

IRKUT Corporation – Investor update



August 17, 2005

Part 1

Results of operating activities and strategy
Oleg Demchenko (President)

Strategy of UAC building
Valery Bezverkhniy (First VP, President of UAC)

2004 Financial Results
Dmitry Eliseev (VP Corporate Finance)

Changes in top management

New management team mandated to improve marketing, strengthen financials and position IRKUT for consolidation of the Russian aerospace sector

Previous management structure



- ❑ Alexey I. Fedorov – President
- ❑ Valery B. Bezverkhniy – First VP
- ❑ Sergei V. Tsvilev – Senior VP



- ❑ Oleg F. Demchenko – General Director



- ❑ Gennady S. Panatov – General Director



New management structure



- ❑ Alexey I. Fedorov – Chairman
- ❑ Oleg F. Demchenko – President
- ❑ Valery B. Bezverkhniy – First VP



- ❑ Oleg F. Demchenko – General Director



- ❑ Viktor A. Kobzev – General Director



- ❑ Alexey I. Fedorov – General Director
- ❑ Sergei V. Tsvilev – First Deputy



- ❑ Alexey I. Fedorov – Chairman



- ❑ Valery B. Bezverkhniy – President

Optimization of corporate structure

The management team did a great deal in old structure and plans to continue its undertakings

Last undertakings completed

- ❑ Acquisition of 75.46% of Yakovlev Design Bureau
- ❑ Acquisition of additional 14.6% stake in “Beriev Aircraft”
- ❑ Reorganization of Irkutsk Aviation Plant. The Corporation carved out several departments of the plant and established 13 self-dependent enterprises, with total net income in 2004 of US\$ 180 thousand.
- ❑ Optimization of staff, achieving year-work per employee of US\$ 51 thousand in 2004.
- ❑ Increasing number of BoD members to 11 people.
- ❑ Introduction of Management Committee.
- ❑ Additional share issue of 12% on the threshold of deal with EADS

