

Memorandum of Understanding

Aeronautical Authorities of the Russian Federation and Aeronautical Authorities of Italian Republic (hereinafter referred to as delegations or sides) met in Moscow on 14 and 15 February 2012 to discuss matters related to further development of air services between the countries.

The Parties desiring to strengthen cooperation in the field of air services between and beyond territories of their States reached the following understanding.

The list of the delegations is attached hereto as Annex 1.

The discussions were held in an open and friendly atmosphere. The delegations discussed the following matters:

1. EU clauses and "Agreed Principles of the Modernisation of the existing system of utilising of Transsiberian routes"

1.1 EU clauses

Both delegations reviewed the current legal base which governs air services relations between Russia and Italy and came to the conclusion that Air Services Agreement of 1969 needs to be amended or replaced by the new one. Therefore both delegations agreed to work on the draft of the the new ASA which will replace the Agreement of 1969. The Russian side will pass the draft to the Italian side via correspondence for consideration and comments. However, following the request of the Italian side, both delegations agreed to apply from today's date the clauses on Tariffs, Designation, Aviation Safety and Aviation Security, as attached in Annex 2, at Aeronautical Authorities level, before the official signature of the new agreement.

1.2 Agreed Principles

Both delegations took note of the important recent developments in the field of regulation of air market services.

As far as overflights are concerned, the Italian side focused the attention on the European Commission and Russian Federation exchange of letters (in November/December 2011) establishing the date of the entry into force of the "Agreed Principles of the Modernisation of the existing system of utilising of Transsiberian routes" (hereinafter Agreed Principles) on the 1st January 2012 with specific regard to Sections II (Modernisation of System) and III (Mechanism of Transition, where the first date of point 2 is intended first July 2012). To this end the Russian side confirmed its commitment to implement the provisions of the Agreed Principles (Annex 4) in the present bilateral understanding with Italy. The Italian side welcomed this.



2. EU Emission Trading Scheme

The Russian side expressed its concern with the implementation of EU ETS on aircraft operators from third countries. The Russian side believes that such unilateral actions contradict the ICAO Assembly Resolution which urges Parties involved to engage in negotiations and consultations to reach an agreement on the implementation of market based measures. The Russian side considers unacceptable the implementation of EU ETS on international aviation and reserves its right to impose adequate measures in case Russian carriers will be included into EU ETS.

The Italian side stressed the importance to continue discussing this item in order to find a possible and constructive way forward and to endorse the conclusions of the first meeting between EU and Russian Federation in Brussels for a solution at ICAO level, which Italy would welcome.

3. Designation of airlines and frequencies on the local routes

3.1 Both delegations agreed that each Party will have the right to designate on each city pair up to 2 (two) passenger/combined airlines to operate the agreed services on the respective local routes set out in the Annex 3, being understood that the points of destination are to be indicated before the beginning of each IATA season, starting from Winter IATA season 2012-2013.

For the Summer IATA season 2012 both delegations agreed to ensure the granting of permits as soon as possible given the short time that elapses between the entry into force of this understanding and the beginning of the Summer season and agreed to communicate the points of destinations as soon as possible.

3.2 With regards to frequencies on these routes both delegations agreed on the following.

As far as the Russian side is concerned:

On the route Moscow-Rome v.v. – 28 weekly frequencies in total for each side, 14 of which will be operated by the already designated airlines.

On the route Moscow-Milan v.v. – 28 weekly frequencies in total for each side, 14 of which will be operated by the already designated airlines.

As far as the Italian side is concerned:

A total amount of 56 weekly frequencies on the routes Milan - Moscow v.v. and Rome – Moscow v.v.

3.3 On the other agreed routes including Saint-Petersburg – Rome/Milan v.v. the designated airlines will have the right to operate scheduled and/or charter flights up to 80 frequencies per week for each side. Both delegations also agreed that frequencies currently operated by the designated airlines of each side will be included in the frame of the above mentioned frequencies.

3.4 Taking into consideration the market demand both delegations agreed that designated airlines of both sides may utilize unused frequencies from each other and

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operate them subject to code-share agreement between the designated airlines of both sides.

