



>> СОДЕРЖАНИЕ

15 лет развития.....1	Промышленные проекты.....39
Основные финансовые и операционные показатели.....5	Возобновление серийного производства самолета Ан-124-100.....39
Управляющая команда.....7	Программа модернизации самолета Ил-76.....41
Обращение президента.....8	Другие направления деятельности.....43
Группа компаний. Стратегия успеха.....11	Пассажирские перевозки.....43
Миссия. Генеральная цель.....11	Техническое обслуживание.....44
Основные услуги и рынки сбыта.....13	Автомобильные перевозки.....45
Основные направления стратегического развития.....15	Страховые услуги.....46
Бизнес-стратегия на рынке чартерных перевозок.....15	Международное обучение.....47
Бизнес-стратегия на рынке регулярных перевозок.....16	
Структура Группы компаний «Волга-Днепр».....17	
Кадровая и социальная политика.....19	
Основные направления деятельности.....21	
Чартерные перевозки уникальных негабаритных грузов.....22	
Ситуация на рынке перевозок уникальных негабаритных грузов.....22	
Самолет Ан-124-100.....25	
Самолет Ил-76ТД.....27	
Уникальные технологии, разработанные специалистами Группы.....28	
Международная сеть технического обслуживания.....29	
Основные клиенты Группы «Волга-Днепр» по перевозкам уникальных негабаритных грузов.....31	
Некоторые перевозки «Волга-Днепр».....32	
Компания AirBridge Cargo.....33	
Международная маршрутная сеть AirBridge Cargo.....34	
Программа развития хабов в России.....35	
Международная команда AirBridge Cargo.....37	
Клиенты AirBridge Cargo.....38	





SALES, \$ million
AIR TRANSPORTATION:

	2004	2005
AN-124-100	\$ 221.4 млн.	\$ 282.9 млн.
IL-76	\$ 28.7 млн.	\$ 56.9 млн.
Boeing 747	\$ 45.8 млн.	\$ 115.9 млн.
Yak-40	\$ 4.3 млн.	\$ 5.4 млн.
Total	\$ 308.6 млн.	\$ 467.8 млн.
Other	\$ 8.4 млн.	\$ 6.7 млн.

FLIGHT HOURS, h

	2004	2005
AN-124-100	14 870	15 906
IL-76	2 227	2 773
Boeing 747	3 715	8 089
Yak-40	4 898	3 355

REVENUES

Total	\$ 308.6 млн.	\$ 467.8 млн.
Other	\$ 8.4 млн.	\$ 6.7 млн.

Company offices
 Maintenance stations

The Group have offices all over the world. They are strategically located to meet our customer needs.



Volga-Dnepr's global route map 2005



01



strategic business segments

02



air cargo charter

Charter cargo operations by Antonov AN-124-100 "Ruslan" aircraft and Ilyushin IL-76 aircraft. The Company market share of the unique outsize cargo market was 56% in 2005



schedule cargo operations

Scheduled cargo operations by Boeing 747 aircraft. AirBridge Cargo showed dynamical development throughout 2005: sales volume increased more than twice compared with 2004, our route network was greatly expanded, and a third Boeing 747 aircraft was put into operation.

03



insurance company

Insurance coverage, offering a variety of insurance services. "NIC" is one of Russia's top ten aviation insurance companies.

04



trucking services

Trucking services. "Volga-Trucks" provides cargo delivery on the territory of Russia.

05



language training center

English language training. "Volga-Dnepr Language Training Center" is an aviation training center. All Training Center businesses are certified, the Center joined International Language Schools Association ATEEL in 2005.



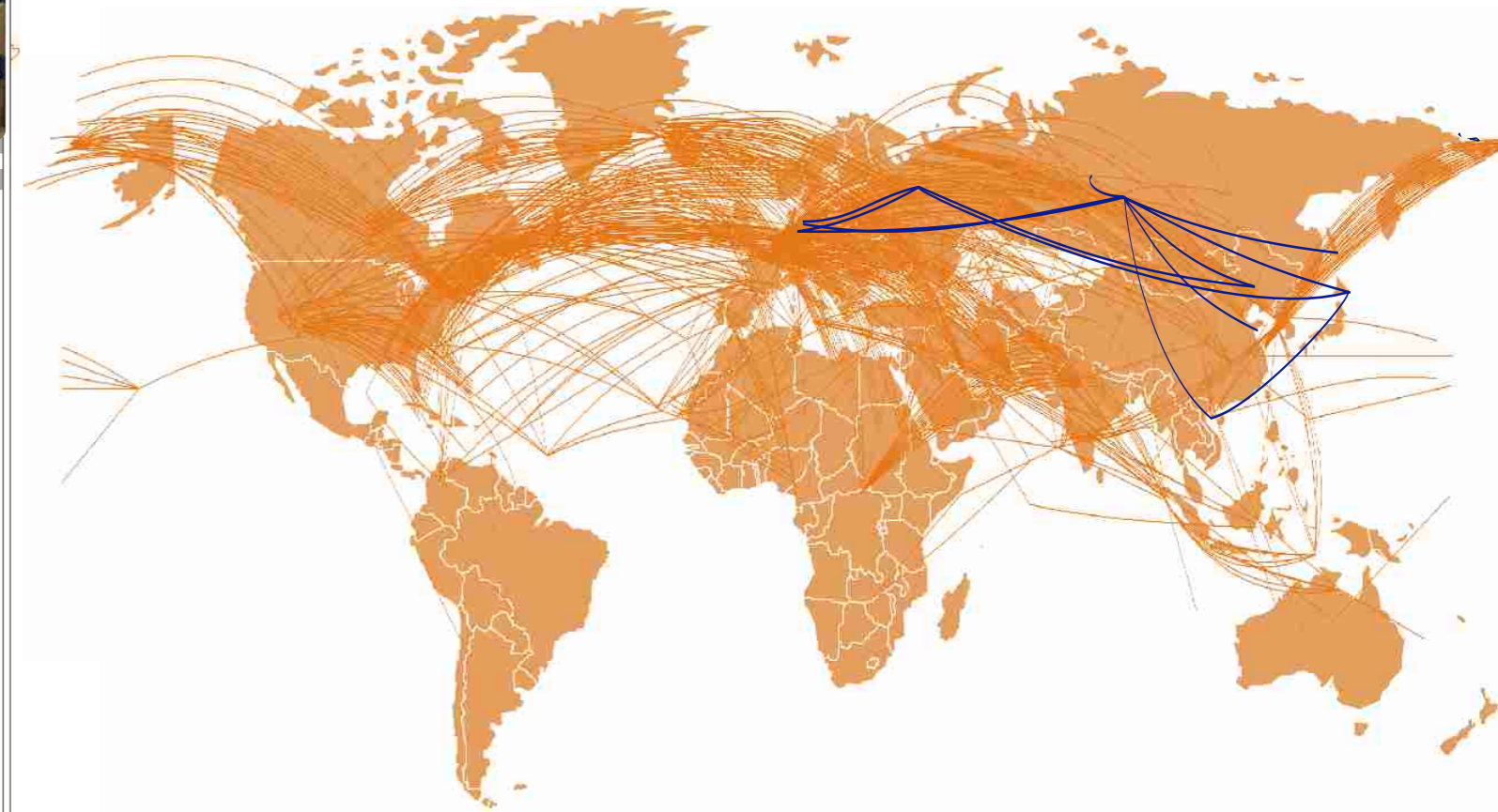
EVENTS

- ▶ The Group achieved an improvement in all business areas. The level of Volga-Dnepr Group sales compared to 2004 increased by 52% to US\$467.8 million. A greater number of long-term contracts enabled Volga-Dnepr Airlines, the world's leading operator of AN-124-100 Ruslan aircraft, to consolidate its position in the outsize and heavy cargo transportation market. Sales for the airline increased by more than 27% in 2005 and its market share of this specialized transport sector amounts to 56%.
- ▶ AirBridge Cargo, the scheduled cargo division of Volga-Dnepr Group more than doubled its 2004 sales figures, reporting revenues in excess of US\$100 million. AirBridge Cargo is now one of the five largest carriers operating flights between China and Europe.
- ▶ KASKOL Group relinquished its shareholding in Volga-Dnepr Group. "Region" investment company became the new shareholder.



CONTRACTS

- ▶ After a competitive tender process, Ruslan SALIS GmbH, a joint initiative between Volga-Dnepr Group and Antonov Design Bureau, was successful in winning a contract to fly cargo operations for NATO and the European Union. Under the terms of the contract, Ruslan SALIS will provide air charter services for SALIS (Strategic Airlift Interim Solution) Member Nations using up to six AN-124 aircraft at a time.
- ▶ Volga-Dnepr Group established a close co-operation with Japan's Nippon Cargo Airlines that will significantly support the development of the Group's position in Japan and Southeast Asia.





Cargo turnover, tons/km, thousand

	2004	2005
AN-124-100	431,973	400,873
IL-76	20,634	21,108
Boeing 747	145,394	326,463

Total cargo turnover, tons/km, thousand

598,001	748,444
----------------	----------------

Passenger turnover, tons/km, thousand

32,027	25,708
---------------	---------------

Fleet

	2004	2005
AN-124-100	10	10
IL-76	4	3
Boeing 747	2	3
Yak-40	6	6

Headcount (persons)

1 636	1 768
--------------	--------------

06



volga-dnepr leasing

Management of Ilyushin IL-76 aircraft modernization project. The first modified IL-76TD-90VD aircraft successfully completed test flights in 2005. The aircraft was put into commercial operation in May 2006.

07



passenger services

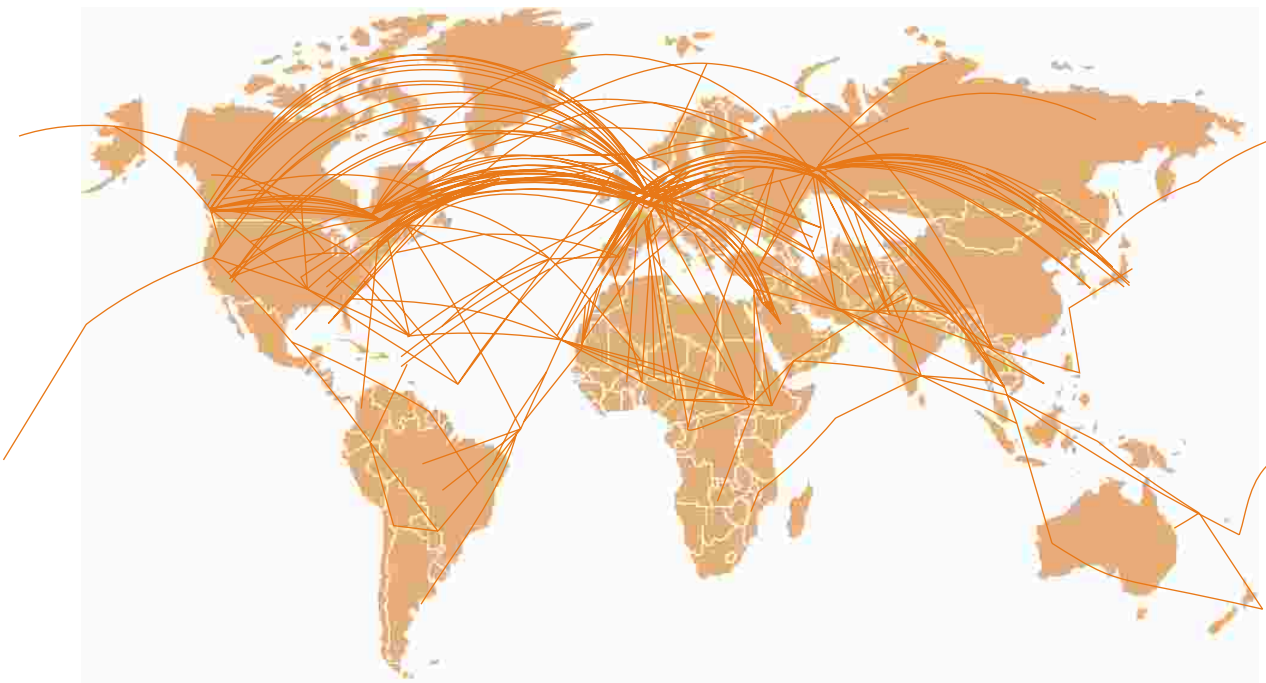
Scheduled and charter passenger operations as well as mail and cargo transportation in Russia.

