flights were completed successfully. At destination in Brazil the aircraft with cargo were met by representatives of the Customer.

According to Dennis Gliznoutsa, Group Sales Director for Air Cargo Charter Services, that carriage was a vivid example of effective utilization by the Group of its fleet's unique

Flights were operated for Charter Service Niklas, with Conceptum Logistics GmbH (Germany) as forwarder. The operation joined capabilities of two aircraft types of the Group's fleet – An-124-100 and Boeing 747 - as total of 120 tons of cargo had to be delivered to Brazil. An-124-100 took aboard 70 tons: 29-ton rotor and the water-wheel equipment. Loading operations were observed by customer's representatives at airport Ulyanovsk Vostochny



capabilities in air logistics. "I would like to thank all Group personnel involved in the operation for excellent performance. Thanks to well-coordinated team work the Company was able to implement a whole complex of services for benefit of the Customer and to ensure complete and punctual performance of our contractual obligations," - Mr. Gliznoutsa stressed.

Volga-Dnepr representative offices

Managing Company

35, Usacheva St.,
Moscow, 119048
Tel.: +7 495 7557836/7556850
Fax: +7 095 7556851
E-mail: fax@msk.vda.ru

Volga-Dnepr Airlines

14, Karbysheva St.,
Ulyanovsk, 432072
Commercial department
Tel.: +7 8422 590292
Fax: +7 8422 590142
SITA: ULYDMVI
E-mail: commerce@vda.ru

Stansted Volga-DneprUK Ltd.

Endeavour House,
Coopers End Road,
London-Stansted Airport,
Essex,
CM24 1AL
Sales executives +44 1279 661166
+44 7799 416324
Fax: +44 1279 661103
SITA: STNDMVI
E-mail: sales@volga-dnepr.co.uk

Houston Volga-Dnepr Unique Air Cargo, Inc

Town Center Plaza
9400 Grogans Mill Rd., Suite 220
The Woodlands, Tx 77380
Tel.: +1 832 585 8611
Fax: +1 832 585 8618
E-mail: c_volga@yahoo.com

ABC, Moscow, Head office

Building 16/1, Malaya Pirogovskaya,
Moscow, Russia, 119048
Tel. :+ 7 495 7862613
+ 7 495 2342618
Fax: + 7 495 7556581

E-mail:
service.svo@airbridgescargo.com

NIC office

29, 40 - Ietiya Pobedy St.,
Ulyanovsk, 432072
Tel.: +7 8422 204745
Fax: +7 8422 202805
E-mail: nic@nic.mv.ru