

# IRKUT Corporation Investor meetings

## UBS Conference New York. March 2006

# Forward-looking statements

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Some of the information in this presentation may contain projections or other forward-looking statements regarding future events or the future financial performance of Irkut Corporation. We caution you that these statements are not guarantees of future performance and involve risks, uncertainties, and assumptions that we cannot predict with certainty. Accordingly, our actual outcomes and results may differ materially from what we have expressed or forecasted in the forward-looking statements. We do not intend to update these statements to make them conform with actual results.

**This document is not an offer, nor the solicitation of an offer, to buy securities.**

# **Shares and shareholders capital**

**Financials and financials comparison**

**Debt diversification**

**International product comparison and order book**

# Steps towards international investors

Irkut is a leading Russian aircraft company, which provides 20% of Russian military aircraft export. The Company has the biggest backlog in the Russian industry (US\$ 5.1 billion) and shows the highest backlog/sales ratio. During the last 5 years Irkut is included in Jane's Defense Top -100 - rating of the world's leading defense companies. Irkut is the only one public company in Russian defense sector and launched following programs to increase its transparency:

## 2004

- March:** Irkut IPO, placing 23.3% of shares. Free float - 28%
- June:** Code of Corporate Conduct; approved
- September:** Established Irkut Management Committee
- November:** Irkut allotted committees in BoD; increased number of directors
- December:** Established Level I ADR program.

## 2005

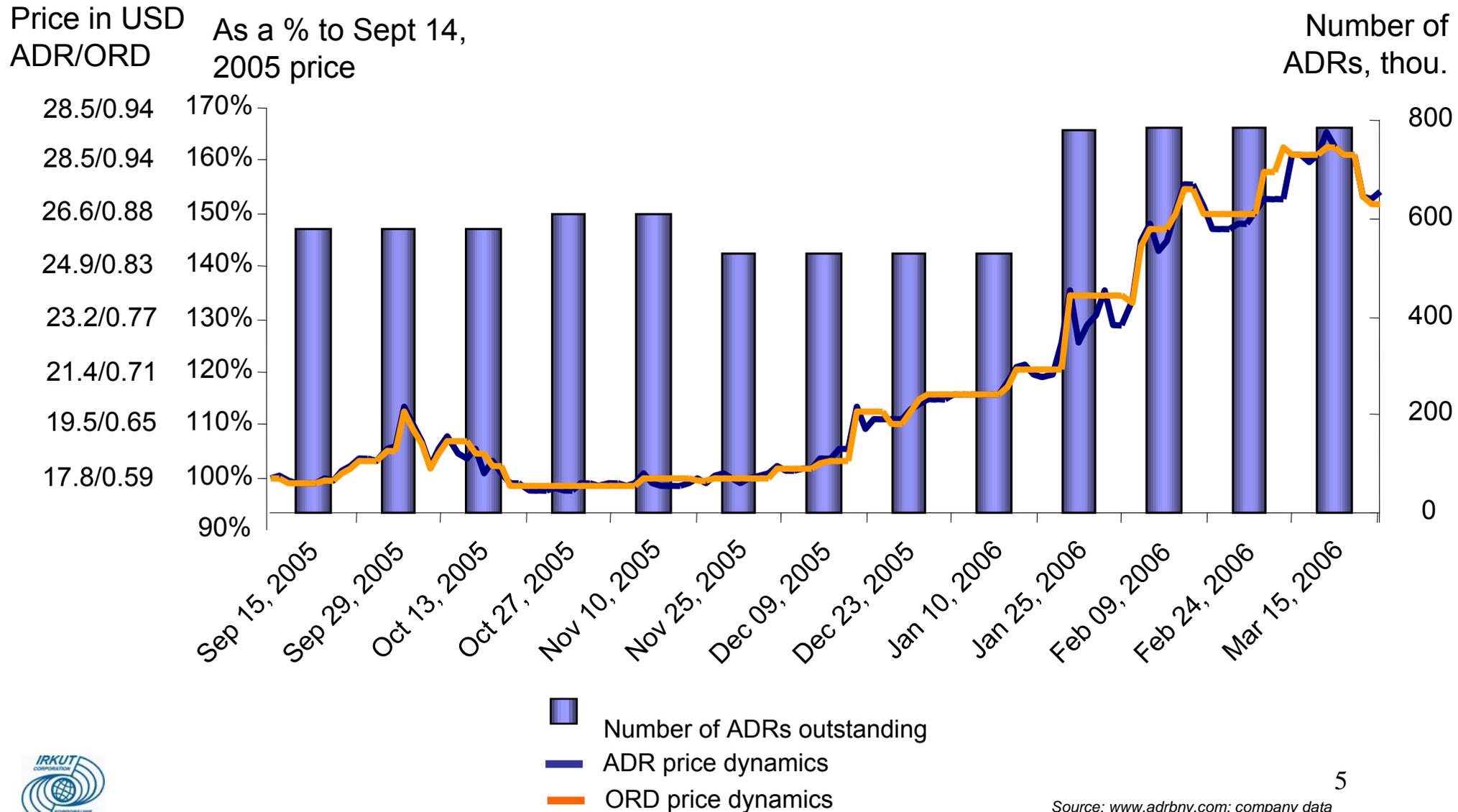
- June:** New dividend policy approved. 10% of NI for the year 2006 by IFRS will be spend to dividends.
- August:** Full transition to IFRS from US GAAP. IFRS better reflect the specifics of our activities

## Next Steps

- Increase dividend payments up to 25% of NI by IFRS
- Transfer to semi-annual IFRS financial reporting
- Establish several credit ratings



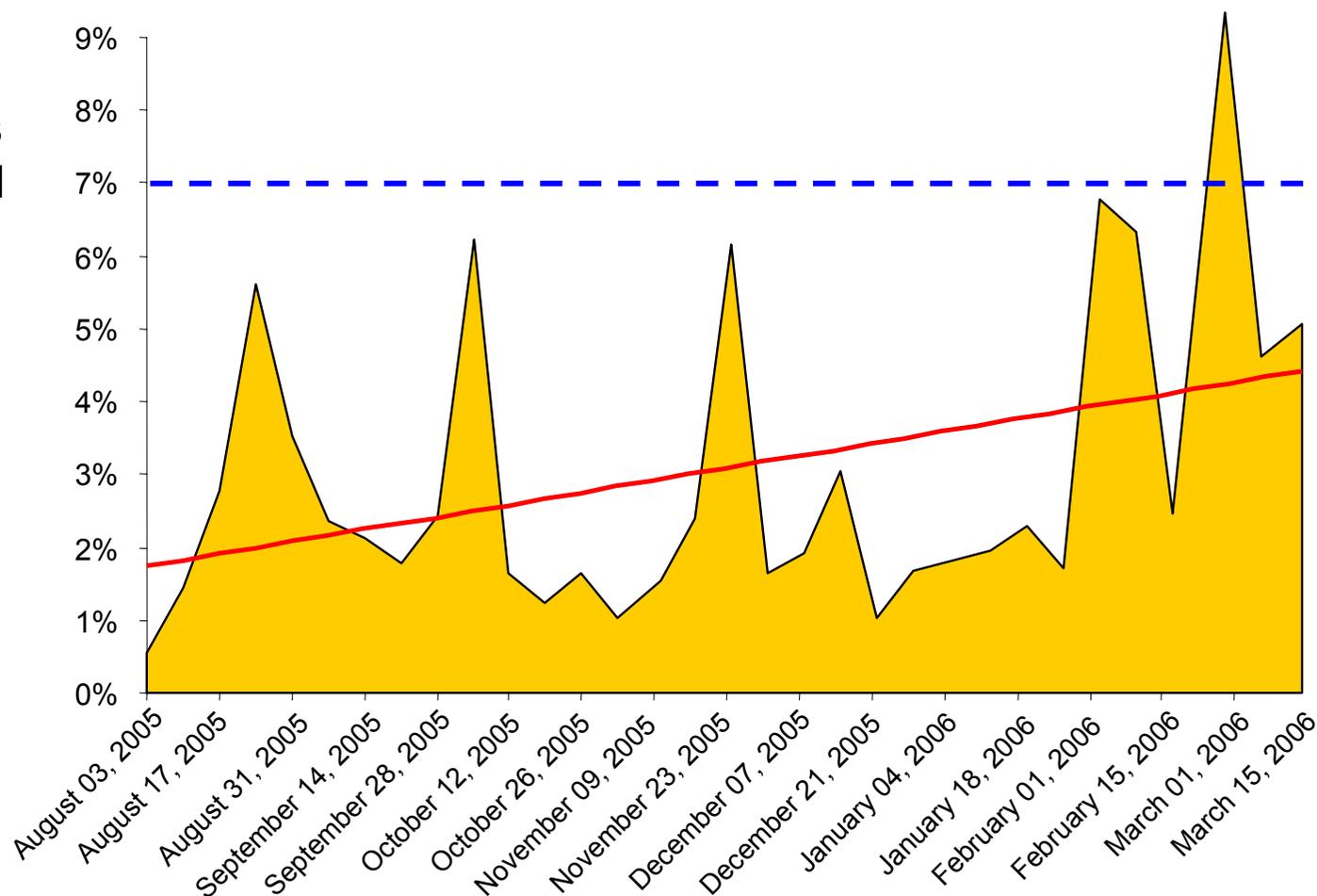
# Price dynamics and ADR issuance activity (last 6 months)



# Irkut' shares liquidity (last 6 months)

During last 6 months Irkut' liquidity increased 2.5 times.