>> Fleet

- ▶ AirBridge Cargo introduced its third Boeing 747 into service in 2005, helping to increase sales revenues.
- ▶ Volga-Dnepr Group signed an agreement with GE Commercial Aviation Services (GECAS) for the long-term lease of two new-build Boeing 747-400 ER Freighters for AirBridge Cargo. The aircraft will join the AirBridge Cargo fleet in 2007 and 2008.
- ▶ Volga-Dnepr made significant progress with the IL-76 modernization program. In 2005, the first upgraded IL-76TD-90VD commenced test flights. The aircraft entered commercial service with Volga-Dnepr Airlines in May 2006.
- ▶ The business plan for the AN-124-100 Production Project lead by Volga-Dnepr Group was approved and accepted as a part of the development program for the Russian aviation industry. It will also support the future development of the Aviastar factory. Alexey Isaikin, President of Volga-Dnepr Group, was elected Chairman of the Board of Aviastar.



15 years of development



Volga-Dnepr's global route map 1995



1995

AN-124-100 – 6 aircraft
IL-76 – 4 aircraft



1990

JSC Volga-Dnepr Airlines was registered in Ulyanovsk, Russia, and given registration number 1, thus becoming one of the first joint-stock companies in Russia and the country's first private cargo airline.

1991

First two AN-12s and one AN-124 'Ruslan' begin operations. Volga-Dnepr and UK-based HeavyLift Cargo Airlines register a joint venture under the identity of HeavyLift-VolgaDnepr, based in London Stansted, UK. Volga-Dnepr Airlines registered with ICAO and assigned the three-letter code VDA.

1992

Volga-Dnepr Airlines started operating internationally under its own call-sign. Company becomes an associate member of IATA. On Volga-Dnepr's initiative, a new civil version of the AN-124-100 aircraft was produced and certified. Company launches a program for the development of outsize and heavy air cargo transportation and starts to design relevant loading equipment.

1993

The Russian Government confirms Volga-Dnepr as an Assigned Carrier for air transportation between the US and Russia and between China and Russia. Volga-Dnepr becomes the first Russian airline to become a member of The International Air Cargo Association.

1994

Volga-Dnepr is authorised to operate charter flights to China under its own call-sign and establishes a Representative Office in Beijing. The airline obtains the right to operate scheduled flights between the US and Russia. Volga-Dnepr establishes its long-haul trucking subsidiary, Volga Trucks. Volga-Dnepr's Language School is established.





15 years of development

1995

Volga-Dnepr Aircraft Maintenance is certified. Volga-Dnepr becomes the first Russian airline to receive the status of customs carrier in Russia. Volga-Dnepr establishes New Insurance Company (NIC) to cover major aviation risks. Volga-Dnepr launches a fleet modernization programme.

1996

Volga-Dnepr implements its first major logistics program, delivering oil mining equipment for British Petroleum to Columbia. Volga-Dnepr opens line maintenance stations in Sharjah (UAE) and Shannon (Ireland). Volga-Dnepr establishes Passenger Operations subsidiary.

1997

Volga-Dnepr Ireland, a subsidiary of Volga-Dnepr Airlines, becomes a certified aircraft maintenance base. On Volga-Dnepr's initiative, the Association of Cargo Airlines (ACA) is established.

1998

On Volga-Dnepr's initiative, the TIACA Chapter for Russia and CIS is established, chaired by Alexey Isaikin, General Director of Volga-Dnepr Airlines. Alexey Isaikin is elected to the Executive Board of TIACA at the Miami Forum of the Association.

1999

The UK CAA's evaluation team audits Volga-Dnepr and confirms that the company's fleet is in full compliance with ICAO's requirements. In an audit by the United Nations, Volga-Dnepr's flight safety standards are recognised as the benchmark for evaluating operators contracted by the UN.



2000

Volga-Dnepr launches its fleet modernisation program.
Volga-Dnepr Unique Air Cargo opens in Houston (Texas, USA).

2001

HeavyLift-VolgaDnepr Ltd is wound up and Volga-Dnepr starts its own global marketing and sales of AN-124-100 air services.
Volga-Dnepr Group established.

2002

Volga-Dnepr becomes the first civil air carrier to operate to Afghanistan to deliver humanitarian aid and equipment for the UN.
The International Finance Corporation (IFC) signs a loan agreement with Volga-Dnepr, extending to the airline a loan of US\$29.9 million for the purpose of building a new AN-124-100 aircraft.

2003

Volga-Dnepr Group and Ilyushin Aircraft start a programme to modify the IL-76 aircraft into a new, enhanced IL-76TD-90VD version.
The programme for entering the international scheduled air operations market is launched.
Volga-Dnepr announces the start of the programme to support and facilitate the development of AviaStar SP.
The Group of Companies initiates the programme for the resumption of serial production of new, modified AN-124 aircraft at production plants in Ukraine and Russia.

2004

Launch of the IPO Project.
Launch of the Scheduled Cargo Operations Project and the start of Boeing 747-200 scheduled services by the Group.

2005

Business plan for AN-124-100 Resume Production and Modernization Project was approved during joint Russia-Ukraine business meeting.
Upgraded AN-124-150M aircraft and IL-76TD-90VD aircraft were presented at MAKS air show.
Volga-Dnepr Airlines and Foreign Trade Bank signed a partnership agreement for financing the AN-124-100 Resume Production and Modernization Project and IL-76TD Modernization Project.

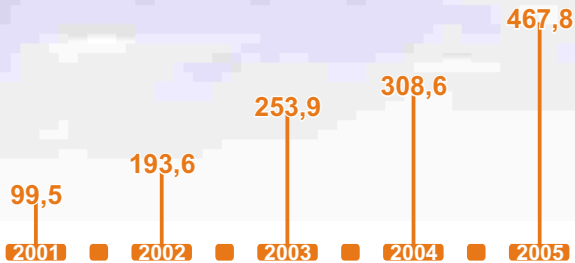


F

inance and operating performance

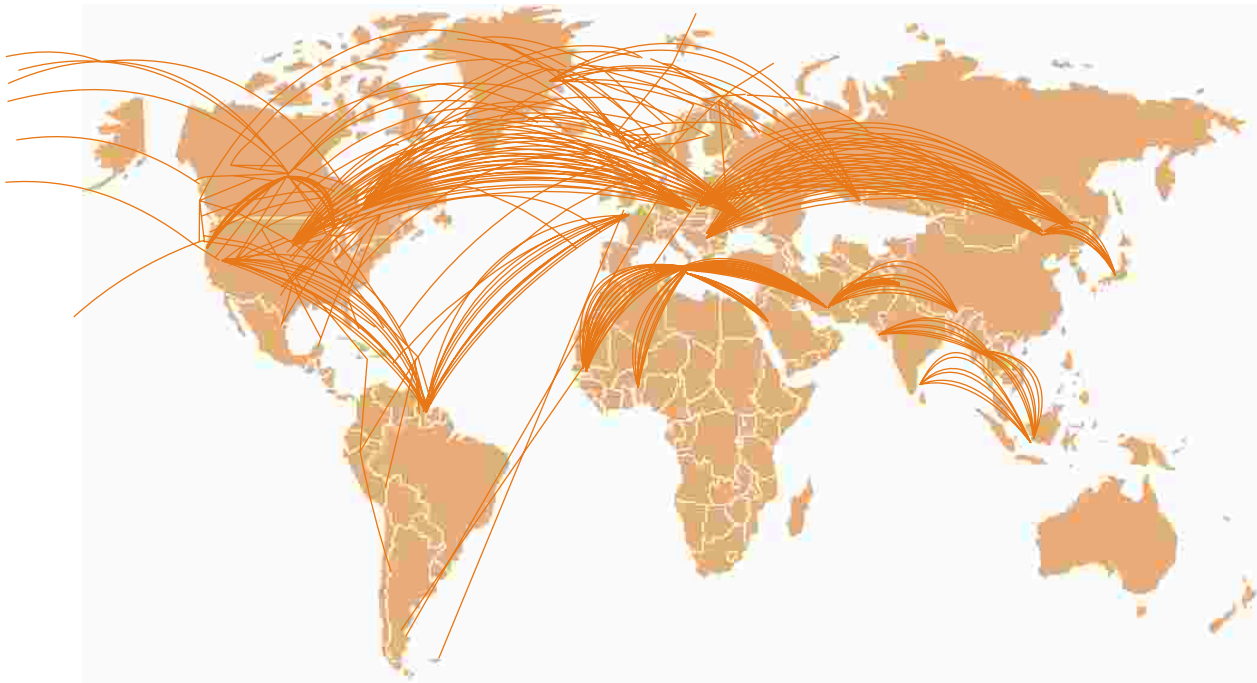
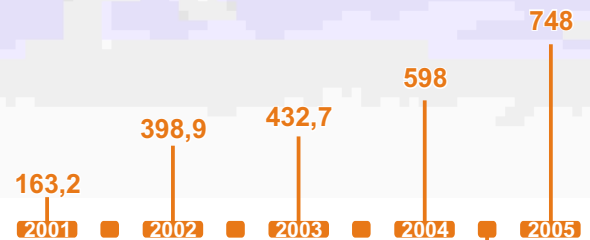
Finance and operating performance, US\$ million

Active development AirBridge Cargo's is scheduled services and retaining the leading positions in the AN-124 and IL-76 air cargo charter market enabled Volga-Dnepr Group to improve its sales by more than 50% in 2005 compared to 2004.



Cargo transported, ton/km, thous.

The efficient implementation of the Group's marketing policy and the successful conclusion of new contracts contributed to a 25% increase in cargo transportation.