3.5 Both delegations also agreed to review the number of weekly frequencies to be operated by the designated airlines on local routes during the next round of consultation.

4. All cargo operations

4.1 Local Routes

Both delegations agreed to separate passenger/combined and all-cargo services.

In this respect both delegations agreed that each Party will have the right to designate up to 2 (two) all-cargo airlines to operate the scheduled services on the local routes set out in Annex 3 with 14 return weekly frequencies in total for each side using any type of all cargo subsonic aircraft except A380.

4.2 Cargo overflights

Following the provisions of point 4 of Agreed minutes between Aeronautical Authorities of Russia and Italy signed July 2, 2010 both delegations confirmed that 2 (two) cargo airlines of each side shall have the right to operate via Transiberian/Transasian/Transpolar routes to/from Japan, China and/or South Korea with 7 flights per week in total, with or without landing in Moscow/Krasnoyarsk or another point to be nominated.

It is understood that the above mentioned services will be operated in compliance with the provisions set forth in point 5.

5. Overflights

5.1 Starting 01.01.2012 all operations along Transsiberian, Transpolar and Transasian route networks in the air space of the Russian Federation are subject to the provisions of the document "Agreed Principles of the Modernisation of the existing system of utilisation of the Transsiberian routes" (hereinafter referred to as Agreed Principles). In this respect both sides agreed that respective arrangements between Aeronautical Authorities of Russia and Italy relating to operations along Transsiberian, Transpolar and Transasian route networks are modified in accordance with the document Agreed Principles.

5.2 The Italian side suggested to increase the number of weekly frequencies from 24 up to 35 to be operated by the designated passenger/combined airlines of each side using Transsiberian, Transpolar and Transasian route networks. In accordance with point 3 of the section II of the Agreed Principles and in order to maintain the balance of rights under the bilateral services agreement between Russia and Italy Russian side agreed with the Italian proposal only in case if Russian carriers have the equal rights (operational and marketing) in terms of amount of frequencies, routes and traffic rights. Italian side confirmed this. Frequencies agreed after 01.01.2012 will be subject to the document Agreed Principles. They will be utilized in case the agreed before this date amount of frequencies (24 scheduled) are totally used by the carriers.

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5.3 On the above mentioned route networks, the designated passenger/combined airlines of each Party starting from IATA Winter Season 2012-2013 will have the right to operate up to a maximum of 35 return weekly frequencies using any type of subsonic aircraft except A380 under existing conditions, subject to ATC traffic handling capability. Their services will be so distributed:

- 21 frequencies on a the route Rome/Milan – Moscow (with/without landing) -- points in Japan (Tokyo, Osaka);
- 14 frequencies on a the route Rome/Milan – Moscow (with/without landing) – point in South Korea (Seoul) and points in P.R. of China (including Hong Kong).

Within the total number of 35 (thirty five) frequencies, 19 (nineteen) frequencies may be shifted from one route to another.

Both delegations agreed that designated airlines of both sides may utilize unused frequencies from each other and operate them subject to code sharing agreements between the designated airlines of both sides.

6. Charter operations

6.1 Both delegations agreed that charter operations (passenger/combined/all-cargo) can be operated by designated and non-designated airlines with a frequency 60 flights per week on any of the local routes including not covered by the Annex 3 based on preliminary applications forwarded at least 5 working days to Italian side and 3 working days to Russian side prior the operation (45 days for the new carriers to be accredited).

6.2 Both delegations agreed to exclude the agreed routes Moscow/Saint-Petersburg – Rome/Milan from the list of points to be served on a charter basis.

6.3 All charter services shall be operated in compliance with the principle of limitation of the traffic of origin.]

6.4 Any requests for additional charter operations outside agreed entitlements will be favorably considered by Aeronautical Authorities of both sides based on market demand.

7. Code sharing

7.1. The designated airlines of each Party which have an appropriate authority to provide the agreed services ⁽¹⁾ may operate them on the specified routes utilizing their own equipment and/or leased aircraft also registered in third countries as well as on the basis of operational understandings such as code sharing arrangements, including block space, together with the airlines of the same Party or of the other Party or with airlines of third countries which have the authority to operate.