Our target liquidity is 7-8% of free-float.

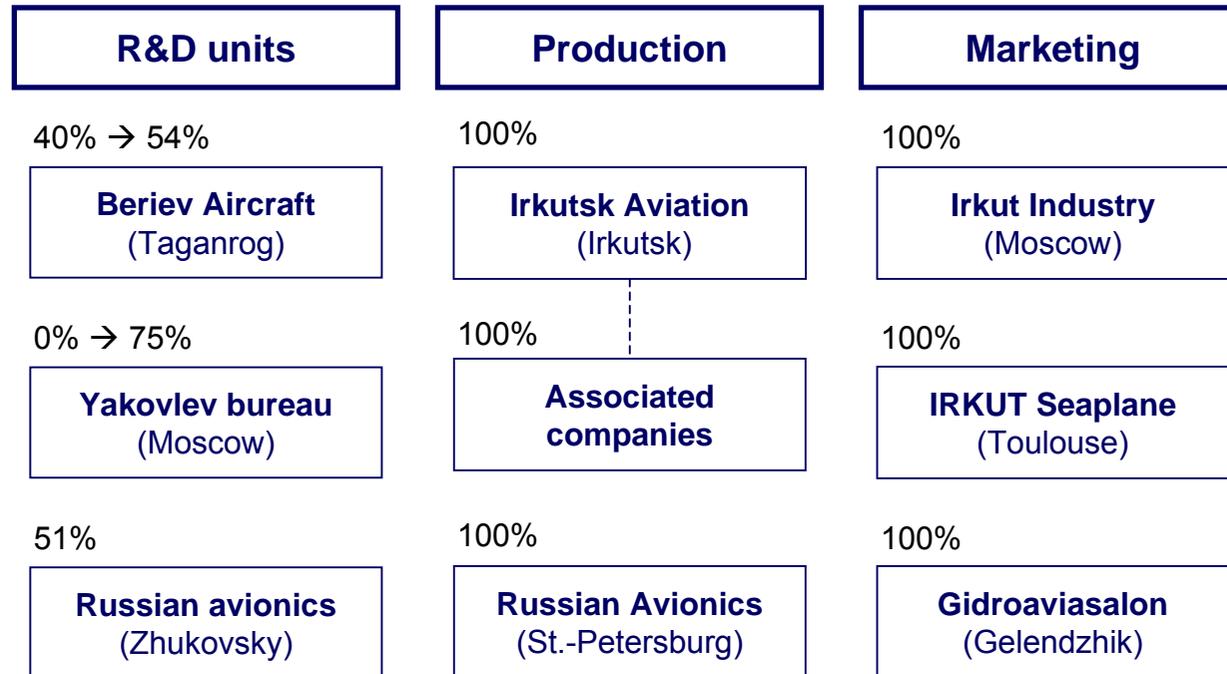


- Liquidity (Daily trade volume/ number of shares in free-float), %
- Faired curve of liquidity, %
- Target liquidity, %

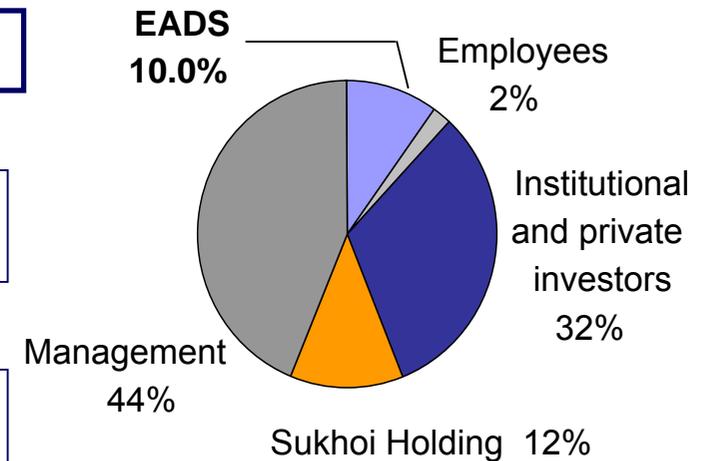


# Corporate and shareholders structure

## IRKUT Corporation



## Shareholders structure



- ❑ Foreign shareholders represent 2/3 of free float
- ❑ EADS acquired 10% of Irkut on December 16, 2005
- ❑ EADS representative Vadim Vlasov was elected a member of Irkut' BoD (March 15, 2006)<sup>7</sup>



# Strategic partnership with EADS

**EADS and Irkut grants each other with the status of preemptive partner**

## Collaboration of EADS and Irkut Corporation

EADS will cooperate with Irkut in design, manufacturing, marketing and certification of products

Manufacturing of component units, assemblages, and aggregates for EADS

Cooperation on A350 project and on modifying A320 to freighter

Cooperation on NG Project (New Generation)

Cooperation on Military transport aircraft development & production

Cooperation on Be-200 project (certification & marketing)

EADS will assist Irkut in modernization of manufacturing facilities

Transference of necessary technologies to Irkut

Working out and conducting appropriate tutorials for Irkut's employees

Assist Irkut in equipping it with required software

Step-by-step transference of engineering

EADS will share it's wide experience in the sphere of corporate governance

Carrying out special trainings for Irkut's management

Holding analysts meetings with participation of Irkut's representatives

Conducting trainings in corporate finance for Irkut's specialists

Giving recommendations to Irkut on impending consolidation (UAC)