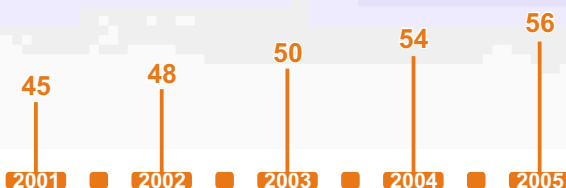


Volga-Dnepr's global route map 2000



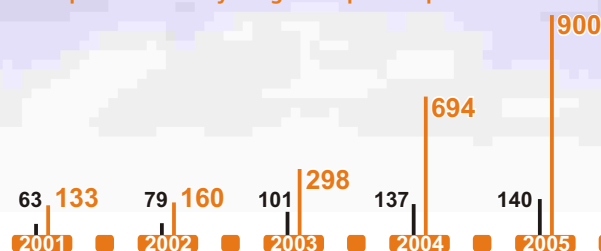
Heavyweight and outsize cargo market share, %

The reliability of the Group's services and unrivalled experience and expertise enabled Volga-Dnepr to strengthen its leading position in its segments of the global cargo market.



Numbers of countries/airports served by Volga-Dnepr Group

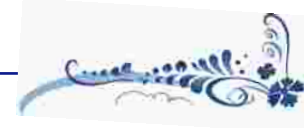
Expansion of the Group's aircraft fleet, combined with attracting new customers and partners' further increased the number of countries and airports served by Volga-Dnepr Group.



140 — countries 900 — airports

Customer recognition, new projects and fleet expansion, supported by the pro-active approach taken by the Group's international team of experienced professionals, allowed the Group to considerably improve its main operating performance in 2005 versus the previous year.

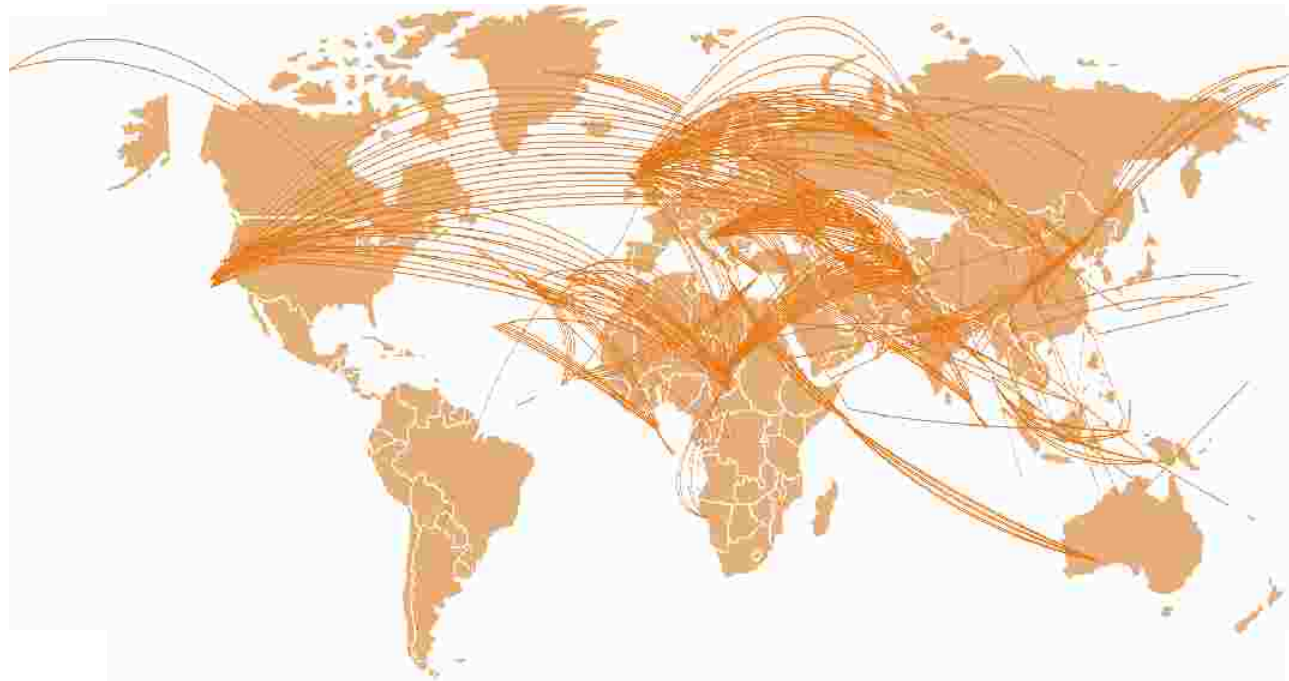
	2001	2002	2003	2004	2005
Sales, \$ million					
Air transportation:					
AN-124-100	83,3	171	226,6	221,4	282,9
IL-76	7,0	13,0	17,7	28,7	56,9
Boeing 747	-	-	-	45,8	115,9
YAK-40	5,4	3,2	1,3	4,3	5,4
Other revenues	3,8	6,4	8,3	8,4	6,7
Total	99,5	193,6	253,9	308,6	467,8
Flight hours, h					
AN-124-100	5 829	12 753	16 254	14 870	15 906
IL-76	1 148	5 815	2 781	2 227	2 773
Boeing 747	-	-	-	3 715	8 089
YAK-40	2 049	2 391	3 763	4 896	3 355
Cargo turnover, tons/km, thousand					
AN-124-100	149,193	367,431	405,582	431,973	400,873
IL-76	14,040	31,470	27,169	20,634	21,108
Boeing 747	-	-	-	145,394	326,463
Total cargo turnover	163,233	398,901	432,751	598,001	748,444
Passenger turnover, pax/km thousand					
YAK-40	17,771	27,003	27,291	32,027	25,708
Air fleet					
AN-124-100	9	9	9	10	10
IL-76	4	4	4	4	3
Boeing 747	-	-	-	2	3
YAK-40	4	5	6	6	6
Headcount (persons)	987	1 149	1 325	1 636	1 768



M^{anagement Team}



1



Volga-Dnepr's global route map 2003





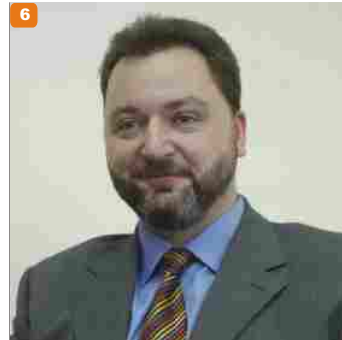
1 right to left

1. **A. Isaikin**, President of Volga-Dnepr Group
2. **S. Shklyanik**, Senior Vice President, Volga-Dnepr Group
3. **G. Pivovarov**, General Director, Volga-Dnepr Airlines
4. **S. Wraight**, Vice President, Scheduled Cargo Operations

2. **V. Tolmachev**, Technical Director, Volga-Dnepr Group
3. **T. Arslanova**, Director, Marketing and Strategic Management, Volga-Dnepr Group
4. **T. Bauckham**, Managing Director, Volga-Dnepr UK
5. **A. Pakhomova**, HR Director, Volga-Dnepr Group
6. **A. Tsvetkov**, Director of Finance, Volga-Dnepr Group

2005 marked a significant step forward for Volga-Dnepr Group. For the last fifteen years we have diligently followed the path of continuous and consistent development towards our strategic goal of making the Russian company a leader in the global air cargo market. Our success is, in the first place, a result of combining the experience, professionalism and effective business efforts of Volga-Dnepr's entire management team.

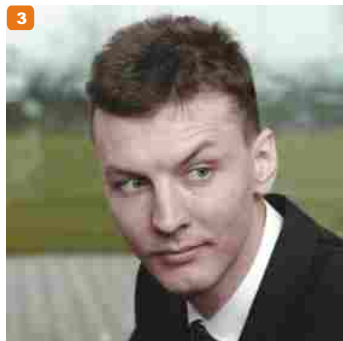
Alexey Isaikin
President of Volga-Dnepr Group



M^Vanagement Team



1. **D. Ilyin**, Managing Director, AirBridge Cargo
2. **D. Gliznoutsa**, Commercial Director, Volga-Dnepr Group
3. **D. Grishin**, Sales Manager, Volga-Dnepr Airlines
4. **Yu. Malevinsky**, Director, Department of Accidents Prevention and Quality, Volga-Dnepr Airlines
5. **K. Vekchine**, Vice President, Volga-Dnepr-Unique Air Cargo





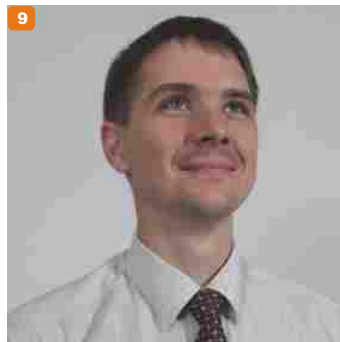
6. V. Dmitriev, Flight Director, Volga-Dnepr Airlines

7. S. Dyachkov, Director of Operations, Volga-Dnepr Airlines

8. V. Sherin, Managing Director, Volga-Dnepr Gulf

9. A. Pakhomov, General Director, Volga-Dnepr Leasing

10. V. Kulakov, Director, External Relations Department, Volga-Dnepr Group





S

strategy for success

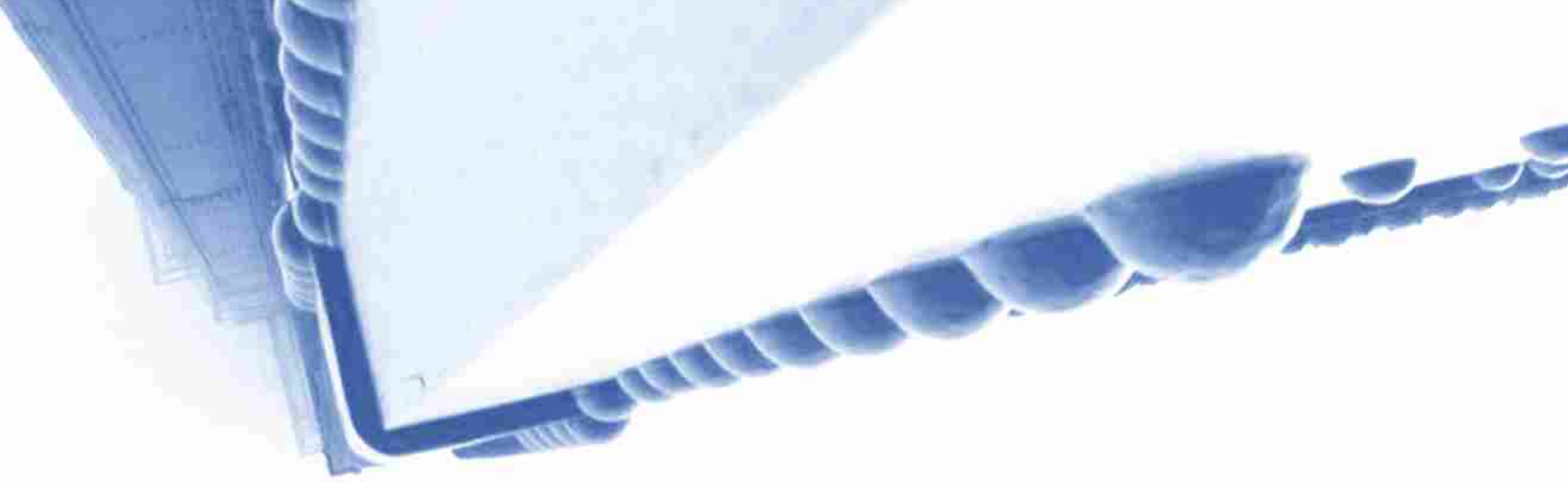
Mission:

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 would result in the overall success of the company.