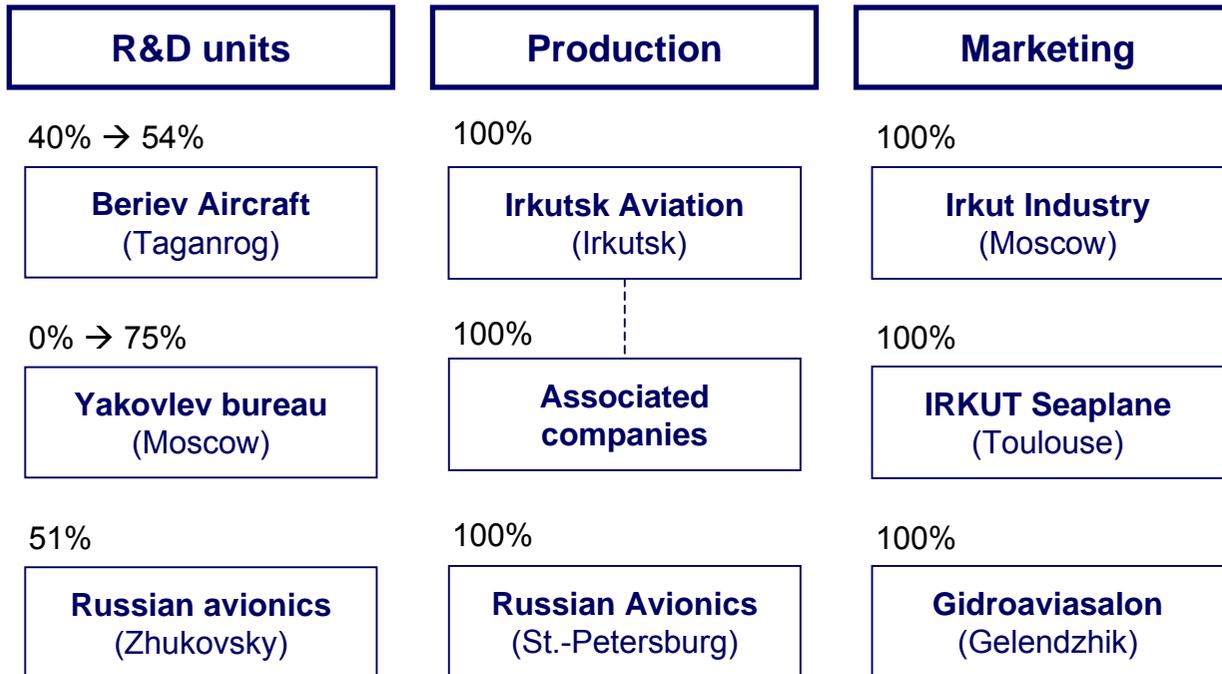
Recent undertakings to be completed

- ❑ Sale of 10% stake to EADS (authorized by AGM)
- ❑ Reequipment of workshops for production of aircraft components for EADS.
- ❑ Establishment of JV with EADS to certify and market Be-200
- ❑ Further improvement of financials and increase of backlog
- ❑ Active participation in the industry consolidation
- ❑ New dividend policy. Dividend payments of 10% of NI (IAS) and following increase up to 25%. (Approved by AGM)

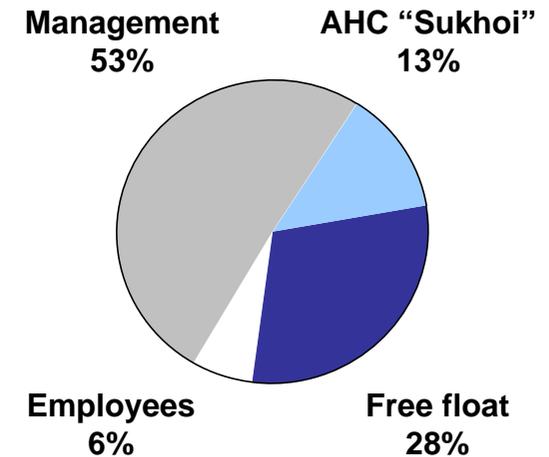
Full consolidation of the group

In 2004 Irkut acquired 75.5% in Yakovlev design bureau, In 2005 increased its stake in Beriev Aircraft

IRKUT Corporation



Shareholder structure



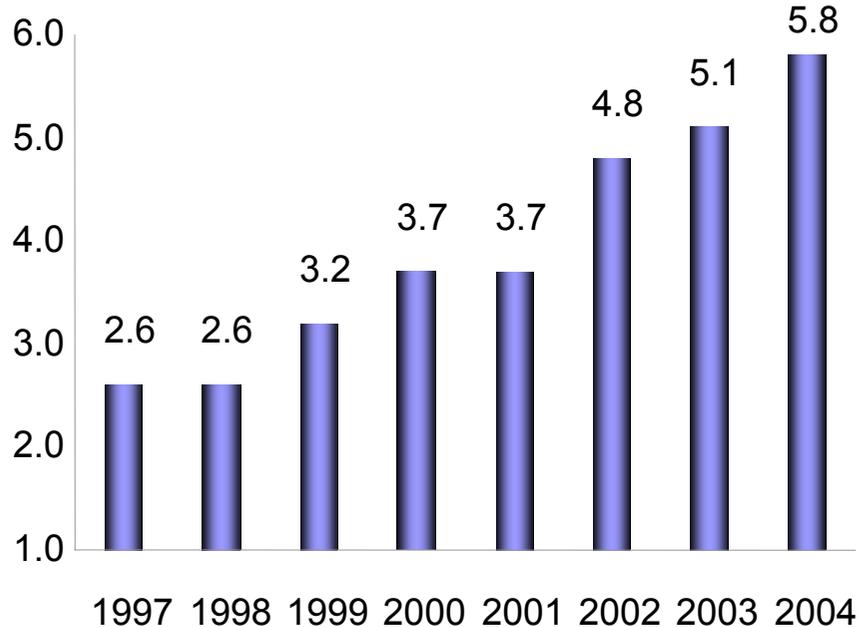
- December 2004 - launch of Level 1 ADR program
- Foreign shareholders represent 2/3 of free float



Growth prospects – export potential

IRKUT –one of the leaders among Russian arms exporters

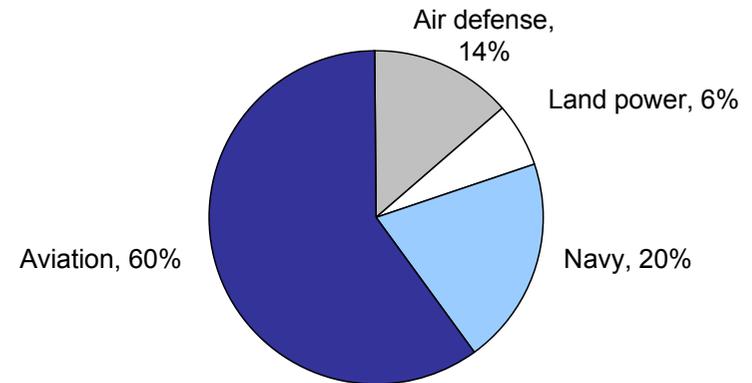
Russian arms export, 1994-2005 (US\$bn)