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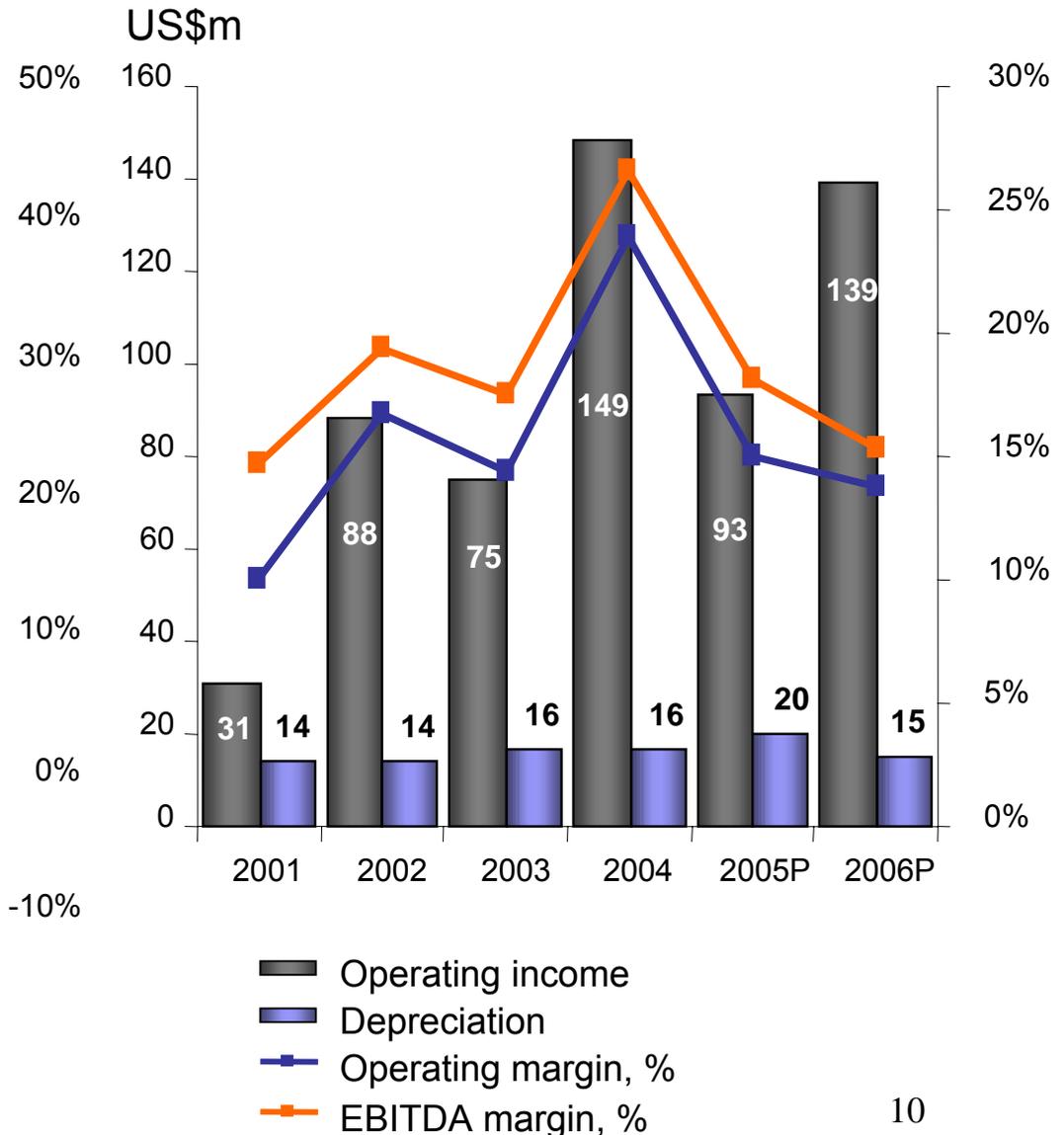
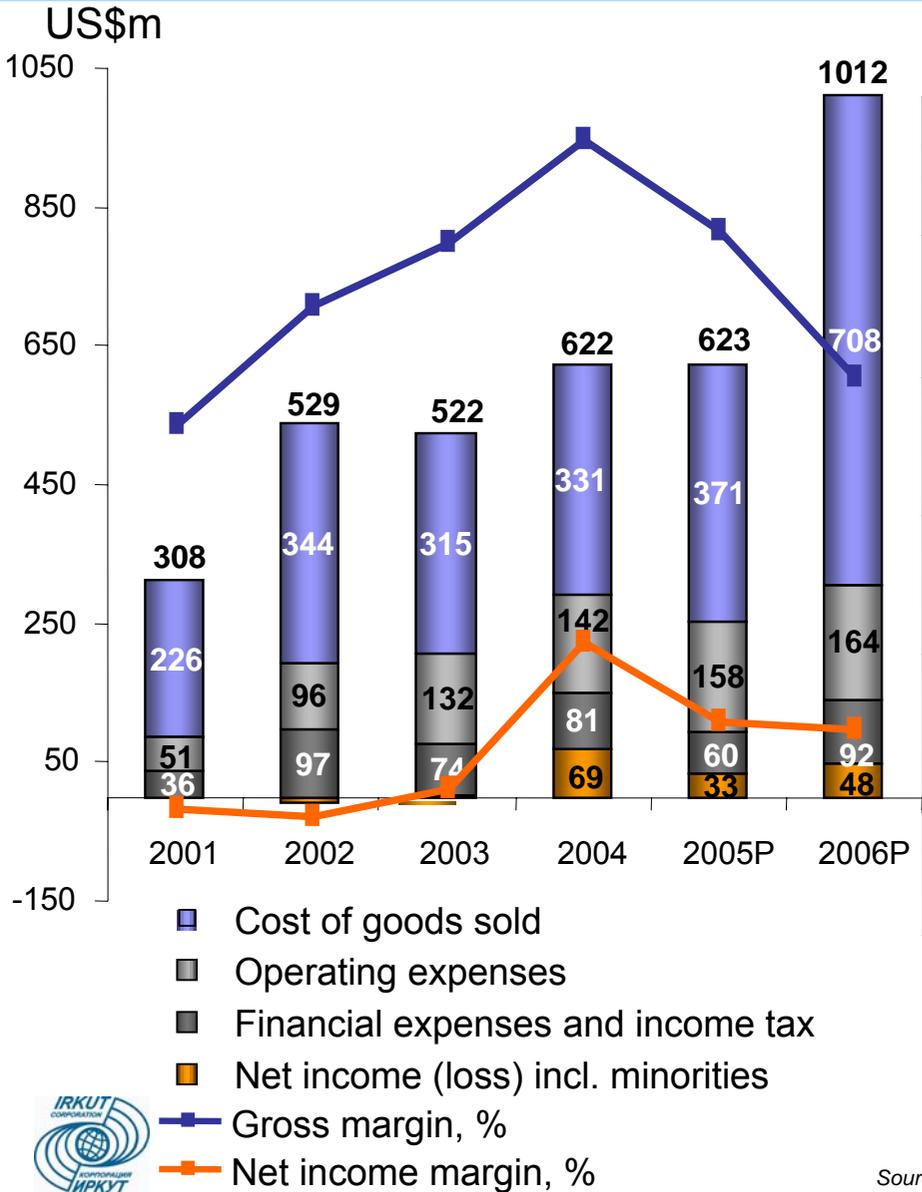
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**Debt diversification**

**International product comparison and order book**

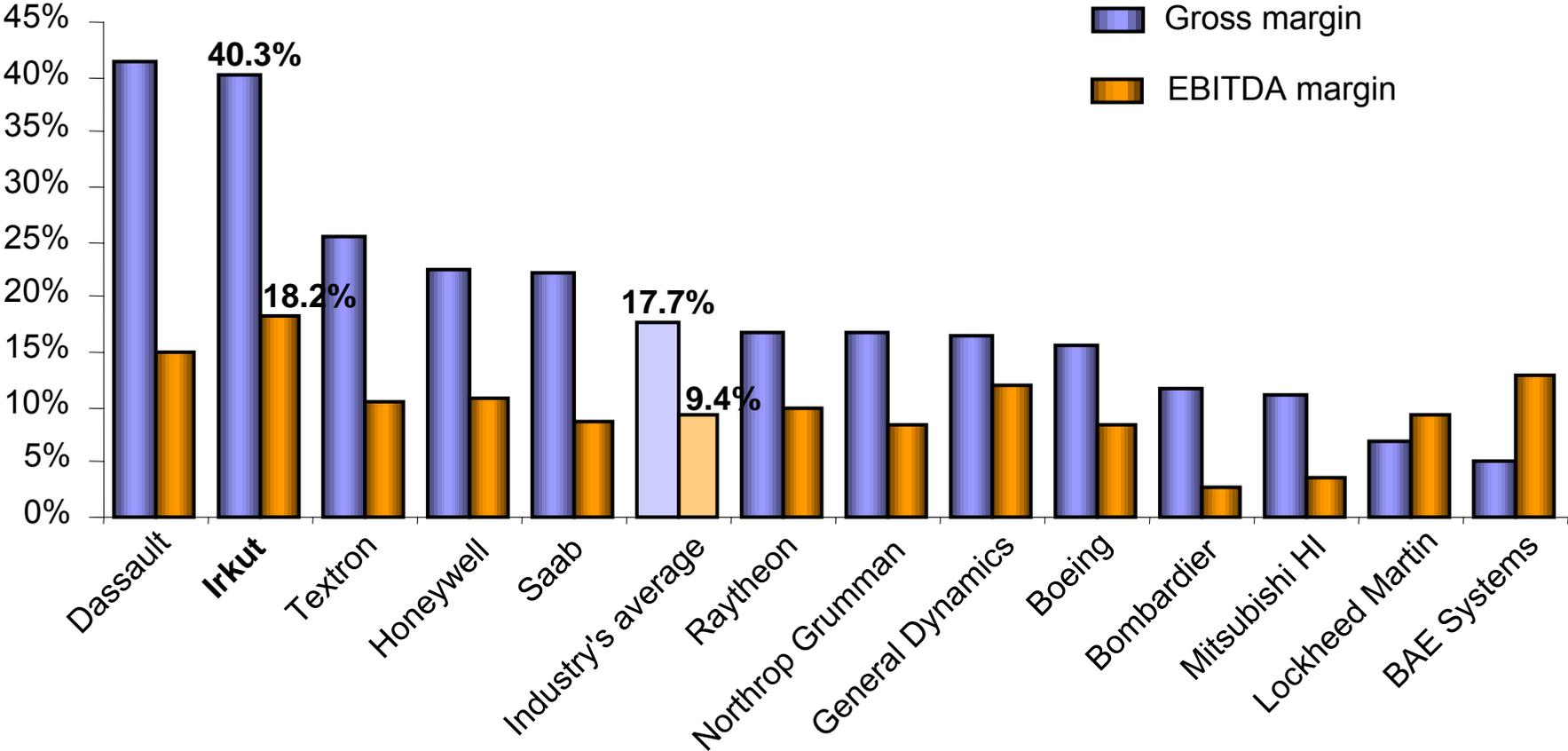
# 2001-2006 revenue breakdown and other financial indicators