Volga-Dnepr's global route map 2004





General Goal:

Volga-Dnepr Group is a professional organization rapidly growing and rated among the world's top twenty cargo carriers. Volga-Dnepr is quoted in the market higher than its main competitors.

2004

AN-124-100 – 10 aircraft
IL-76 – 4 aircraft
Boeing-747F – 2 aircraft



S

strategy for success



Services and markets

Volga-Dnepr has focused its core business activities on the provision of air cargo services to major forwarders, international corporations and organizations worldwide. The Group works in two key segments of the global air cargo market:

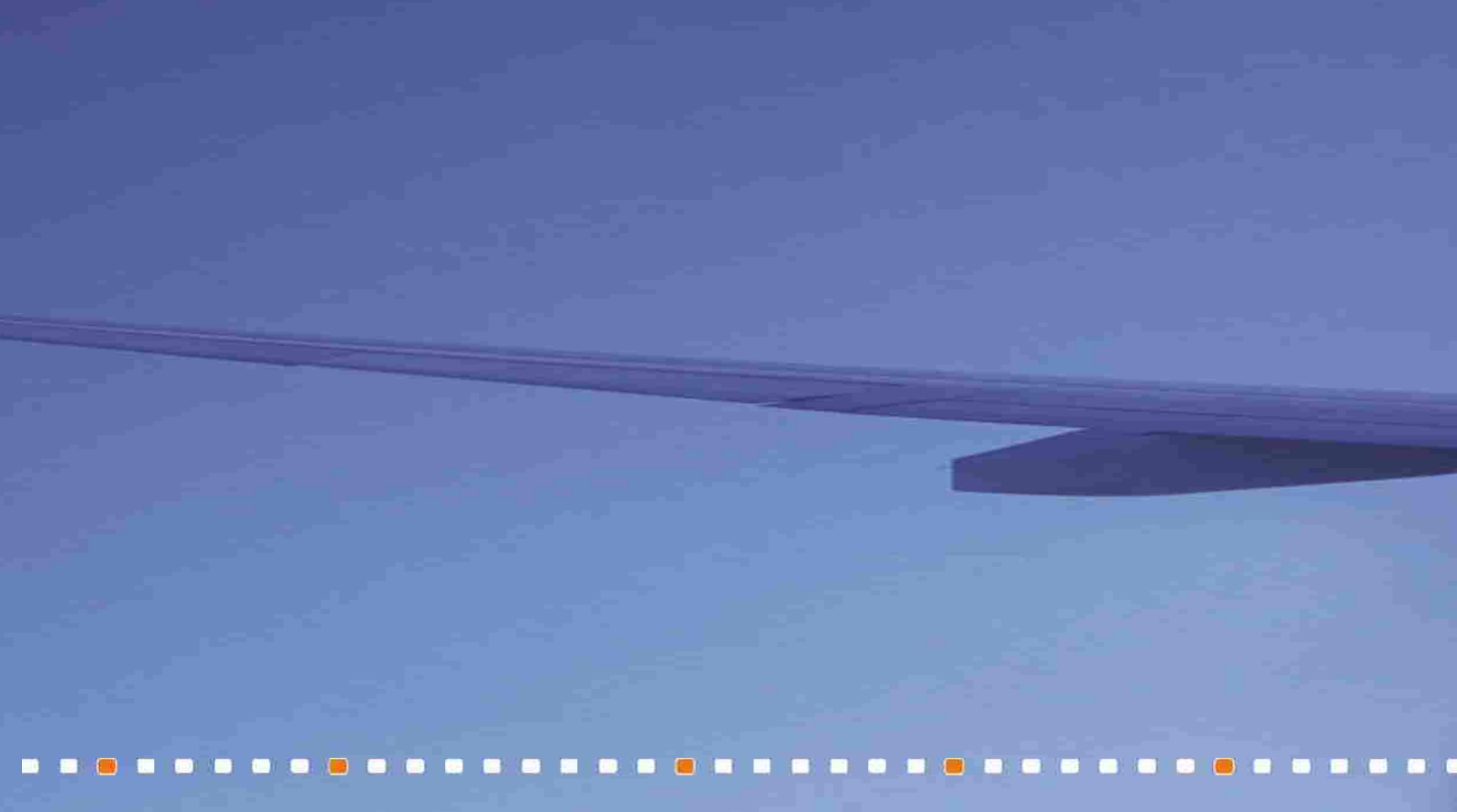
- ▶ Global transportation of outsize and heavyweight air cargo using the unique capability of Antonov AN-124-100 Ruslan and Ilyushin IL-76 ramp loading freighters on an air charter basis. Volga-Dnepr is the market leader for the movement of outsize and heavyweight air cargo, controlling 56% of this specialized market segment.



Volga-Dnepr Group today successfully operates in two primary segments of the world's air transport market: charter and scheduled cargo flights. Volga-Dnepr's strategic goal within the next five years is to achieve significant growth of our total annual turnover through fleet growth and route network expansion by AirBridge Cargo, increased sales for charter services, growing the number of long-term contracts as well as increasing the operational efficiency of the airline fleet.

Tatiana Arslanova
Director, Marketing and Strategic Management,
Volga-Dnepr Group





- ▶ Scheduled transportation of general cargo using Boeing 747 freighter aircraft on routes between Europe and Asia by AirBridge Cargo. The growth of scheduled operations is based on the use of the Russian market as a unique transit territory between Europe and Asia as well as Asia and America, and is also supported by the development potential of a Russian delivery network for imported goods. In 2005, AirBridge Cargo became one of the biggest air cargo carriers operating flights between China and Europe.





Main areas of strategic development

Business policy for charter operations

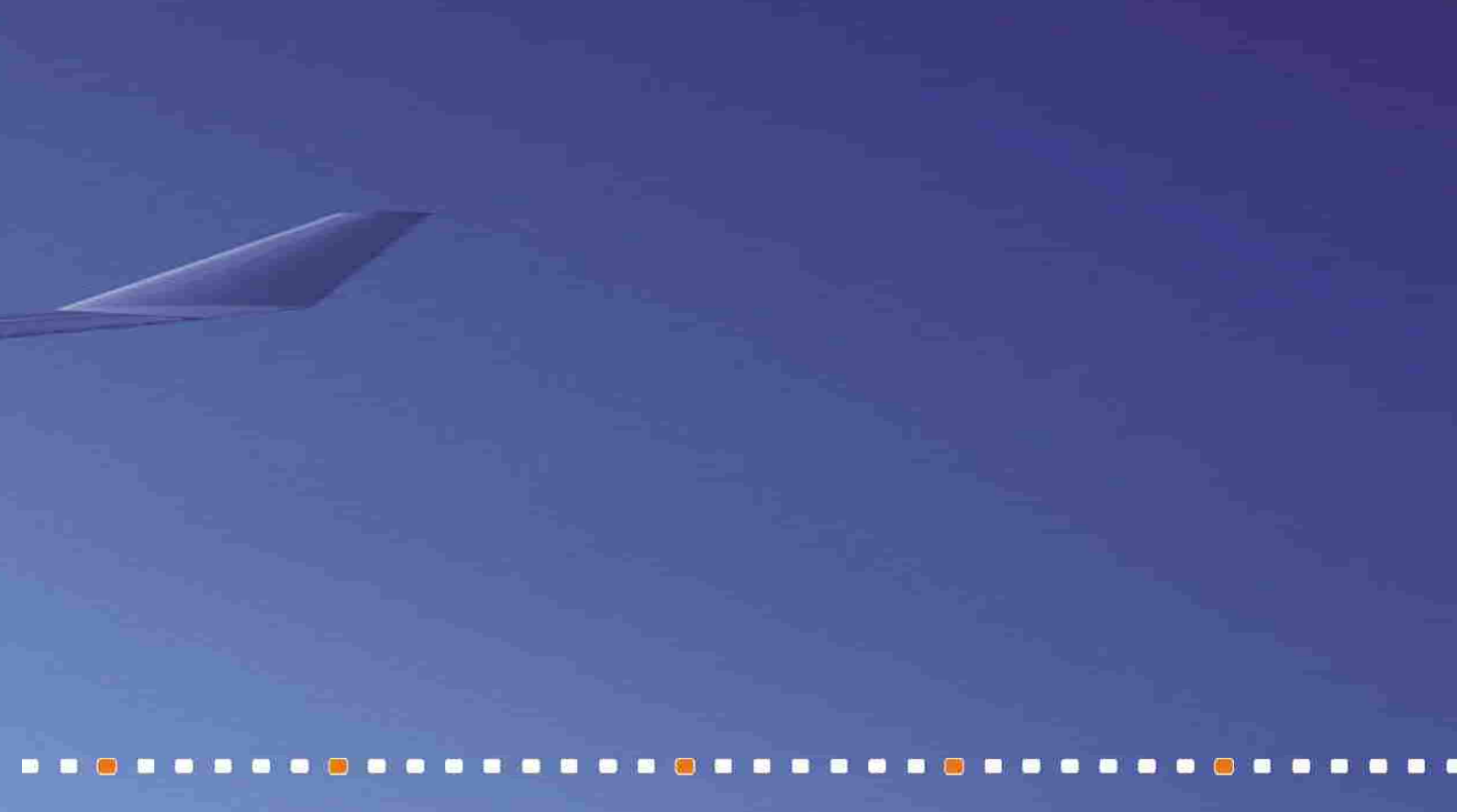
Air charter operations by AN-124-100 Ruslan aircraft are a core part of Volga-Dnepr's strategic direction. In 1992, Volga-Dnepr became the market leader for outsize and heavy cargo operations and has retained this position ever since.

The Group's AN-124-100 business policy is based on maintaining and growing its position in the outsize and heavy cargo market. Building long-term relationships with clients, along with projected growth of the market created by the unique ramp freighter, imposes a certain responsibility on Volga-Dnepr to safeguard the life of this unique aircraft. This involves the launch of the project targeted to re-start production of an upgraded version of the AN-124 Ruslan corresponding to current and future requirements. This project envisages an increase in

the modernized fleet from one aircraft in 2009 to 12 aircraft in 2020.