Source: Rosoboronexport



Russian arms exports by type, 2004



Top Russian arms exporters, 2004

#	Company	Exports, \$m	Exports, % of sales *
1	Sukhoi Company (JSC)	1379	92%
2	Irkut Corporation	594	92%
3	Aerospace Equipment Corporation	437	75%
4	FSUE «RAC «MiG»	380	89%
5	Ufa Motors (JSC)	337	93%

* Note: According to Russian Accounting Standards

Source: Inter-Regional Fund of Informational Technology

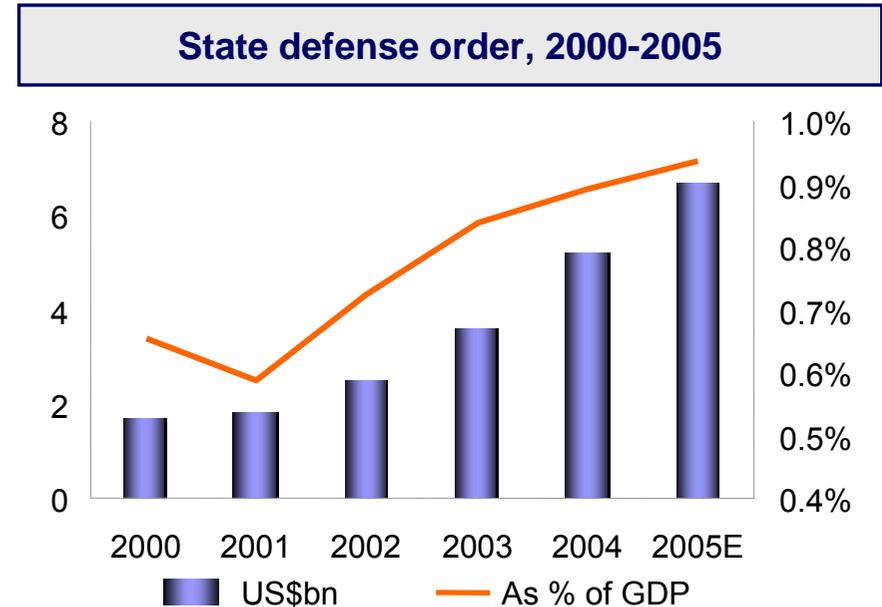
Growth prospects – increasing domestic demand

IRKUT is one of principal beneficiaries of increasing state defense order

- ❑ Military aviation accounts for about 40% of Russian defense sector production
- ❑ IRKUT accounts for more than 25% of Russian military aviation production and 40% of order book
- ❑ Russian Government to decide on three-year defense order, which helps Irkut to plan mid-term financials and backlog
- ❑ Russian defense order growth of 90% in 2003-2005 hedges risks of expected foreign orders decrease



Source: The Economist Intelligence Unit



Source: Centre for Analysis of Strategies and Technologies

Current product line – military aviation

Our main products provide stable revenue stream for the coming years

Su-30MK



- Super manoeuvrable multi-role fighter
- Current backlog – over US\$3.0 bn
- Estimated market size – US\$146 bn through 2013 (2700 aircraft)
- Current status:
 - Completion of deliveries to India,
 - An option for deliveries instead Su-30K,
 - Negotiations about deliveries to Thailand and Northern Africa,
 - Works upon licensing agreement
 - An option for additional 10 aircraft delivery

Yak-130



- Advanced combat fighter jet trainer
- Mass production on track to commence in 2006
- Estimated market size – US\$19 bn through 2013
- Current status:
 - Flight trial program – 2 aircraft,
 - Agreement on Yak-130 delivery (12 aircraft) with the Russian Air Force.