Source: Company data

# 2005 profitability comparison

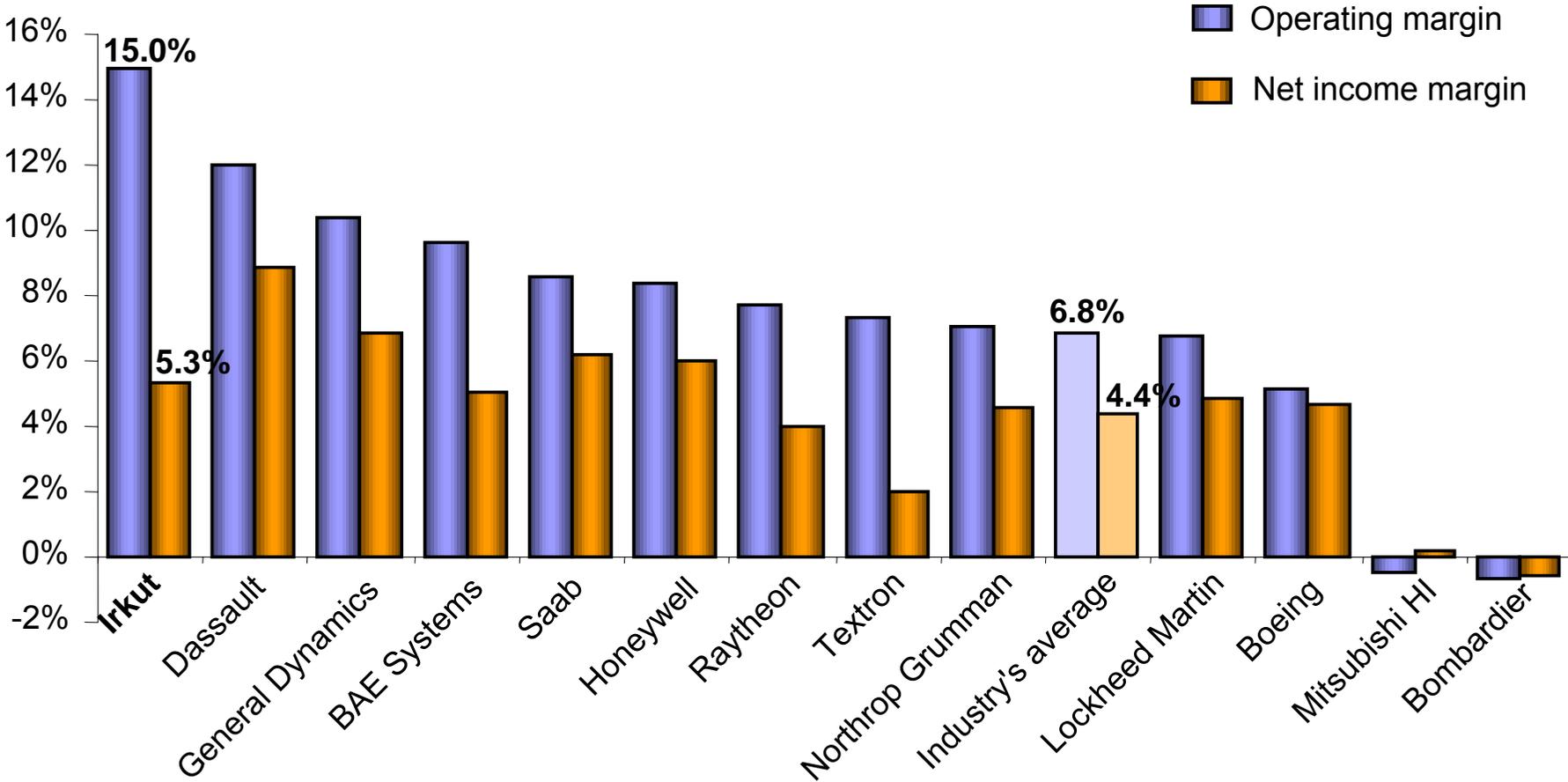
Strong margins even in comparison to other industry giants



Source: Companies financial reports and projections

# 2005 profitability comparison

Strong margins even in comparison to other industry giants

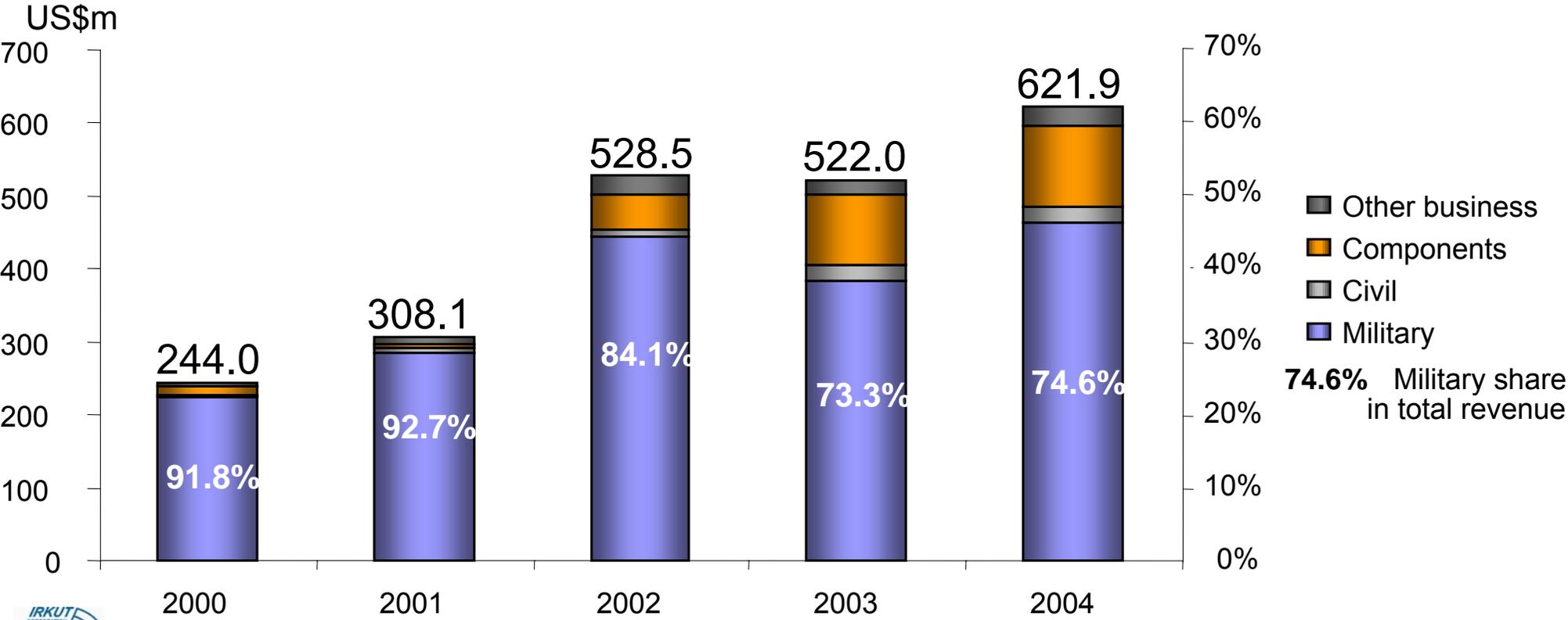


Source: Companies financial reports and projections

# 2000-2004 revenue breakdown by business segments

Significant revenue improvement despite of US\$ depreciation. More than 90% of revenue in 2000-2004 came from export contracts, signed in US\$.