At the same time, the Group will continue to support charter operations using ramp loaded aircraft in the 30 to 50 tons range by introducing the new generation IL-76TD-90VD to meet all ICAO requirements. The policy will be accomplished by implementing the IL-76 modernization program. The first upgraded IL-76TD-90VD was put into commercial operation in May 2006. The modernization program involves the gradual modernization and purchase of 17 IL-76TD-90VD aircraft by 2011 within the project managed by Volga-Dnepr Leasing. This business project has enabled the new-build IL-76TD-90VD freighter to return to the markets of Europe, North America, Australia and Japan, currently banned for the old version of the IL-76.





Business policy for scheduled operations

Volga-Dnepr's strategy for the scheduled cargo market assumes operation of not less than five scheduled cargo routes and establishing strategic partnership agreements with leading airlines interested in the development of the Russian air cargo market. The core requirement for the successful development of scheduled cargo operations are new solutions for the largest freight forwarders and logistics companies. First of all this will include the development of "hub and feeder" deliveries of export / import cargo throughout Russia, building up of the international cargo route network (including

Japan, Hong Kong and the USA), and increasing the airline fleet. According to current plans, by the year 2008 the airline fleet operated on scheduled routes will grow to 8 Boeing 747s and a number of Russian-built freighters, the latter operating on regional routes.

There are also plans to organize in-house facilities for Boeing 747 maintenance in Russia, reaching A-check capability in 2007, and starting to provide C and D checks in 2008, ensuring better airline competitiveness through more efficient cost control.

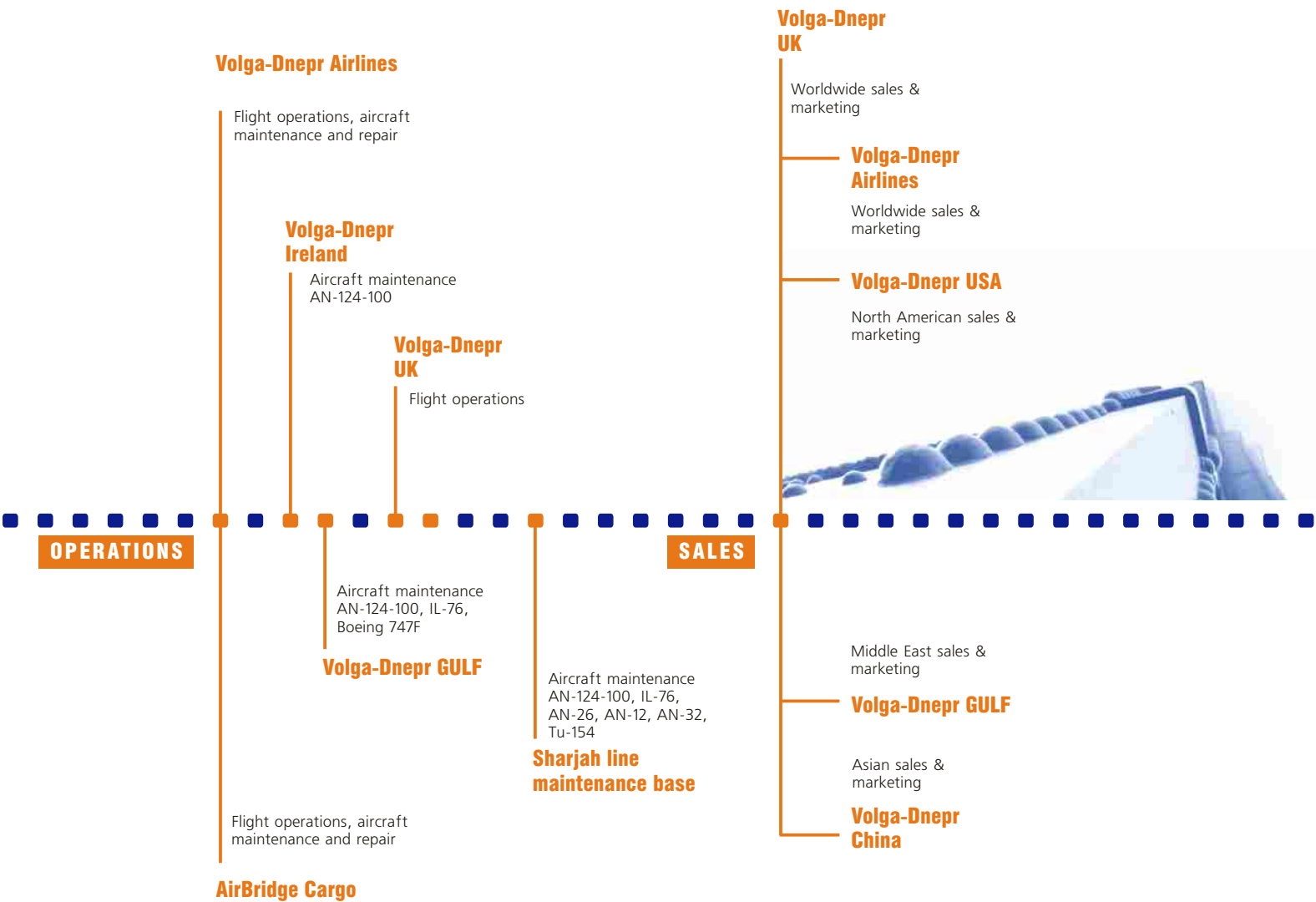
Throughout 15 years of successful operations, Volga-Dnepr grew from a basic cargo operator to a multi-business group of companies. Our development strategy is based on achieving maximum synergy between our charter and scheduled businesses, which in turn will allow us to offer our clients a unique combination of transport logistics solutions.



Sergey Shklyanik
Senior Vice President, Volga-Dnepr Group



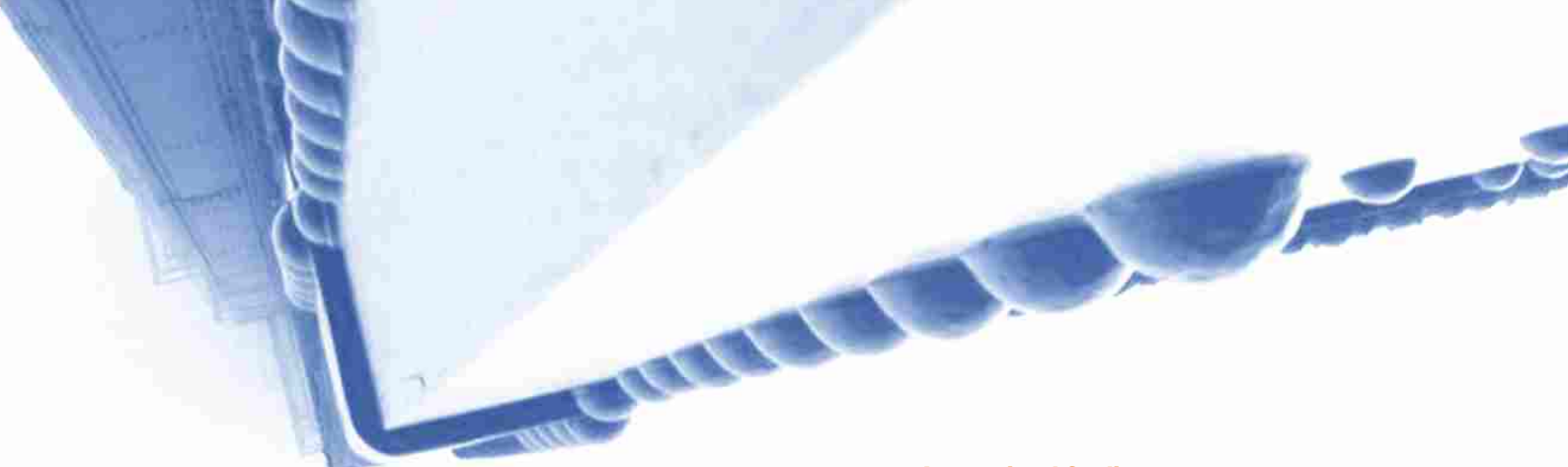
S strategy for success



Volga-Dnepr Group structure

Volga-Dnepr Group is an international organization, a 'Cargo Supermarket' providing integrated logistics services in the area of global air cargo transportation.





**AirBridge Cargo
Moscow**

Worldwide sales & marketing

**AirBridge Cargo
Frankfurt, Luxembourg, Amsterdam**

Sales & marketing in Europe

Sales & marketing in Asia

**AirBridge Cargo
Shanghai, Hong Kong, Nagoya**

Sales & marketing in Russia

**AirBridge Cargo
Krasnoyarsk, Novosibirsk**

New Insurance Company

Insurance services

International Studies Division

Foreign language training

Volga-Trucks Division

Long-haul trucking

SUPPORTIVE BUSINESS

Scheduled and charter passenger services

Passenger Operations Division





S

strategy for success



HR and social policy

One of the greatest achievements in Volga-Dnepr is its united team of professionals, who work together to turn the Group's strategy into reality. The Group's offices located all around the world now employ over 1,700 people of 20 nationalities. Professional qualification, experience and motivation of its employees are decisive factors in Volga-Dnepr's successful performance in the global market. Good leadership qualities, continuous training, career development opportunities, adherence and loyalty of the Group's personnel to corporate values and team spirit distinguish the Group from its competitors and allow it to get ahead even in the toughest market situations.