Current product line – civil aviation

BE-200



- ❑ Multi-functional amphibious aircraft
- ❑ Current backlog – US\$ 115 m
- ❑ Current status:
 - ❑ Delivered 3 out of 7 aircraft to EMERCOM,
 - ❑ negotiations for delivery to Croatia and Turkey (without European certification) and Indonesia
 - ❑ establishment of JV with EADS to certify Be-200 in Europe and the U.S.
 - ❑ The Italian civil protection department operates Be-200 on leasing agreement

UAV



- ❑ Multi-purpose unmanned aerial system
- ❑ Estimated market size – US\$30 bn
- ❑ Current status:
 - ❑ 5 aircraft in development type
 - ❑ Talks on delivery with Indonesia

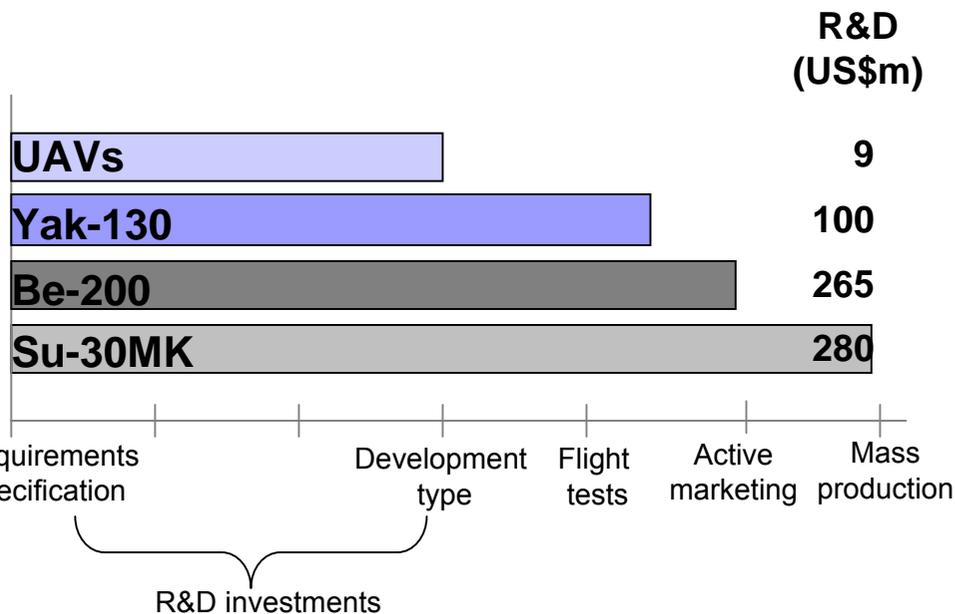
Components

- ❑ Aircraft units for Airbus
- ❑ Current backlog – US\$200 m
- ❑ New orders – US\$100 m annually after 2008
- ❑ Current status: certification of production by EADS, reequipment of workshops.

Product line - past and future

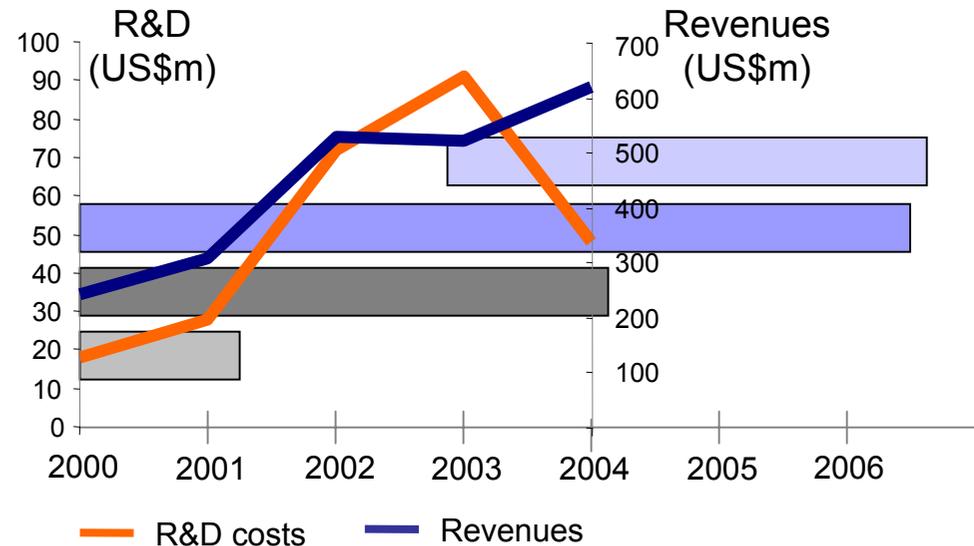
R&D and marketing efforts are turning into revenues and income

Life cycle of the project by stage up to mass production



- ❑ Average life cycle of the project could be divided in several stages (from requirements specifications to mass production)
- ❑ Only Su-30MK project is on the latest stage of mass production