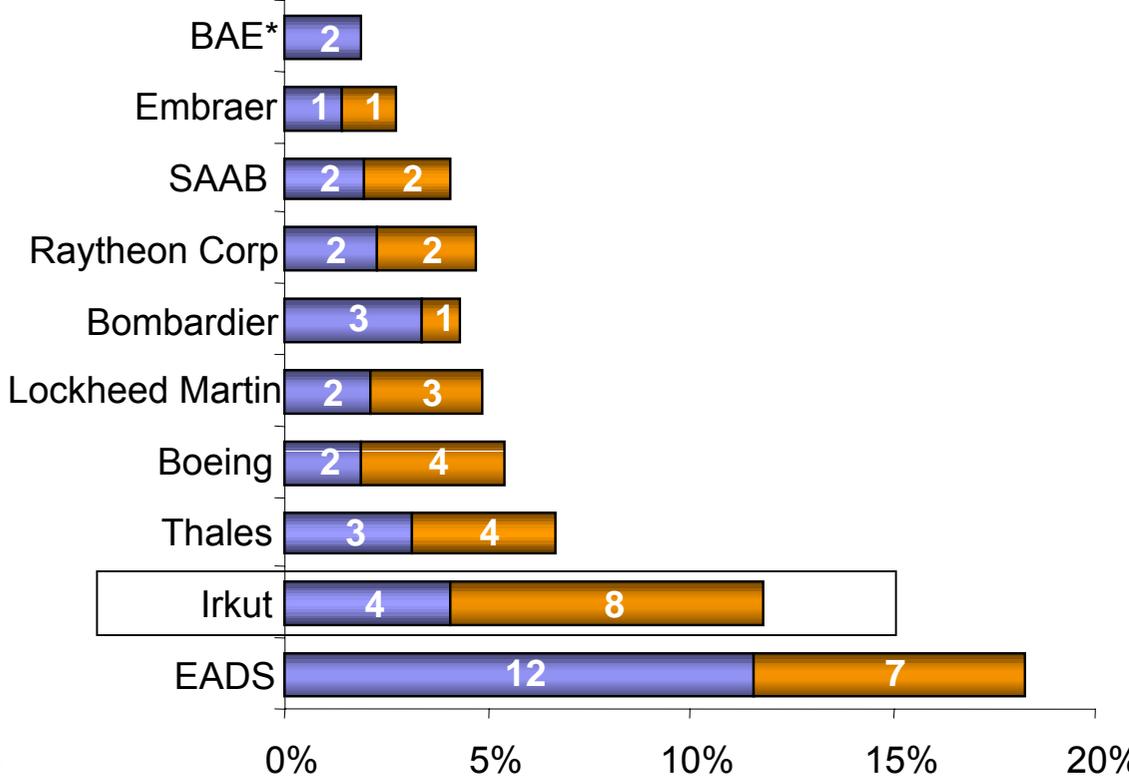
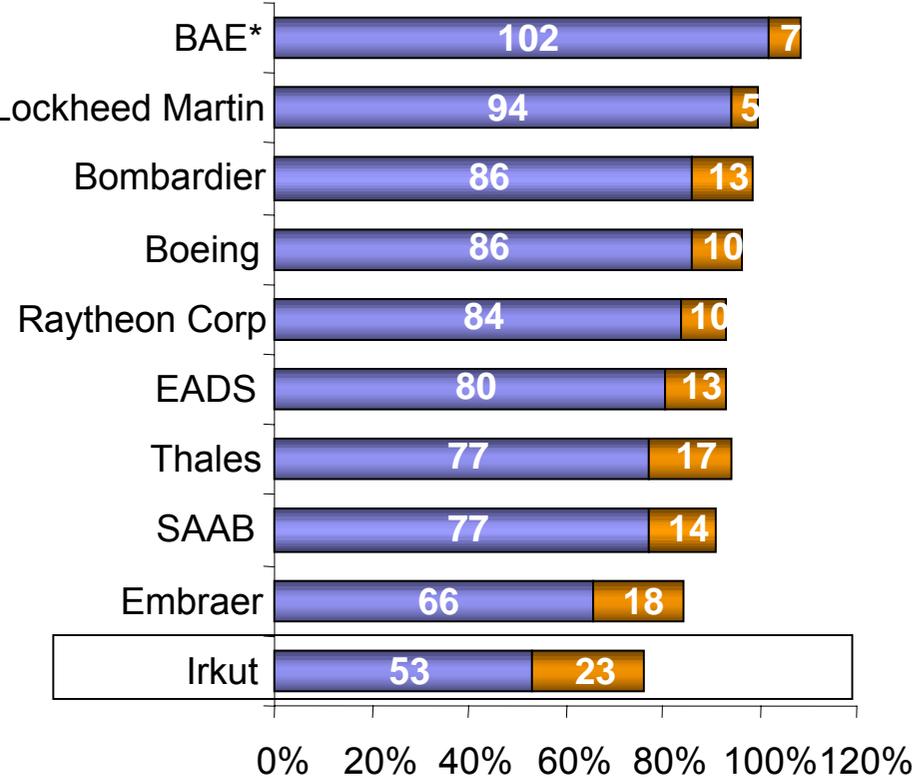
Considerable revenue diversification. Military aviation share decreased from 92% in 2000 to 75% in 2004.



Source: Company data

# 2004 cost-effective program

- Efficient control over Cost of goods sold and Operating expenses
- High and stable R&D and Capital expenditures



■ COGS to revenue, % (2004)  
■ Operating expenses to revenue, % (2004)

■ Capital expenditures to revenue, % (2004)  
■ R&D costs\*\* to revenue, % (2004)



\* No data for R&D costs in Income Statement for BAE Systems  
 \*\* Total R&D costs reflected in Income Statement (operating expenses and COGS)

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# Diversification of credit portfolio: turning to international markets

## Building-up credit history:

**2001** – Promissory notes issue totaled RUR 1 450 million;

**2002** – Bonds issue series A01 totaled RUR 600 million;

Promissory notes issue totaled RUR 1 953 million;

Bonds issue series A02 totaled RUR 1 500 million;

Credit line with Sberbank totaled USD 100 million;

**2003** – Syndicated loan totaled US\$ 43.5 million;

**2004** – Initial Public Offering (IPO), provided a MCap of

US\$ 550 million;

Sponsored ADR Level 1 program;

**2005** – Syndicated loan totaled US\$ 85 mln;

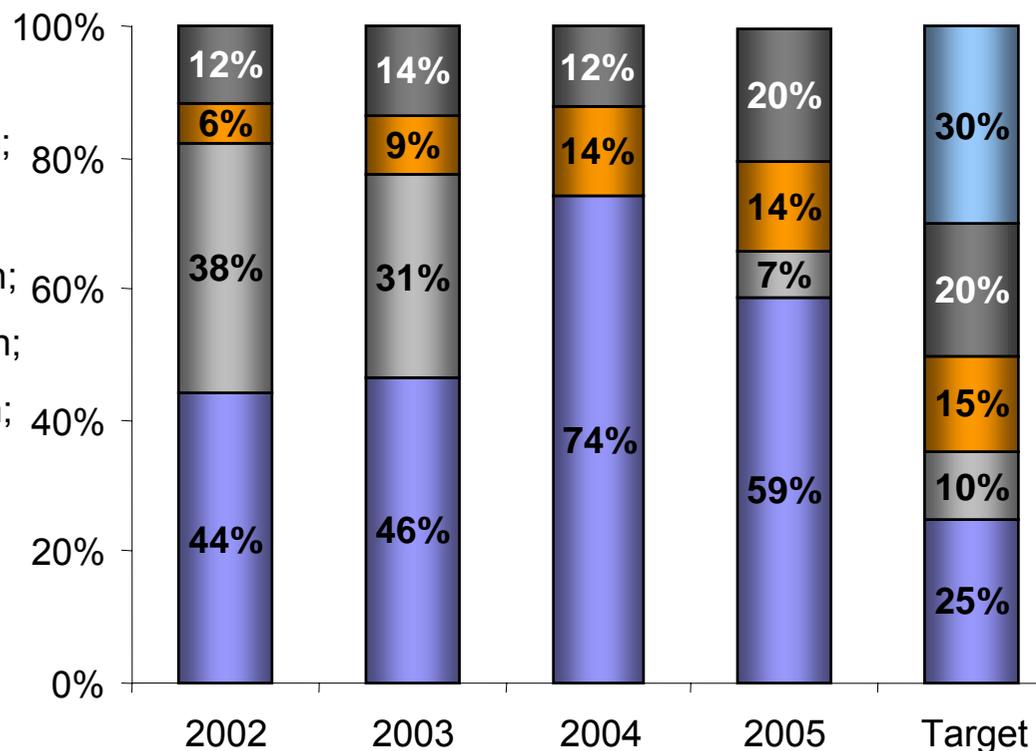
Credit line with Amsterdam Trade Bank;

Bonds issue series A03 totaled RUR 3 250 million;

Credit line with Sberbank;