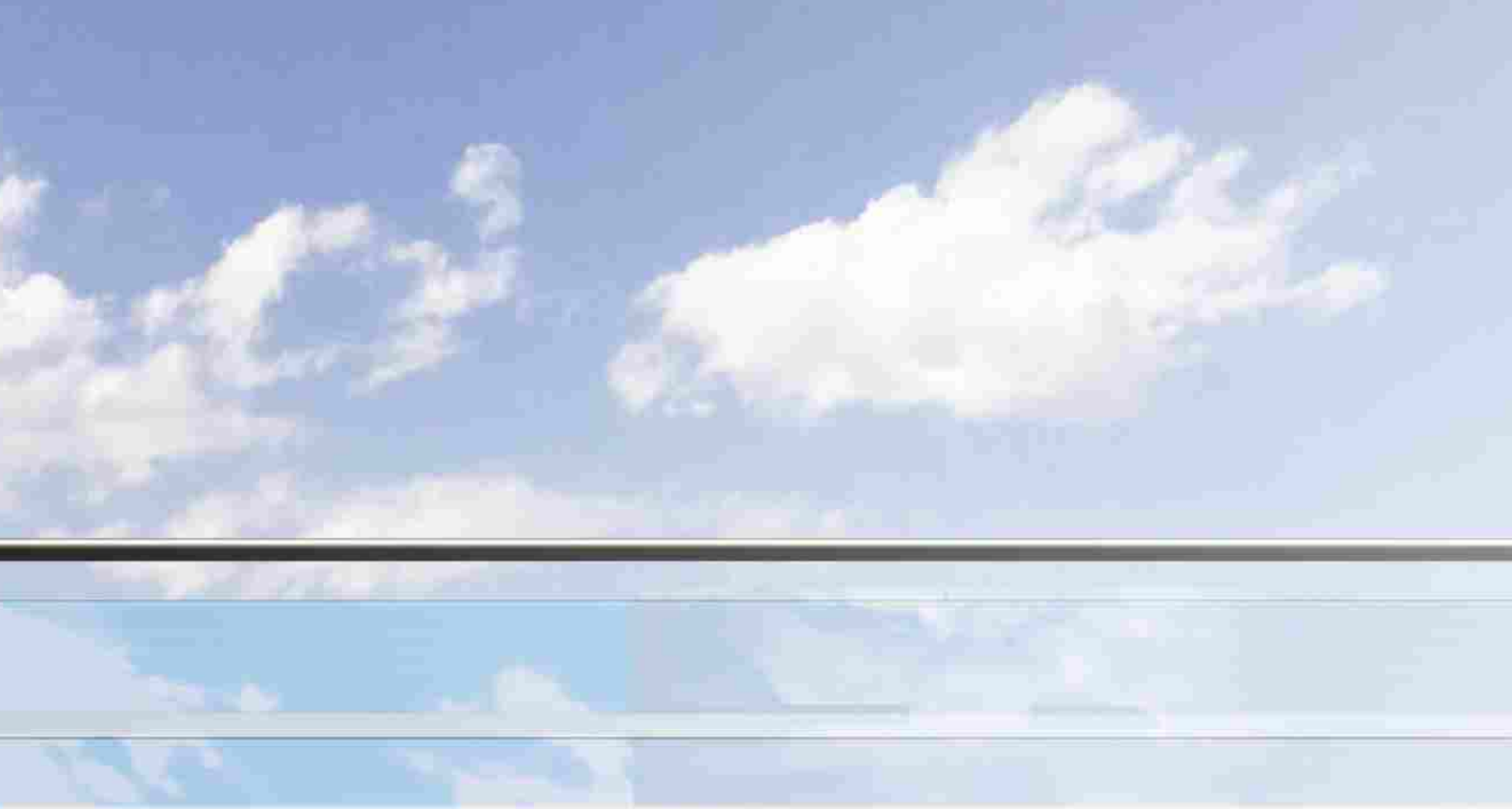
Target training of young professionals is a priority for Volga-Dnepr. A decision to create a Corporate University of the Group based in Ulyanovsk was made in 2002. Successful tutoring, as well as the Group's systematic approach towards training its

own management personnel, have allowed the Group to significantly increase managerial quality and reduce the gap between the managers of different generations.

Ever since its creation, Volga-Dnepr has been a socially responsible company. The 'Corporate Nationality' principle underlines the Group's activities. Volga-Dnepr has placed special emphasis on interaction with local communities close to the Group's bases and offices. Volga-Dnepr supports several social and cultural facilities in Ulyanovsk. The children's home, Arts School, and Veteran Hospital — just some examples of the Group's program of active civil responsibility to society.

Volga-Dnepr Group was among the first Russian companies to join Global Compact, a UN international humanitarian initiative. The Group has been implementing Compact's main principles by establishing its activities for social responsibility of businesses.





Investing in the development and improvement and investment of its team is a key factor in Volga-Dnepr's success, and the Group is, therefore, genuinely interested in the professional development and career progress of its staff. Mentoring, together with a succession system, rotation programmes and corporate university serve to ensure staff retention, development of management skills and generation of a management reserve, motivated to achieve the Group's corporate strategic goals.

In response to the need to provide qualified personnel for its expanding business opera-

tions, Volga-Dnepr's management have placed a strong focus on strategic partnerships with higher education institutions, aimed at identifying young professionals that can develop into the next generation of business leaders.

By ensuring governmental and social guarantees, expanding and improving the corporate social package and encouraging professional development of its employees, Volga-Dnepr is investing in the good care of both its current and future team members and business prosperity.

From the very beginning, Volga-Dnepr has been a socially-oriented company building its business practice on principles of good corporate citizenship through social and environmental responsibility. The international team of employees is the most valued asset for the Company. It is strategically vital for us to constantly strive for improvement of the succession system and provide for the social assurance and professional development of our employees.

Anna Pakhomova
HR Director, Volga-Dnepr Group





C ore Business Activities



Volga-Dnepr's global route map 2005





Outsize and non-standard cargo charter services

The outsize and non-standard cargo charter market

From the moment of its creation, Volga-Dnepr Group has been a provider of air transportation services meeting customer demand in the specialized outsize and heavyweight cargo operations sector. This segment of the global air cargo market has grown considerably from US\$42 million in 1990 to over US\$500 million in 2005. Market capacity increased by 24% in 2005 and is forecasted to grow by 8% for each of the next five years.

This growth can be attributed to the services offered by the unique AN-124-100 freighter aircraft in this specialized area of cargo transportation, including deliveries of aid and relief goods to the areas of the world suffering from natural disasters, the continued peacekeeping missions in the Middle East and in Afghanistan, and the upturn in the global aerospace sector that produced a high requirement for the movement of new aerospace and aviation equipment.

Today, we can say that our Group's primary service is a unique solution for the Customer. We are not selling just charter flights, but solutions to meet our customers' needs.

Tony Bauckham
Managing Director, Volga-Dnepr UK





Core Business Activities



One of the biggest changes in the air charter market in 2005 saw an increase in the number of long-term contracts; with many clients using Volga-Dnepr services on a pre-planned basis.

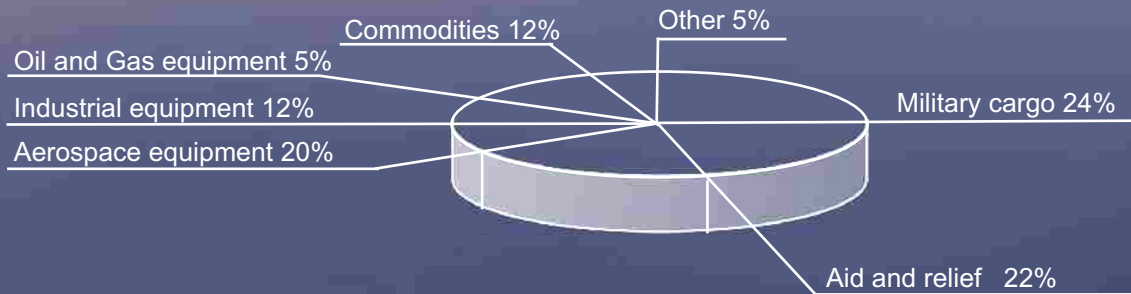
Revenue generated by sales of Antonov AN-124-100 services in 2005 reached US\$308.1 million demonstrating a 40% increase on the previous year's results. Volga-Dnepr's cargo traffic on AN-124-100s in 2005 was 400.873 thousand ton/km. Cargo sales for the IL-76 increased in 2005 to US\$56.9 million compared to US\$28.7million in 2004. Overall, the Group grew its share of the outsize and heavy air transportation market to 56%.

The unique characteristics of our AN-124 aircraft has enabled customers to look at air logistics for a much broader range of transportation solutions and facilitated growth in the outsize and heavyweight niche cargo market. In 2005, we achieved an increased share of long-term co-operation contracts. Further growth of our charter business will be based on growing demands from customers, continued globalization of the world economy and active development of the aerospace industry.

Dennis Gliznoutsa
Commercial Director, Volga-Dnepr Group



Cargo breakdown



Volga-Dnepr's share of missions involving the transportation of "unconventional" cargo which require unique expertise and an individual approach to each flight, increased to 73%.

Volga-Dnepr Airlines is registered with the International Civil Aviation Organization (ICAO) and is a member of the International Air Transport Association (IATA) and a member of The International Air Cargo Association (TIACA).





C

ore Business Activities



Antonov AN-124-100 aircraft

The central aircraft of Volga-Dnepr Airlines' fleet is the AN-124-100 Ruslan offering a unique outsize solution for cargoes requiring up to 120 tonnes payload capacity and 1,000 m³ volume within the cargo cabin. Volga-Dnepr Airlines is the world's largest operator of the AN-124-100 aircraft. Due to an increase in operational efficiency, the airline achieved a record level of annual flight hours of over 2,000 hours per technically available AN-124-100 aircraft in 2005.

The AN-124-100 is one of the most recognized and respected aircraft in the air cargo market. The size and unique capabilities of this freighter allows Volga-Dnepr to create a new market segment for outsized and heavy cargo transportation. With its unrivalled technical characteristics, size, cabin dimensions and operating range, the AN-124-100 is the leader in the outsize and heavy air cargo market. The freighter has two cargo doors in the front and rear of the fuselage, both featuring ramp extensions to facilitate the loading process.



For the last 15 years, Volga-Dnepr has secured its leadership in the outsize and non-standard cargo charter business. The Group now accounts for a 56% share of this market. We intend to retain our strong position by expanding the fleet, opening new markets and improving operational efficiency.

Gennady Pivovarov
General Director, Volga-Dnepr Airlines





In 2004, Volga-Dnepr Airlines acquired a new upgraded AN-124-150M. By the end of 2006 its cargo capacity is to be increased up to 150 tonnes, allowing the airline to significantly increase its cargo capabilities.

AN-124-100 aircraft are technically scheduled to be in operation until at least 2011-2015. To meet future demand after this period, Volga-Dnepr is playing an active role in two national programs aimed at extending the operating life of the AN-124-100 and re-starting serial manufacture of new generation versions of the AN-124-100 featuring extended flight range, improved cargo capacity and advanced avionics.





C

ore Business Activities



IL-76TD

Volga-Dnepr's fleet includes three leased IL-76TDs. The freighters are designed to carry general cargo including palletized, non-standard and single pieces of cargo up to 45 tonnes in weight. The aircraft can land and take-off from both paved and unpaved airfields. The IL-76TD features a rear cargo door with loading ramp.

At present, due to their failure to meet the requirements set under ICAO Chapters III and IV, Ilyushin aircraft are mostly operated on domestic cargo routes in Russia.

However, now the Group is implementing a modernization program for the aircraft whereby it will acquire new PS-90F-76 engines and radio navigation systems to ensure compliance with the existing and forthcoming ICAO requirements. The upgraded aircraft will get unlimited access to the world air cargo market, including North America, Europe, Japan and Australia which are currently valued at US\$110 million. The first modernized IL-76TD-90VD completed its testing program in 2005 and entered the Volga-Dnepr fleet in May 2006.





Unique processes developed by the Group's specialists

Volga-Dnepr's 15 years of experience in the air cargo market have given the Group great expertise in developing outstanding loading techniques to meet every customers' requirements when transporting outside and heavy cargoes.

In 2005, Volga-Dnepr's engineers designed and manufactured a new folding platform

to facilitate the carriage of unique cargoes, which entered service following extensive tests. Volga-Dnepr has also commissioned beams for loading containers up to 2900mm high, a new car loading ramp and several sets of packaging for loading equipment. Last year, Volga-Dnepr's technical personnel were awarded with five invention patents and two patent issue resolutions.





C

ore Business Activities



International maintenance network

Large scale logistic programs to various remote destinations in different climatic and geographical conditions demand that Volga-Dnepr ensures the long-term autonomous operating capability of its aircraft and air-worthiness far away from main airports. Over the last 15 years, the Group has developed and implemented an efficient aircraft maintenance system.