Life cycle of the project in timing up to mass production



- ❑ Irkut has three more significant projects to finalize. Su-30MK project is in mass production stage but we continue development works on it.
- ❑ R&D costs are high during the life of the project and decrease as average life impends to mass production
- ❑ Revenues are low during the life of the project and increase as average life impends to mass production

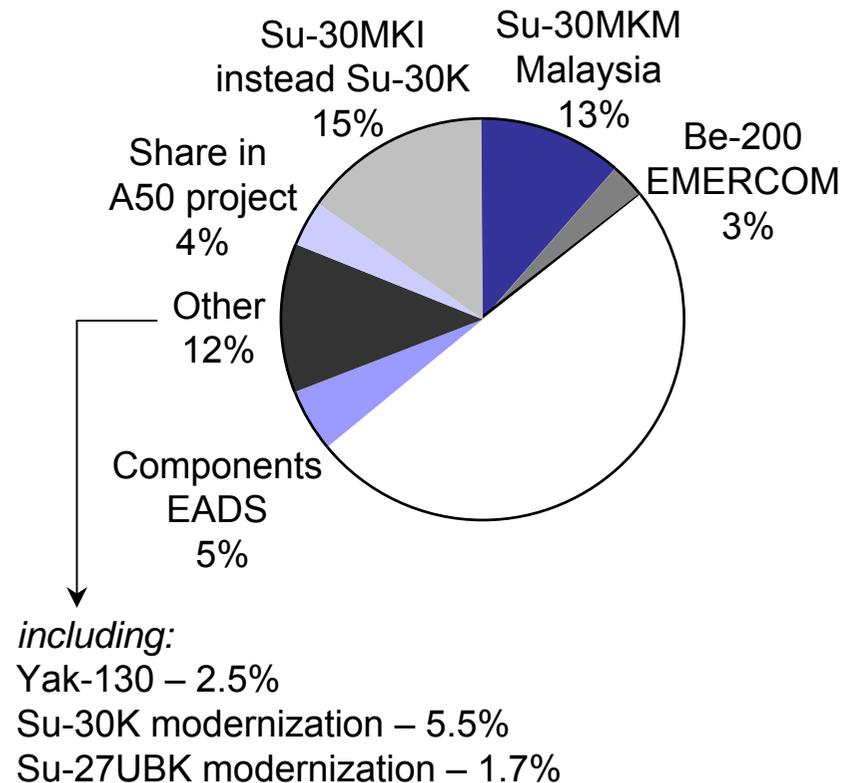
Current contracts – solid revenue base

Solid revenue stream from existing contracts

Overview of main current contracts, year-end 2004

- Licensed assembly of Su-30MKI in India
US\$1,944 m through 2017
- Deliveries of Su-30MKI instead of Su-30K
US\$600 m through 2009
- Deliveries of Su-30MKM to the Malaysian Government
US\$455 m through 2008
- Production of components for Airbus A319/320/321
US\$200 m through 2013
- Share in A50 for the Russian Air Force project
US\$150 m through 2007
- Deliveries of 7 Be-200 to Russia's EMERCOM
US\$115 m through 2008
- Production of Yak-130 for Russian Air Force
US\$94 m through 2009