**Current** - Credit linked notes;

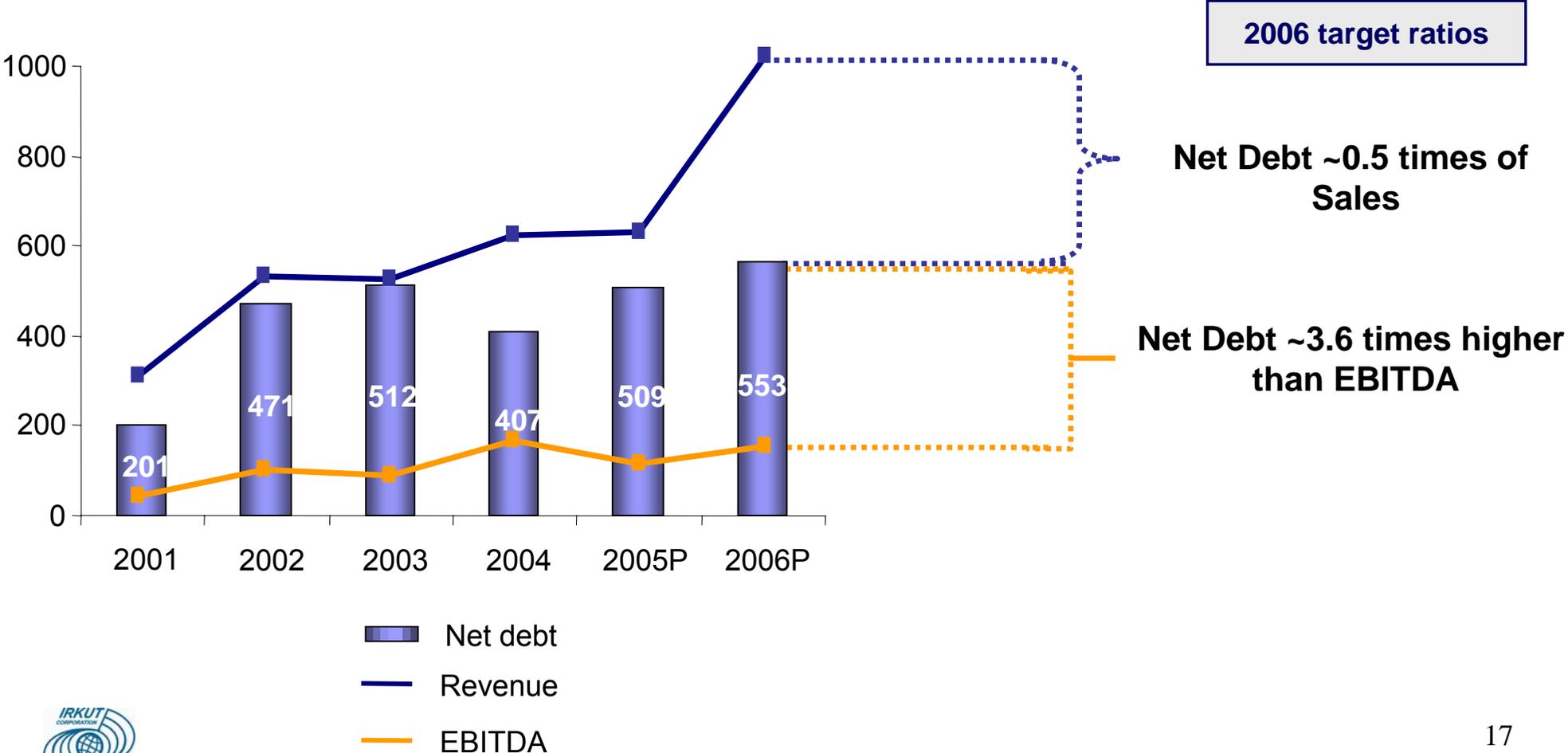
**Plans**– Eurobonds.



- International public borrowings
- Ruble bonds and promissory notes
- Foreign banks
- Other Russian banks
- Sberbank of Russia

# Target debt ratios in 2005-2006

- 2005 year-end Net debt was USD 509 mln.
- The Company aims to keep this level in future along with increase in Sales and EBITDA.



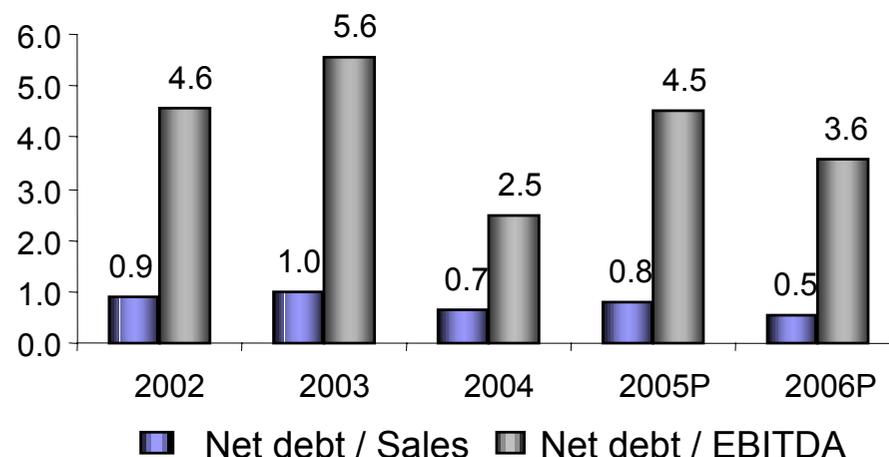
Source: Company data

# Target debt ratios evaluation

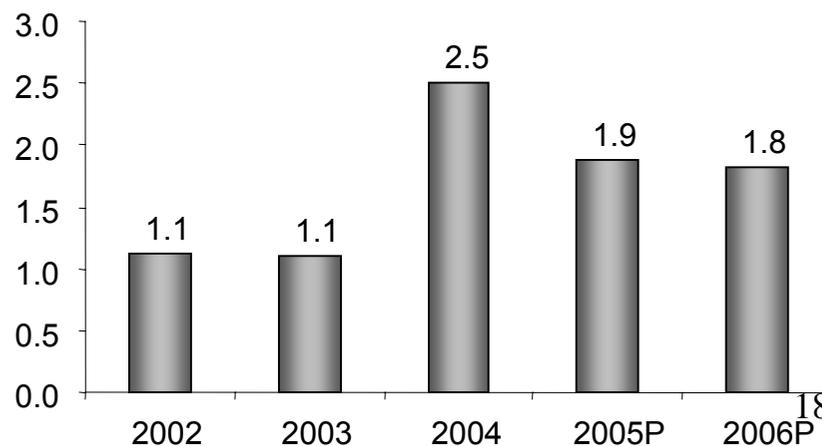
## Irkut's financial strategy:

- ❑ To finance corporate growth with conservative use of loans creates optimal conditions
- ❑ To maintain the debt rate at 3.5-4.0x of EBITDA, 0.5-0.6x of sales and keep the EBIT/Net interest expenses ratio at a rate not lower than 2.0-2.2x
- ❑ To utilize cash inflow from operations as main source of business development
- ❑ To continue optimization and diversification of debt portfolio by using different sources of financing, including shareholders capital, banks loans and credits, bonds, Eurobonds (planned for 2006), and other instruments

### Net debt / Sales and Net debt / EBITDA



### EBIT/ Net interest expenses



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**Shares and shareholders capital**

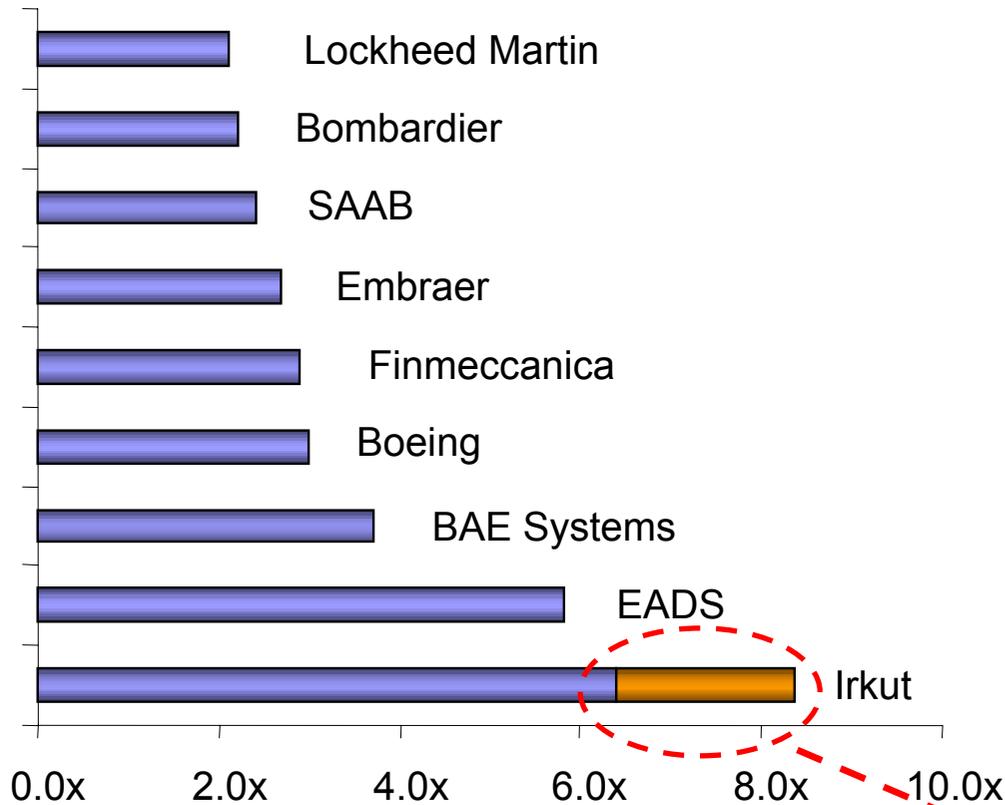
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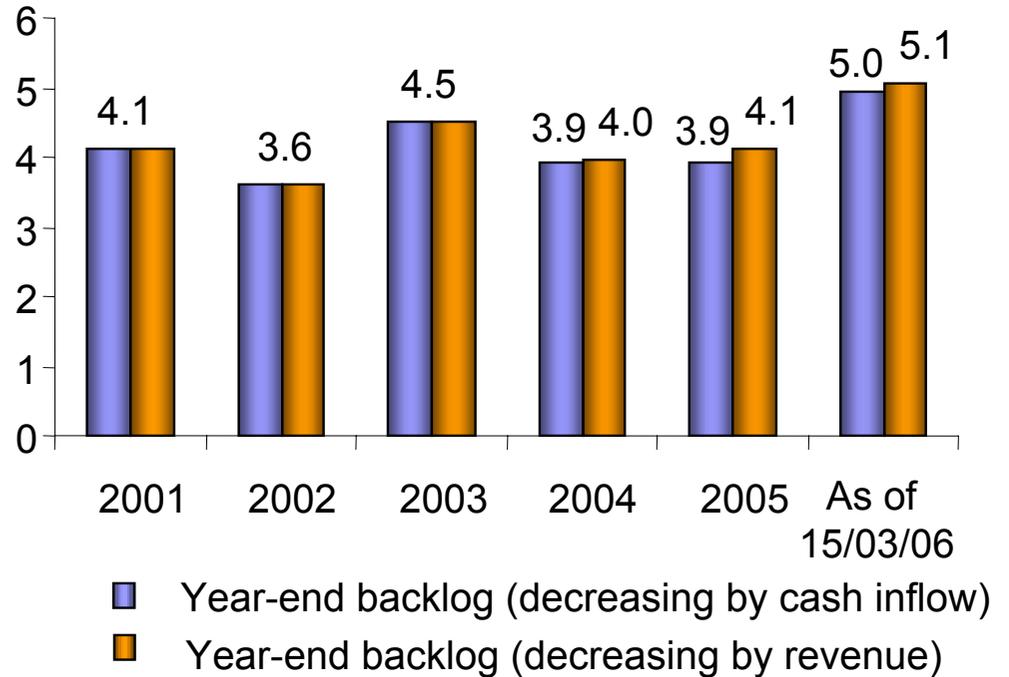
# Strong backlog and upside from new contracts