Today, the Group has its own aircraft maintenance centers located in regions that experience heavy air traffic routes: Maintenance

Base in Ulyanovsk, Russia (Volga-Dnepr Airlines) as well as Line Maintenance Bases in Shannon, Ireland (Volga-Dnepr Ireland) and in Sharjah, United Arab Emirates (Volga-Dnepr Gulf).

Broad experience, skilled personnel and up-to-date maintenance facilities contribute to Volga-Dnepr's capability to provide maintenance services for different types of Russian-built cargo and passenger aircraft, including AN-124, AN-12, AN-32, AN-26, IL-76 and TU-154. Apart from maintaining its



Our unique maintenance technologies, international network of line maintenance stations and round-the-clock communication with customers allow us to utilize the aircraft to their maximum efficiency.

Sergey Dyachkov
Director, Operations, Volga-Dnepr Airlines





own aircraft, Volga-Dnepr provides maintenance and repair services to a number of other operators. The aircraft maintenance and airworthiness support system operated by the Group is fully compliant with the requirements of Russian Federal Aviation rules and standards set by the International Civil Aviation Organization (ICAO). This has been confirmed by the appropriate certificates issued by Russian and foreign aviation authorities. In 2002, Volga-Dnepr was awarded the Certificate of Compliance with International Standards ISO 9001:2000 for Aircraft Maintenance.





C

ore Business Activities



Main customers for Volga-Dnepr's unique cargo operations

Volga-Dnepr provides outside air cargo services for some of the world's largest industrial companies and governmental authorities. Clients include: Airbus Industrie, Alcatel, Astrium, Bedford Group, Bombardier, Boss Airchartering, British Aerospace, British Petroleum, Ericsson Air Crane, Exxon Mobil, General Electric, Hitachi Power & Industrial Systems, Lockheed Martin, Sony; Starsem, Boeing and Government departments in the USA, UK, France, Italy, Spain, Germany and a number of other European countries as well as recognized international organizations.

Volga-Dnepr has been regularly involved in United Nations' peacekeeping and humani-

tarian missions since 1992. In 1994, the airline was awarded UN Designated Carrier status and, in 1995, was included in the UN register of air cargo service providers.

In 2005, Volga-Dnepr was awarded a contract for cargo transportation services for NATO and EU countries within the SALIS program. From 2006, the joint venture 'Ruslan SALIS' established by Volga-Dnepr Airlines and Antonov ADB, will be a regular supplier of charter services utilizing the AN-124-100 for 16 European countries participating in the program. The value of the program, scheduled to 2012, is estimated at US\$600 million.



What we offer our customers are not solutions for simple cargo shipments from point a to point b. Our team of experts arrange each shipment as the unique operation that they are; our engineers take into account the exact dimensions and weight of each piece, the team work with budgets and other specifications to ensure every shipment is secure, cost effective and unique to our customers' needs.

Konstantin Vekchine,
Vice President, Volga-Dnepr-Unique Air Cargo





Specific operations

In 2005, Volga-Dnepr once again proved its unique capabilities by completing many flights carrying non-traditional cargo. Over the course of the year, Volga-Dnepr performed 92 such flights using both its AN-124 and IL-76TD fleet.

In late 2004/early 2005, Volga-Dnepr delivered over 7,000 tonnes of Sony PlayStation 2 consoles to Europe from Asia which became Christmas gifts for thousands of children.

An IL-76 transported eight dolphins from the Russian Anapa to the Canadian Hamilton scientific and research center.

The Russian national aerobatic team and their three Su-26 aircraft were delivered onboard a single Volga-Dnepr flight from Russia to Spain to participate in the XXIII World Championship.

In October 2005, Volga-Dnepr successfully transported two large quarry excavators from Dusseldorf (Germany) to Nerungri (Russia), for the mining of coal, diamonds and gold. Each excavator weighed 720 tonnes.

In November 2005, Volga-Dnepr carried newly-released Beaujolais Nouveau wine from France to Japan in time for the annual Beaujolais Nouveau festival.

It is important for us to work close with our customers and speak one language with them. The worldwide network of sales offices allows us to establish direct and effective relations with our customers and offer them the variety of products and services of offered by Volga-Dnepr Airlines "Cargo Supermarket".

Dmitry Grishin
Sales Manager, Volga-Dnepr Airlines





C Core Business Activities



Scheduled cargo operations - AirBridge Cargo.

In 2004, Volga-Dnepr Group initiated its ambitious project to enter the international scheduled air cargo market. Since scheduled air transportation is so different from charter, which was the main activity of Volga-Dnepr at the time, the Management of the Group made a decision to establish a new division branded as AirBridge Cargo (ABC).

In May 2004, AirBridge Cargo launched scheduled flights between Europe and Asia using Boeing 747 freighters, becoming the first operator of this aircraft type in Russia and the CIS. In 2005, a third Boeing 747 joined the AirBridge Cargo fleet and, in July 2006, a fourth Boeing 747-200 will be added to the fleet.

In future, the fleet will be made up of several types of aircraft: Boeing 747s for main long-haul routes and Russian-made aircraft for regional feeder routes. In 2007-2008, AirBridge Cargo's fleet will be extended with the arrival of the first of two new Boeing 747-400ER Freighters.

2005 was a successful year for Volga-Dnepr's scheduled cargo operations project in terms of meeting its targets. Sales rose to US\$115.9 Million. Volga-Dnepr transported 43,500 tonnes of cargo and increased its total number of flying hours to 8,089.





AirBridge Cargo international route network

In its second year, AirBridge Cargo became the leading Russian scheduled cargo operator. The airline was rated among the world's five biggest carriers flying between China and Europe. At the end of 2005, AirBridge Cargo's share of the ex-Europe to China market was 4%. From China to Europe, the airline achieved a 4% market share and a 9% share ex-Europe to Russia.

With the addition of ABC's third B747 freighter, its route network between Europe and China was extended to include Nagoya

(Japan) and the frequency of flights to Frankfurt and Shanghai increased. During 2005, interline agreements were signed with leading Russian and international airline partners; KrasAir, Atran, Air Canada, Lan Cargo, Emirates SkyCargo, EL AL, Swiss WorldCargo and ACR. A new agreement with Nippon Cargo Airlines also provided wide access to the markets of Japan, Singapore and South-Eastern Asia, and also enabled the acquisition of additional Boeing 747F for the airline's fleet.

The success of AirBridge Cargo comes about through customer loyalty and new business. From our beginnings in 2003 we have focused entirely on providing superior customer service and the provision of capacity in the markets our customers, the freight forwarders, have told us they wanted. This strategy has resulted in the signing of key account and preferred carrier status with our major clients, and we intend to reward their loyalty as ABC grows in the coming years.

Stan Wraight,
Vice President, Scheduled Cargo Operations





C Core Business Activities



Russian hub development program

Volga-Dnepr's strategy to develop the Russian cargo market takes into account the forecasted growth of traffic flows on trans-Siberian routes. The strategy provides for the establishment of cargo hubs in Russia and development of a "hub and spoke" system both with air and ground feeder services.

At the end of 2004, Volga-Dnepr Group, Krasnoyarsk Airlines and Transport Logistics Center, an organization specifically created by the Krasnoyarsk Region Government, signed an agreement to set up a multi-modal Cargo Logistics Hub to be based in

Emelyanovo Airport, Krasnoyarsk. It is intended to serve as one of the largest centers for distribution of cargo flows from Europe and North America to Asia and the Far East. In March 2005, AirBridge Cargo started deliveries of oil and gas equipment from the Krasnoyarsk Hub to Yuzhno-Sakhalinsk. Feeder flights are also operated to Khabarovsk, Irkutsk and Yakutsk.

Use of trans-Siberian routes with stops at Russian airports significantly reduces flying times between Europe and Asia and allows AirBridge Cargo to offer cost-efficient solu-





tions for cargo deliveries from Europe to Russia as compared to other routings. Establishment of a regional feeder network will provide opportunities to attract additional cargo traffic to Russia and create conditions for developing other means of transport. This program for the development of cargo hubs and alternative transport solutions in Russia will expand the range of logistic services offered by Volga-Dnepr, providing another step towards the Group's "Cargo Supermarket" concept that will provide customers with seamless "door-to-door" cargo delivery services.

AirBridge Cargo is committed to becoming a leader in the scheduled cargo market by providing a full range of services to global corporations, forwarders and logistic companies. The business strategy contemplates further fleet growth, the addition of new destinations and the establishment of a feeder and delivery network in Russia/CIS via the development of Russian hubs in Moscow and Krasnoyarsk.

Denis Ilyin
Managing Director, AirBridge Cargo





C

ore Business Activities



AirBridge Cargo international team

There are more than 220 young and ambitious professionals working for AirBridge Cargo. The Scheduled Cargo Operations Project is headed by Stan Wraight, Vice President of Volga-Dnepr Group. Before joining the Group, he was Senior Vice President of Atlas Air (USA) and is also a former Vice President of KLM Royal Dutch Airlines (Netherlands). Stan Wraight has more than 30 years' experience in the international air cargo industry.

AirBridge Cargo's flight crews are complemented by Russian airmen who have been trained to operate Boeing 747s at the Lufthansa Flight Training Center in Germany. As of 2005, there are 16 flight crews, instructing and inspecting staff working for the airline.

Since 2005, all AirBridge Cargo operations have been supported full time by the airline's Flight Operations Control Center. For the first time in the history of Russian air operations, the airline developed and implemented a Boeing 747-200 maintenance program under the European EASA Part-145 standards. Legal basis has been prepared to certify the airline under EASA Part-145 requirements.

The success of AirBridge Cargo provides a further strong base for Volga-Dnepr Group to become one of the leaders of the global air cargo market during the next 5 years. The main goal of the airline in 2006 is further expansion of its fleet and improvements in operating efficiency and quality of service in order to be able to maintain and improve its current position in the market. AirBridge Cargo is looking towards obtaining an Air Operator's Certificate in 2006.





AirBridge Cargo clients

The airline continues to develop its own sales network. In 2005, a sales team was established in China and the airline appointed Air Cargo Trader as its General Sales Agent in Europe. ACT has a wide network of offices across the continent and vast experience of achieving results for customers operating Boeing 747Fs. Good performances were recorded at the AirBridge Cargo offices in Frankfurt, Amsterdam, Beijing and Shanghai as well as the airline branches in Sheremetyevo Airport (Moscow) and Emelyanovo Airport (Krasnoyarsk) in Russia.

The airline currently offers services to a wide range of clients including global freight forwarders and strong local and regional cargo agents.





Industry Initiatives



AN-124-100 resumed series production

The unique AN-124 Ruslan freighter aircraft is the backbone of the Volga-Dnepr Group fleet and gives Volga-Dnepr a distinct advantage in the air cargo market. To meet the forecast increase in demand for AN-124 services, Volga-Dnepr's long-term strategy involves active participation in the program to re-launch production of a new and improved version of the AN-124-100 aircraft and to promote it to the world market.