2004 year-end backlog breakdown



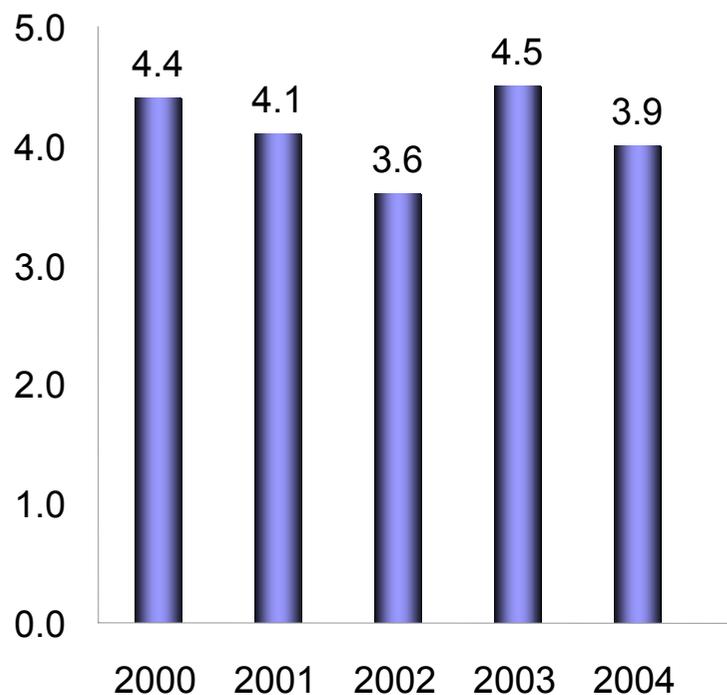
Source: Company data



4.1 Strong backlog and upside from new contracts

Our backlog is strongly geared to every additional contract we sign

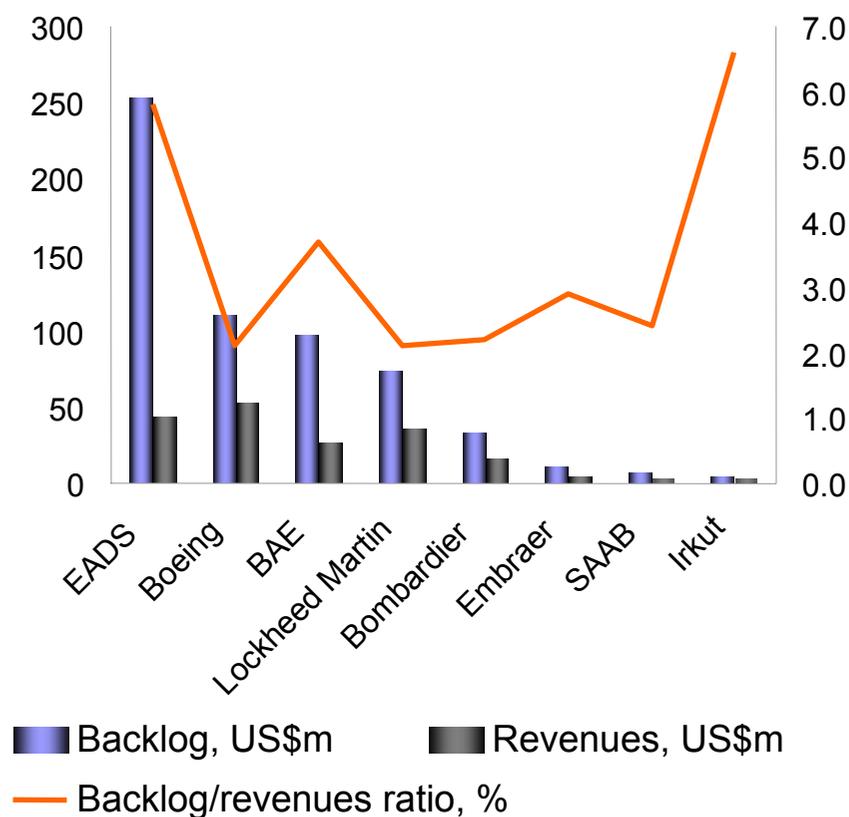
Year-end backlog, 2000-2004 (US\$bn)



Source: Company data



International backlog comparison, 2004



Source: Company data

Part 2

Results of operating activities and strategy

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Strategy of UAC building

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2004 Financial Results

Dmitry Eliseev (VP Corporate Finance)