**Backlog/revenue ratio comparison**



■ As of December 31, 2004  
 ■ Irkut. As of March 15, 2006

**Year-end backlog, (US\$bn)**



**Two new contracts with Algeria:**

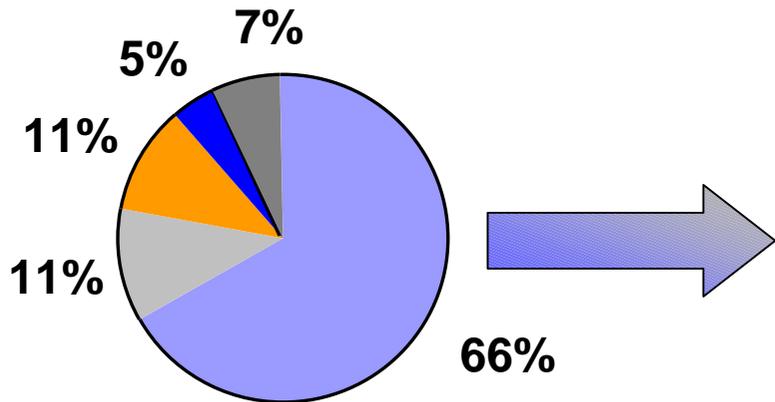
1. Delivery of 28 Su-30MKA
2. Delivery of 16 Yak-130



# Further backlog diversification

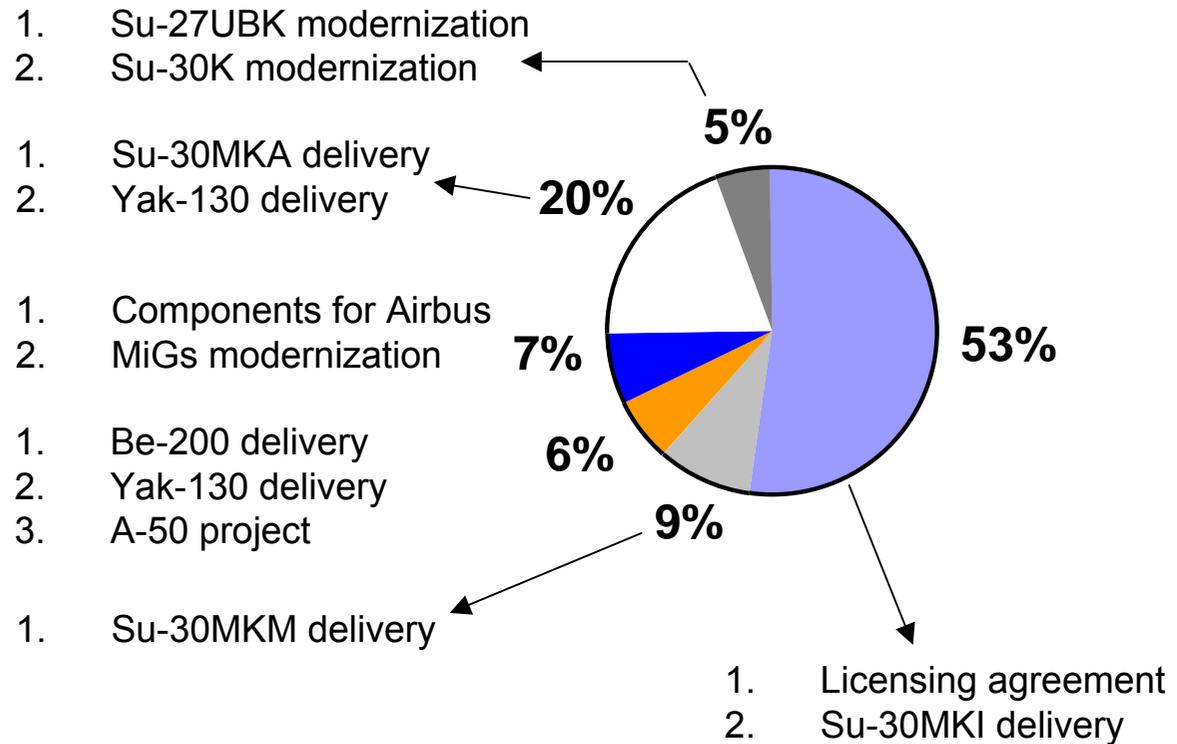
- The share of Indian contracts in our order book decreased from 66% to 53%
- Broad geographical distribution hedges the risks of every individual contract