7.2. As marketing carriers pursuant to code sharing agreement with an airline of the other Party, the designated airlines of each Party which have an appropriate authority to provide the agreed services may operate points on the specified routes combined with points within and/or beyond the territory of the other Party, even if not provided for on the specified routes, without cabotage and/or stop over rights.

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7.3. Each airline involved in code sharing arrangements pursuant to this paragraph must, in respect of any ticket sold by it, make clear to the purchaser at the point of sale which airline will actually operate each sector of the service and with which airline or airlines the purchaser is entering into a contractual relationship.

7.4. Any frequency operated under code sharing arrangements shall be counted only as frequency of the operating carrier

7.5. In operating the services provided for in paragraph 1, the designated airlines of each Party may be permitted to change aircraft at a point or points on the specified routes, using identical or different flight numbers on the concerned sectors.

(1) It is understood that the routes rights do not require designation and/or traffic rights as per the route Annex for the marketing carrier

8. Co-operation between airlines

Both Delegations agreed to welcome and support any type of commercial co-operation between the designated airlines of both Parties being understood that commercial cooperation should comply with legislation of both sides.

9. Application and entry into force

It is understood that the Route Schedule set out in Annex 3 substitutes the Route Schedule attached to the Air Services Agreement between the Government of the Union of Soviet Socialist's Republics and the Government of the Italian Republic dated March 10, 1969.

The provisions set out in this Memorandum of Understanding will be provisionally applied as of today's date and Italian Side informed Russian side that definitive application shall be subject to the relevant decisions of the competent European Union institutions.

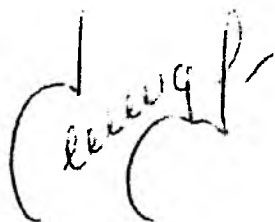
The provisions prescribed in paragraph 1 of the section 3 of the present MOU will enter into force after the exchange of diplomatic notes will take place as stipulated in the Article 16 of 1969 ASA.

The provisions prescribed under section 5 of the present MOU will enter into force after internal consideration procedures are accomplished by the Russian side.

From the date of entry into force of the present MOU, MOU of March 15, 2005 and November 4, 1998 cease their action in terms of the agreed above issues.

Done in Moscow on February 16, 2012 in two originals, both in English.

**For the Aeronautical Authorities
of the Russian Federation**



**For the Aeronautical Authorities
of the Italian Republic**



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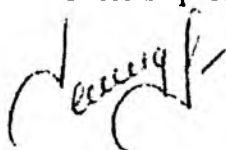
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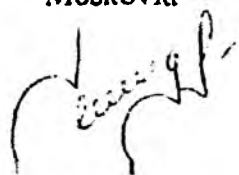
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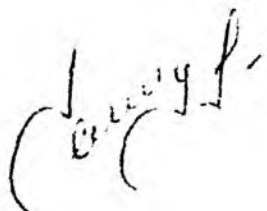
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EU CLAUSES

TARIFFS

1. The tariffs applicable between the territories of the two Contracting Parties shall be established at reasonable levels due regard being paid to all relevant factors including the cost of operation, the interest of users, reasonable profit, class of service and when it is deemed suitable, the tariffs of other airlines operating over whole or part of the routes specified in the Routes schedule annexed to the present Agreement.
2. The tariffs referred to in this Article may be developed independently by the designated airlines.
3. Where the Aeronautical Authorities of one or either of the Contracting Parties proposed to intervene in a tariff, the primary objectives of such intervention shall be:
 - (a) prevention of unreasonably discriminatory tariffs;
 - (b) protection of consumers from prices that are unreasonably high or restrictive because of the abuse of a dominant position;
 - (c) protection of airlines from prices to the extent that they are artificially low because of direct or indirect government subsidy; and
 - (d) protection of airlines from prices that are low, where evidence exist as to an intent of eliminating competition
4. The Aeronautical Authorities of either Contracting Party may require tariffs for an agreed service to be submitted for purposes mentioned in paragraph 3 of this article. The Aeronautical Authorities may require the information to be submitted within 30 days.