Structural reforms in the Russian Economy

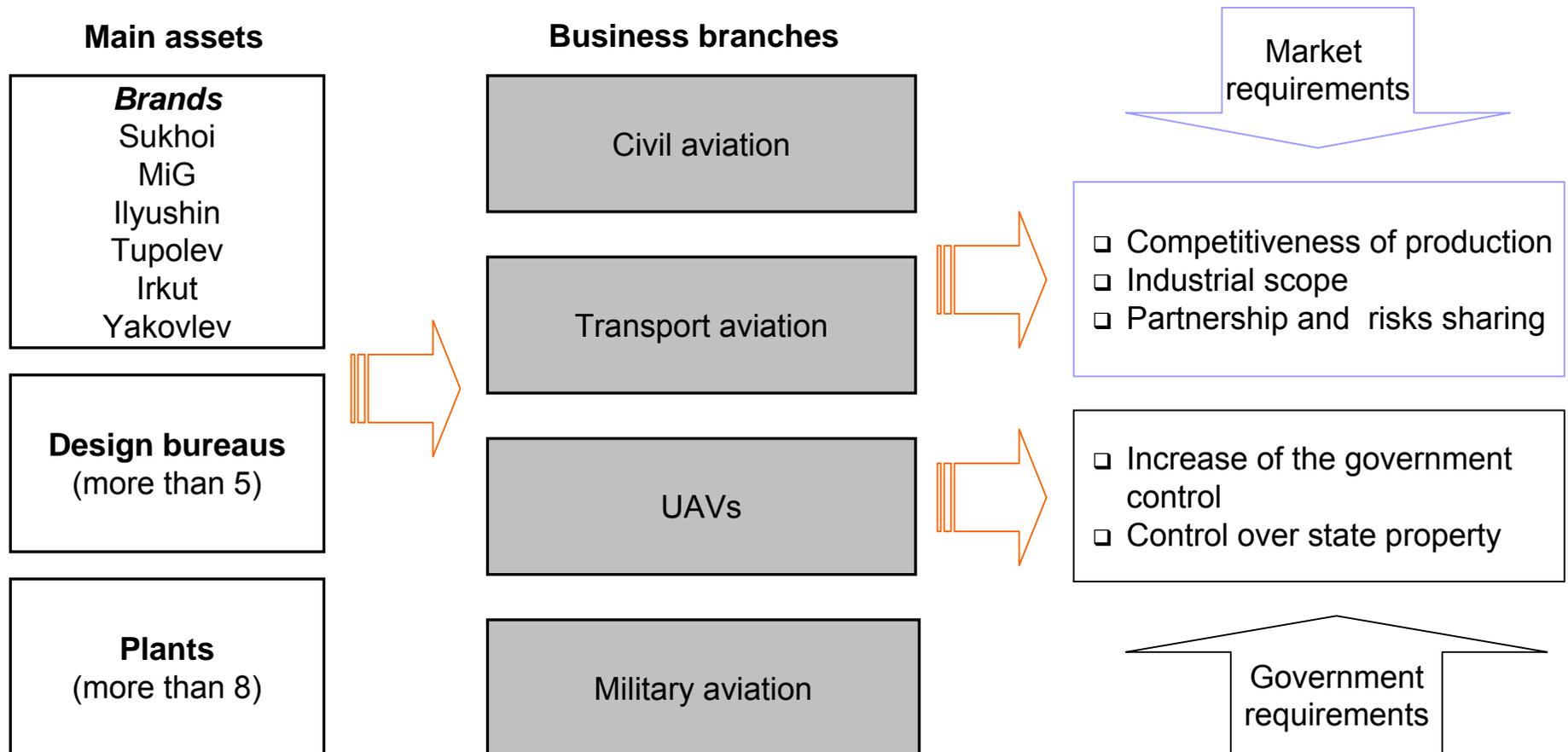
- ❑ The positive economic figures of the last years have created the basis to implement serious structural reforms in high-technology industries and the military-industrial complex as the most developed
- ❑ In 2005-2008, the main attention should be paid to the reforming of the aviation industry
 - The aviation industry simultaneously ensures key positions in national security and transportation infrastructure
 - The scope of activities and the type of competition in the markets provide an opportunity to develop the industry as one of the world leaders
- ❑ Reforms are generally implemented by means of creation of new market regulation and functional mechanisms, as well as a more focused usage of state investments on long-term strategic projects
- ❑ The main objective is to realize the substantial potential of the aircraft building industry, which will be beneficial for:
 - The state
 - Customers
 - Investors

The creation of the UAC – to take into account all the best

Objectives	An optimal structure of the industry	<ul style="list-style-type: none"><input type="checkbox"/> To increase competitiveness in the world market<input type="checkbox"/> To increase the efficiency of the whole system<input type="checkbox"/> To ensure financial viability of separate companies<input type="checkbox"/> To ensure acceptable prices for customers
	Investment attractiveness	<ul style="list-style-type: none"><input type="checkbox"/> To stimulate the inflow of capital investments in the most promising projects and technological complexes<input type="checkbox"/> To stimulate quality improvement thanks to the attraction of foreign strategic investors<input type="checkbox"/> To create clear and understandable regulation base<input type="checkbox"/> To ensure capitalization, taking into account the interests of shareholders, investors and the state
Limitations	Social considerations	<ul style="list-style-type: none"><input type="checkbox"/> To ensure transition to an optimized structure of assets, increasing investments in PP&E and intellectual capital<input type="checkbox"/> To ensure security of the Russian transport system<input type="checkbox"/> Observation of the national security interests

The main idea of the UAC creation – simultaneous and balanced consolidation of business and assets