As of December 31, 2004



- India
- Europe
- Malaysia
- Algeria
- Russia
- CIS

As of March 15, 2006

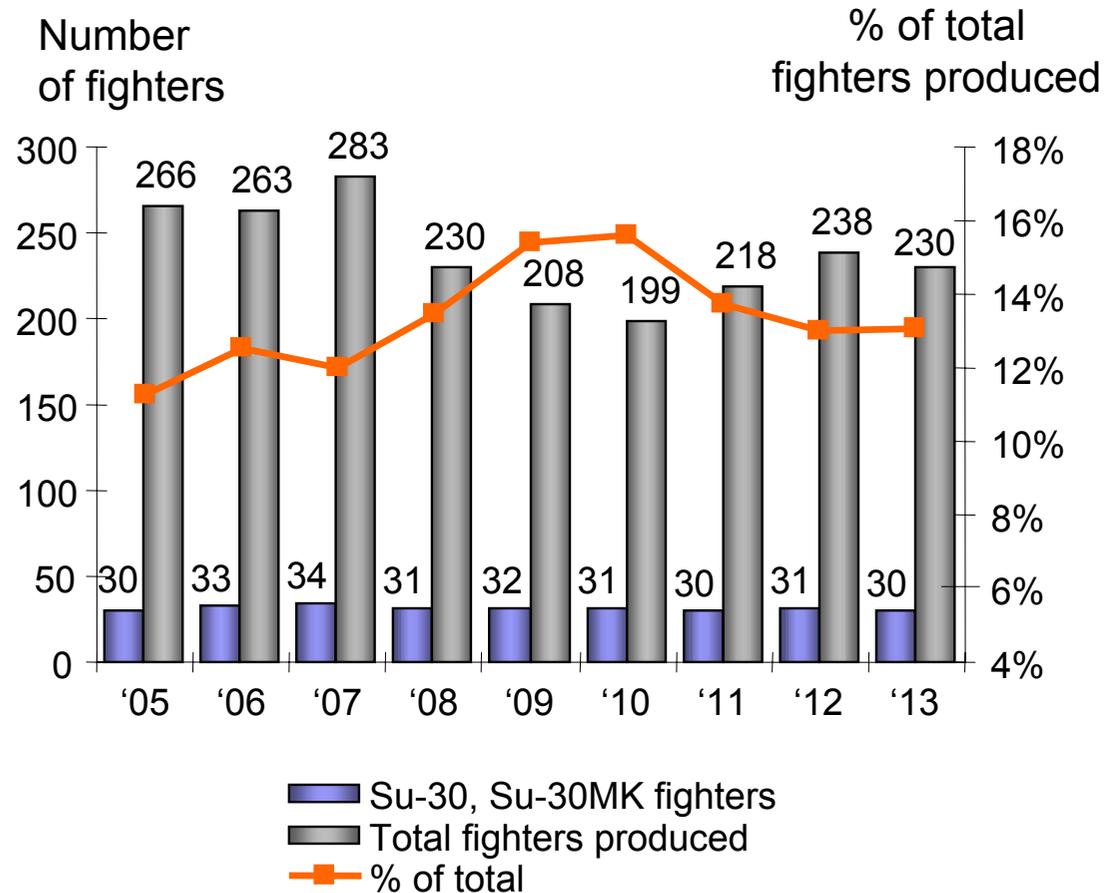


# Su-30MK fighter: recent developments and forecasts

## Current status of the project

- ❑ 2005 year-end signed backlog – US\$3.3 bn
- ❑ R&D: US\$ 280 mln
- ❑ Current status:
  - ❑ Completion of deliveries to India,
  - ❑ An option for deliveries to India instead Su-30K,
  - ❑ Negotiations about deliveries to Thailand
  - ❑ Works on delivery to Algeria
  - ❑ Works upon licensing agreement
  - ❑ Works on delivery to Malaysia
  - ❑ Works on modernization
- ❑ Main competitors: Eurofighter “Typhoon”, F-16 C/D “Falcon”, F/A-18E/F, F/A-22 “Raptor”, “Rafale”, F-15 Eagle, Mirage 2000 (“Total fighters produced” in the diagram).

## “Sukhoi family” fighters production forecasts



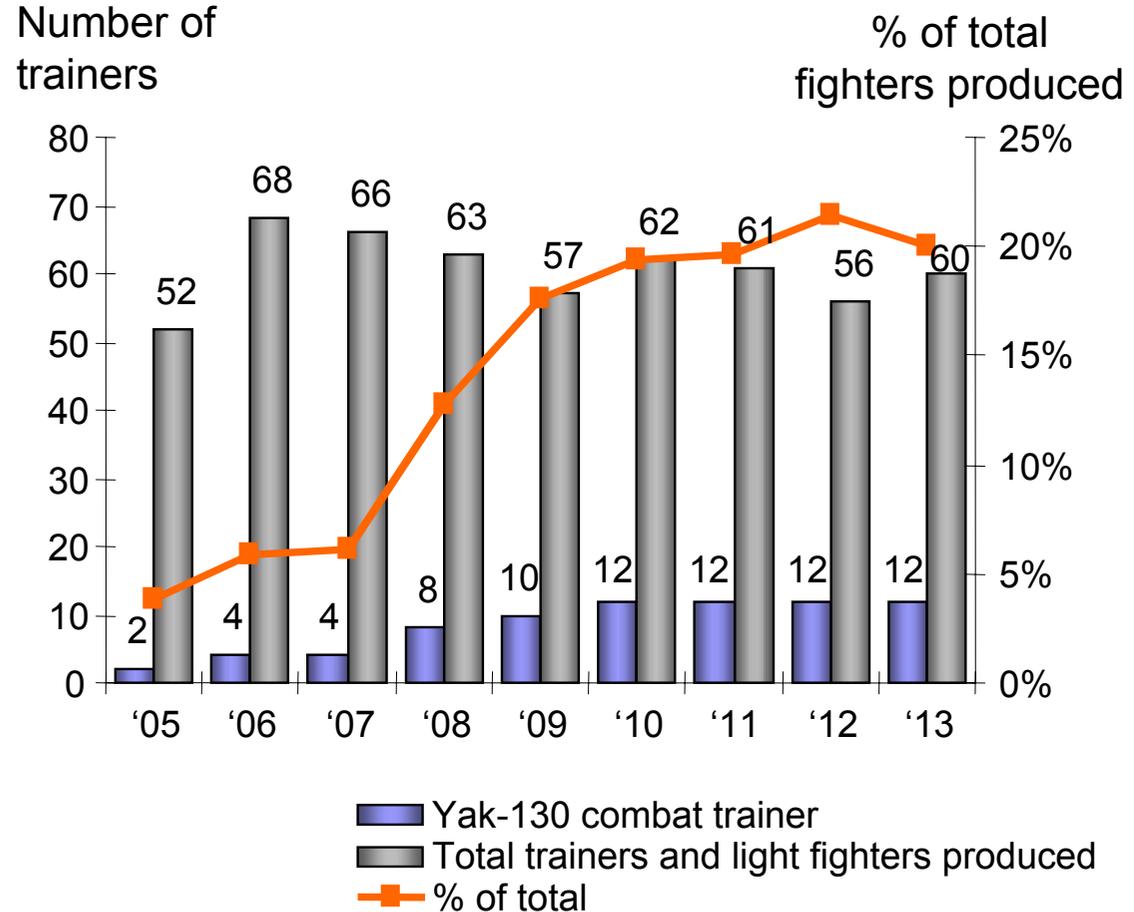
# Yak-130 combat trainer: recent developments and forecasts

## Current status of the project

- ❑ Mass production on track to commence in 2006
- ❑ R&D: US\$ 100 mln
- ❑ Current status:
  - ❑ Works on delivery to Algeria
  - ❑ Test flights program – 2 aircraft,
  - ❑ Agreement on Yak-130 delivery (12 aircraft) with the Russian Air Force.
  - ❑ Formal note on acceptance tests by Russian Air Force
  - ❑ Negotiations with Aermacchi (using Yak-130 as a UAS test bed)
- ❑ Competitors: L-159, MiG-AT, Hawk (all modifications), Gripen and T-45A (“Total trainers and light fighters produced” in the diagram)



## Yak-130 combat trainer production forecasts



# Other projects: recent developments and forecasts

## BE-200

- Multi-functional amphibious aircraft
- 2005 year-end backlog – US\$ 101 m
- R&D: US\$ 265 mln
- Current status:
  - Delivered 3 out of 7 aircraft to EMERCOM,
  - Talks on delivery to Croatia, Turkey, Indonesia and China (w/out certification)
  - Established JV with EADS to certify Be-200 in Europe and the U.S.
  - The Italian civil protection department operates Be-200 on leasing agreement

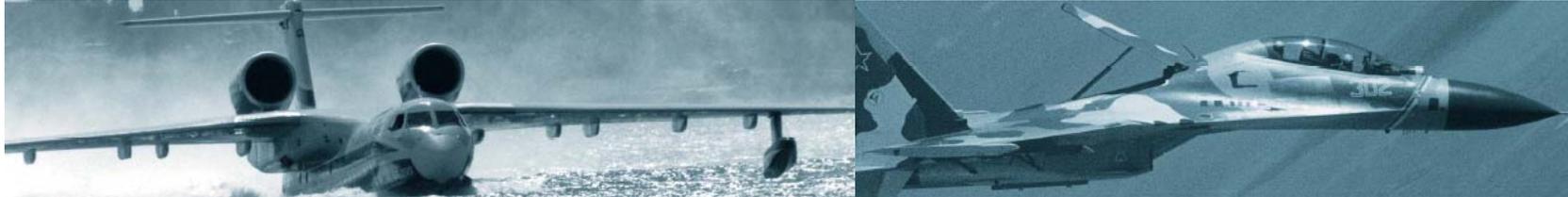
## UASs

- Multipurpose unmanned or optionally piloted aerial system
- Estimated market size – US\$30 bn
- R&D: US\$ 9 mln
- Current status:
  - 5 aircraft in development type (from 2.8 to 860 kg)
  - Talks on delivery to Indonesia
  - Successful presentation to EMERCOM
  - Letter of intent with Diamond Aircraft Industries to develop optionally piloted complexes. Installation of complexes on the “air taxi”, produced by Diamond Aircraft
  - Negotiations with Finmeccanica on joint development and testing of UASs

## Components

- Aircraft units for Airbus (flap tracks, keel beams, front landing gear bays, floor grid sections, etc)
- 2005 year-end backlog– US\$340 m
- Proposed new orders – US\$100 m annually after 2008
- Current status: certification of production by EADS, adapting the manufacturing facilities.





## **IRKUT Corporation contacts**

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## **IRKUT' shares and ADRs details**

### **Ordinary shares**

Symbol: IRKT

Exchange: MICEX, RTS

State registration number: 1-03-00040-A

### **American Depositary Receipts**

Symbol: IRKTY

CUSIP: 46271W104

Exchange: OTC, Berlin Stock Exchange

Ratio: 1:30

Depository: Bank of New York

SEDOL: 5082672

ISIN: RU0006752979

U.S. ISIN: US46271W1045