DESIGNATION

1. Each Contracting Party shall have the right to designate one or more airlines for the purpose of operating the agreed services on each of the routes specified in Annex and to withdraw or alter such designations. Such designations shall be made through diplomatic channels.
2. Each Contracting Party shall have the right to refuse to grant the operating authorization or to impose such conditions as it may deem necessary on the exercise by the designated airlines of the rights specified in Article 2 of the

Agreement, in any case where the said Contracting Party is not satisfied that the designate airline of the other Contracting Party:

- a) is established in the territory of the State of that other Contracting Party, or
 - b) has a valid Operating License and Air Operator Certificate in accordance with the applicable legislation of the State of the *designating Contracting Party*; or
 - c) effective regulatory control of the airline is exercised and maintained by the State responsible for issuing its Air Operator Certificate and the relevant aeronautical authority is clearly identified in the designation.
3. Each Contracting Party shall have the right to revoke an operating authorization or to suspend the exercise of the rights specified in Article 2 of the present Agreement by an airline designated by the other Contracting Party or to impose such conditions as it may deem necessary on the exercise of these rights:
- a) in any case where it is not satisfied that the airline fulfills the conditions set in paragraph 2 of this Article; or
 - b) in case of a failure by that airline to comply with the legislation in force of the Contracting Party granting these rights; or
 - c) in case the airline otherwise fails to operate in accordance with the conditions prescribed under the present Agreement; or
 - d) in case effective regulatory control over the airline designated by one Contracting Party is exercised by a State with which the other Contracting Party does not have a bilateral air services agreement and that State has denied traffic rights to the airline designated by that other Contracting Party.

AVIATION SAFETY

1. Each Contracting Party may request consultations at any time concerning the safety standards maintained by the other Contracting Party in areas relating to aeronautical facilities, flight crew, aircraft and the operation of aircraft. Such consultations shall take place within thirty days of that request.
2. If, following such consultations, one Contracting Party finds that the other Contracting Party does not effectively maintain and administer safety standards in the areas referred to in paragraph 1. that meet the Standards established at that time pursuant to the *Convention on International Civil Aviation* (Doc 7300), the other Contracting Party shall be informed of such findings and of the steps considered necessary to conform with the ICAO Standards. The other Contracting Party shall then take appropriate corrective action within an agreed time period.
3. Pursuant to Article 16 of the Convention, it is further agreed that, any aircraft operated by, or on behalf of an airline of one Contracting Party, on service to or from the territory of another Contracting Party, may, while within the territory of the other

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Contracting Party be subject of a check by the authorized representatives of the other Contracting Party, provided this does not cause unreasonable delay in the operation of the aircraft. Notwithstanding the obligations mentioned in Article 33 of the Chicago Convention, the purpose of this search is to verify the validity of the relevant aircraft documentation, the licensing of its crew, and that the aircraft equipment and the condition of the aircraft conform to the Standards established at that time pursuant to the Convention.

4. When urgent action is essential to ensure the safety of an airline operation, each Contracting Party reserves the right to immediately suspend or vary the operating authorization of an airline or airlines of the other Contracting Party.

5. Any action by one Contracting Party in accordance with paragraph 4. above shall be discontinued once the basis for the taking of that action ceases to exist.

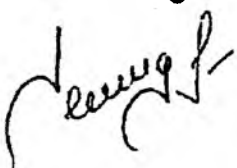
6. With reference to paragraph 2. above, if it is determined that one Contracting Party remains in non-compliance with ICAO Standards when the agreed time period has lapsed, the Secretary General of ICAO should be advised thereof. The latter should also be advised of the subsequent satisfactory resolution of the situation.

7. Where Italy has designated an air carrier whose regulatory control is exercised and maintained by another European Union Member State, the rights of the other Contracting Party under Article 2 shall apply equally in respect of the adoption, exercise or maintenance of safety standards by that other European Union Member State and in respect of the operating authorisation of that air carrier.