The new version of the aircraft, the AN-124-100M-150, will be equipped with up-to-date avionics and a modernized power plant, and have a maximum payload capacity of 150 tonnes plus longer operational range and a smaller number of crew. The next freighter version, the AN-124-300, is planned to enter production in the second phase of the project. This new aircraft will incorporate modern aircraft systems and engines using integrated

western technologies and will have an operating range twice as long as the baseline version of the AN-124.

To implement this strategic project, Volga-Dnepr has joined forces with the aircraft designer, Antonov Design Bureau (ADB) and other interested parties with the intention of resuming building of the aircraft at the Ulyanovsk-based Aviastar-SP factory.

In 2005, the business plan to resume production was approved by the Interstate Committee of Russia's Industry and Energy Ministry and arrangements to set up the Project Managing Company were made. The project is being supported by the State Duma of Russia, Chamber of Accounts, other Ministries and Agencies and was included in the Federal Programme for Civil Aviation Development, providing for government financing of the AN-124 Research and Development Programme as early as 2006-2008.





To ensure production research and technology support and operation of the newer aircraft, Volga-Dnepr Group, Antonov Design Bureau and Aviastar-SP have entered into an agreement to establish an Antonov DB branch in Ulyanovsk.

Last year, Russian AN-124 operators - Volga-Dnepr and Polet - signed a letter of intent to place an initial order for 10 new aircraft with a further option for up to 20 more. In the meantime, the Federal Agency for Industry started negotiations with the MoD and EMERCOM on initiating a government purchase order for the AN-124 series.

The project launch is planned for 2007-2008. In its first phase, 15 new aircraft will be built. The first AN-124-100M-150 freighter will leave the assembly line in 2009.

Resumed production of the AN-124 will significantly boost Russia's aircraft building industry, support Russia and Ukraine as leading players in the world's outside air cargo market, expand cooperation between the two countries and create a favourable environment for the next technological breakthrough in the civil aviation industry.

Volga-Dnepr is the world's largest operator of Antonov 124-100 'Ruslan' freighters, providing it with unique advantages in the air cargo market. Resumed production of new modifications of the aircraft compliant with existing and future requirements will secure the Group's leadership in the outside and non-standard cargo niche market for the future.



Victor Tolmachev
Technical Director, Volga-Dnepr Group





Industry Initiatives



IL-76 modernization program

For over 20 years, the IL-76 ramp freighter has been in great demand from both Russian and foreign cargo carriers. Its ability to land on airfields with under developed infrastructure not only satisfies regional demand for air cargo services, but also attracts customers that have previously used other transport means. However, ICAO noise limitations ended the IL-76's ability to operate to North America, Europe, Japan and Australia - markets worth an estimated US\$110 million for IL-76 operators. By 2015, the value of such markets, in Volga-Dnepr's opinion, will reach US\$450 million.

Accordingly in 2002, Volga-Dnepr Group implemented the IL-76TD Modernization Programme providing for the installation of PS-90A-76 engines and up-to-date avionics onboard the aircraft. The programme would also result in the new aircraft requiring a smaller number of air crew and being able to operate for longer periods between maintenance checks.

In 2005, the Tashkent-based TAPO Aircraft Factory built the first of two IL-76TD-90VD freighters ordered by Volga-Dnepr. This aircraft complies with all ICAO requirements and after the successful completion of test flights, entered commercial service in May 2006.





ther Activities



Passenger services

Volga-Dnepr's passenger branch was established in 1996 to develop domestic scheduled and charter air transportation of passengers, mail and cargo. Over the last 10 years, the passenger branch has gained a worthy place among domestic regional carriers.

The Volga-Dnepr passenger route network currently includes scheduled operations from Vnukovo airport, Moscow, to several Volga Region cities: Ulyanovsk, Nizhny Novgorod, Penza and Cheboksary. During the summer, the route network is extended with scheduled operations from Moscow and Ulyanovsk to destinations on Russia's Black Sea coast. Corporate and charter transportation constitute a significant part of Volga-Dnepr's passenger services.

Volga-Dnepr's passenger branch operates a fleet of six YAK-40 aircraft, including one in VIP configuration. A fleet expansion programme provides for the purchase and lease of new-generation aircraft, both Russian and western-built.

Increased competition in the scheduled passenger transportation market, coupled with the rise in fuel and airport service prices, did not allow the airline to expand its route network in 2005 although it retained all existing routes.

During 2005, Volga-Dnepr's passenger services operated 25,708 thousand passenger kilometers (psk) and generated sales revenues of US\$5.4 million. The number of passenger charters increased by more than 2.5 times over 2004, while revenues increased fourfold. These successful results reflect the airline's business processes optimization program.

The airline complies with international standards and has obtained the ISO 9001:2000 Compliance Certificate in recognition of the quality of the affiliate's passenger services. Proof of the professionalism of the airline's staff was demonstrated by the signing of a long-term agreement between Volga-Dnepr Passenger Branch and TOTAL E&P Russie of France in 2005 to provide transportation services for the airline's employees.





To manage the project, including the organizational and financial resources required to implement the modernization programme, Volga-Dnepr Group established the Volga-Dnepr-Leasing Company in 2004. The project's business plan provides for the production of 17 IL-76TD-90VD freighters by 2011. Current annual market demand for modernized IL-76 freighters is forecast to be US\$300 million.

In 2006, Volga-Dnepr commenced commercial operations with their new build IL-76TD-90VD aircraft that has been designed to meet all current ICAO requirements including Chapter 4 noise certification. The IL-76 modification program will allow Volga-Dnepr to achieve a leading position within the cargo charter market utilizing the unique capabilities of the 30-50-tonne ramp freighter aircraft and enable the IL-76TD-90VD to service within North America, Western Europe, Japan and Australia, which are markets currently closed for the old IL-76 aircraft.

Andrey Pakhomov
General Director, Volga-Dnepr Leasing





Maintenance

Reliability of the aircraft fleet has attributed to Volga-Dnepr's leading role in the air cargo market. Volga-Dnepr's own maintenance base in Ulyanovsk and line bases in Shannon, Ireland (Volga-Dnepr Ireland) and Sharjah, United Arab Emirates (Volga-Dnepr Gulf) are staffed by qualified personnel with many years of experience. The technical facilities are equipped to undertake maintenance of all aircraft types operated by Volga-Dnepr Group.

In 2005, the technical departments of Volga-Dnepr accomplished over 80 tasks, maintaining the airworthiness of the AN-124, IL-76 and YAK-40 aircraft. Timely and quality maintenance performance enabled the airline's AN-124 aircraft to achieve the record-breaking annual average flying time of over 2,000 flight hours per serviceable aircraft. The average annual flying time for the IL-76 reached 1,300 flight hours, and the YAK-40 recorded 1,000 flight hours.

The AN-124-100 modernization has been the focus of the Group's technical division. Jointly with the aircraft designer and civil aviation research institutes, Volga-Dnepr has conducted comprehensive work on extending the Ruslan freighter's service life limit from 15,000 to 16,000 flight hours, which enabled the Group to operate its fleet on a non-stop basis.

TAWS was installed in all AN-124-100 aircraft, modification work on oxygen equipment completed and TCAS-2000 panels replaced during 2005. Six aircraft were equipped with GPS-400 systems and reinforced NLG struts were installed in eight freighters in the fleet. Upon receiving AN-124-100-150 design data and STC, three of the existing aircraft from Volga-Dnepr fleet were partially modified to this newer standard.

Further improvements to the maintenance system will enable Volga-Dnepr to continue the high technical operating levels of its fleet and offer reliable air transportation services to its customers.





ther Activities



Trucking

Volga-Trucks, the trucking division of Volga-Dnepr, was established in 1994 to develop a ground component to the Group's range of cargo transportation services. Establishing the trucking operation has enabled the Group to expand the scope of logistics programs offered to its customers and provide door-to-door delivery services.

Volga-Trucks is a stand-alone company in the trucking market and carries out the delivery of heavy and outsize cargo to/from any destination in Russia. It also offers scheduled cargo services from Ulyanovsk to Moscow, St. Petersburg, Ekaterinburg, Krasnodar and other cities within Russia.

The company is a full member of the International Motor Trucking Association and holds an All-Russia Customs Carrier License and relevant licenses to perform all types of transportation. The company's fleet includes 17 modern large-capacity trucks, both Russian and western-built.

In 2005, Volga-Trucks delivered over 49,000 tonnes of cargo and achieved sales of US\$1.9 million. Volga-Trucks provided services to companies such as Mars, Nestle, Pepsi, and Sladko.





Insurance services

In 1995, to ensure adequate insurance coverage for its charter operations - which includes some high risk flights - Volga-Dnepr established the NIC Insurance Company. Currently, NIC provides coverage for the whole of Volga-Dnepr's aircraft fleet, property, car and truck fleet and personnel.

During the last 10 years of handling different risks, NIC has become one of Russia's top 10 aviation insurers and the fastest-developing insurance company in the Russian Privolzhsky Region. In 2005, the NIC Insurance Company retained its leading position in Ulyanovsk Province for insurance premiums and took 136th place among Russia's insurance companies.

The proactive development of international co-operation became NIC's mainstream activity in 2005. As a result of negotiations with

America and Europe's leading insurers - American International Group, Atrium, Aspen Re, Allianz, Liberty Mutual, La Reunion Aerienne, and AXA - insurance rates were reduced by over 17%, or US\$800,000.

Another most important achievement for NIC in 2005 was the development of the corporate social package supporting Volga-Dnepr Group personnel and maintaining business efficiency. NIC staff, in cooperation with Volga-Dnepr's HR Department, defined the scope of insurance products and social package policy with regard to different personnel categories.

In 2005, NIC also developed other insurance activities in the Russian market, including voluntary car insurance, individual and entity property insurance and liability insurance.





Personnel training

The Volga-Dnepr International Training Non-Governmental Educational Institution provides English language training both to the Group's personnel and other students and holds Aviation Training Centre status. All of the Training Centre's services are supported by relevant qualification certificates. In 2005, the facility became a Member of ATEEL (International Association of Language Training Schools in Russia and CIS).

In 2005, instructors at Volga-Dnepr International Training (IT) joined the FATO (Federal Agency for Transport Oversight) Working Group, responsible for developing national standards in language training for aviation personnel. Volga-Dnepr IT became the first Russian company to take part in the ICAO and ICAE (International Council for Adult Education) International Conference for Professional Training, held in France in 2005.

Volga-Dnepr IT significantly enhanced its training activities in 2005 and sales for the year increased by 44% versus the previous year to reach US\$411,000.

58 students were issued FCE (First Certificate in English) Certificates last year, which amounted to 1.45% of the total number of Russia's students taken this international examination. The English training of flight staff has been conducted to ICAO standards and will be made effective in May 2008. The number of commercial students participating in English courses reached 1,700 in 2005.

In 2005, 5,759 lecture hours were delivered to Volga-Dnepr aviation staff and 1,388 certificates issued.