AVIATION SECURITY

1. Consistent with their rights and obligations under international law, the Contracting Parties reaffirm that their obligation to each other to protect the security of civil aviation against acts of unlawful interference forms an integral part of this Agreement. Without limiting the generality of their rights and obligations under international law, the Contracting Parties shall in particular act in conformity with the provisions of the Convention on Offences and Certain Other Acts Committed on Board Aircraft, signed at Tokyo on 14 September 1963, the Convention for the Suppression of Unlawful Seizure of Aircraft, signed at The Hague on 16 December 1970, the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, signed at Montreal on 23 September 1971 and the Montreal Supplementary Protocol for the Suppression Unlawful Acts of Violence at Airports Serving International Civil Aviation, signed at Montreal on 24 February 1988, the Convention on the Marking of Plastic Explosives for the Purpose of Detection, signed at Montreal on 1 March 1991 and any aviation security agreement that becomes binding on both Contracting Parties.

2. The Contracting Parties shall provide upon request all necessary assistance to each other to prevent acts of unlawful seizure of civil aircraft and other unlawful acts against the safety of such aircraft, their passengers and crew, airports and air navigation facilities, and any other threat to the security of civil aviation.



3. The Contracting Parties shall, in their mutual relations, act in conformity with the aviation security provisions established by the International Civil Aviation Organization and designated as Annexes to the Chicago Convention to the extent that such security provisions are applicable to the Contracting Parties; they shall require that operators of aircraft of their registry or operators of aircraft which have their principal place of business or permanent residence in the territory of the Contracting Parties or, in the case of Italy, operators of aircraft which are established in its territory under the Treaty establishing the European Union and have valid Operating Licences in accordance with European Union law, and the operators of airports in their territory act in conformity with such aviation security provisions.

4. Each Contracting Party agrees that its operators of aircraft shall be required to observe, for departure from or while within the territory of the other Contracting Party, aviation security provisions in conformity with the law in force in that Country, including, in the case of Italy, European Union law.

Each Contracting Party shall ensure that adequate measures are effectively applied within its territory to protect the aircraft and to inspect passengers, crew, carry-on items, baggage, cargo and aircraft stores prior to and during boarding or loading. Each Contracting Party shall also give sympathetic consideration to any request from the other Contracting Party for reasonable special security measures to meet a particular threat.

5. When an incident or threat of an incident of unlawful seizure of civil aircraft or other unlawful acts against the safety of such aircraft, their passengers and crew, airports or air navigation facilities occurs, the Contracting Parties shall assist each other by facilitating communications and other appropriate measures intended to terminate rapidly and safely such incident or threat thereof.

6. If a Contracting Party has occasional problems in the context of the present Article on safety of civil aviation, the aeronautical authorities of both Contracting Parties may request immediate consultations with the aeronautical authorities of the other Contracting Party.

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1. Agreed routes for designated carriers of the Russian Federation

1.1. Local routes

Points of origin	Intermediate points	Points of destination	Points beyond
Points in Russia	2 points to be nominated by the Russian side	Rome, Milan, Venice, 6 points to be nominated by the Russian side other points to be agreed between the Aeronautical Authorities of both Parties	To be agreed between the Aeronautical Authorities of both sides

2. Agreed routes for designated carriers of the Italian Republic

2.1. Local routes

Points of origin	Intermediate points	Points of destination	Points beyond
Points in Italy	2 points to be nominated by the Italian Republic	Moscow, Saint-Petersburg, 7 points to be nominated by the Italian Side, other points to be agreed between the Aeronautical Authorities of both Parties	To be agreed between the Aeronautical Authorities of both sides

Notes to Annex 3 point 1 and point 2

- i The airline(s) designated by both Contracting Parties may, on any or all flights, omit calling at any of the above points provided that the agreed services on the route begin or terminate in their respective territories.

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- ii Intermediate, beyond points or points in the territory of the other Contracting Party will be operated without any geographical or directional constraints.
- iii No cabotage rights are allowed between the points of call in the territory of the other Contracting Party.
- iv The services shall be operated with third and fourth freedom traffic rights
- v The Aeronautical Authorities of both Contracting Parties shall indicate the points of destination in the above route schedule before the beginning of each IATA season, starting from Winter IATA season 2012/2013.

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