UAC – integrator of businesses and assets



Interfacing of different interests

Shareholders

- Increase in revenues and net income
- Growth of capitalization
- Ensure shares liquidity
- Observation of shareholders rights

Government

- Stable growth of cumulative production
- National security and defensive capacity
- Rational rate of grants
- Control over monopolistic businesses

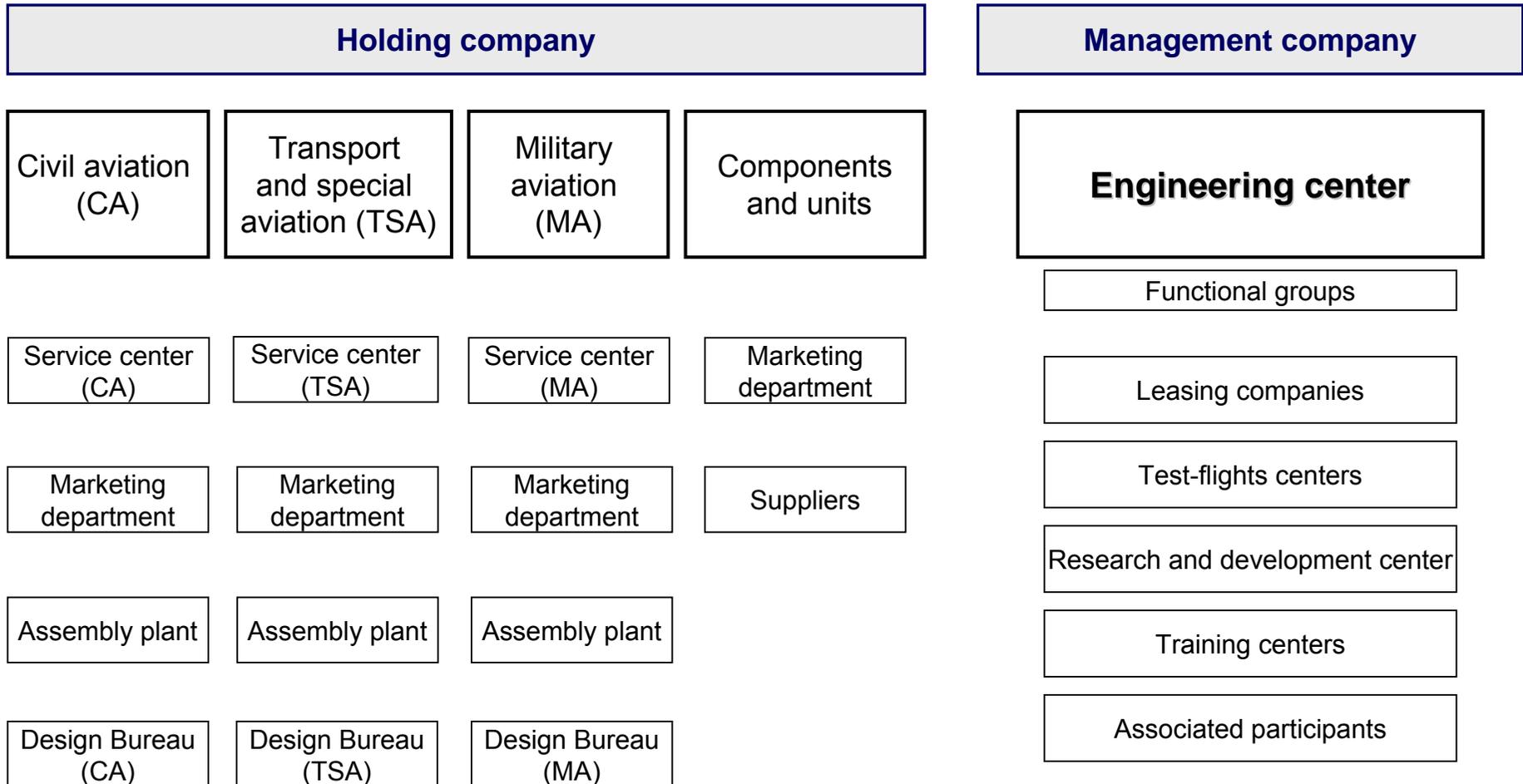
Strategic investors and partners

- Appropriate business valuation
- Interest in independent assets

Consumers

- Low costs and appropriate shipment conditions
- Security of shipments and after-sale services
- Grants to special groups of consumers
- Interest in independent assets

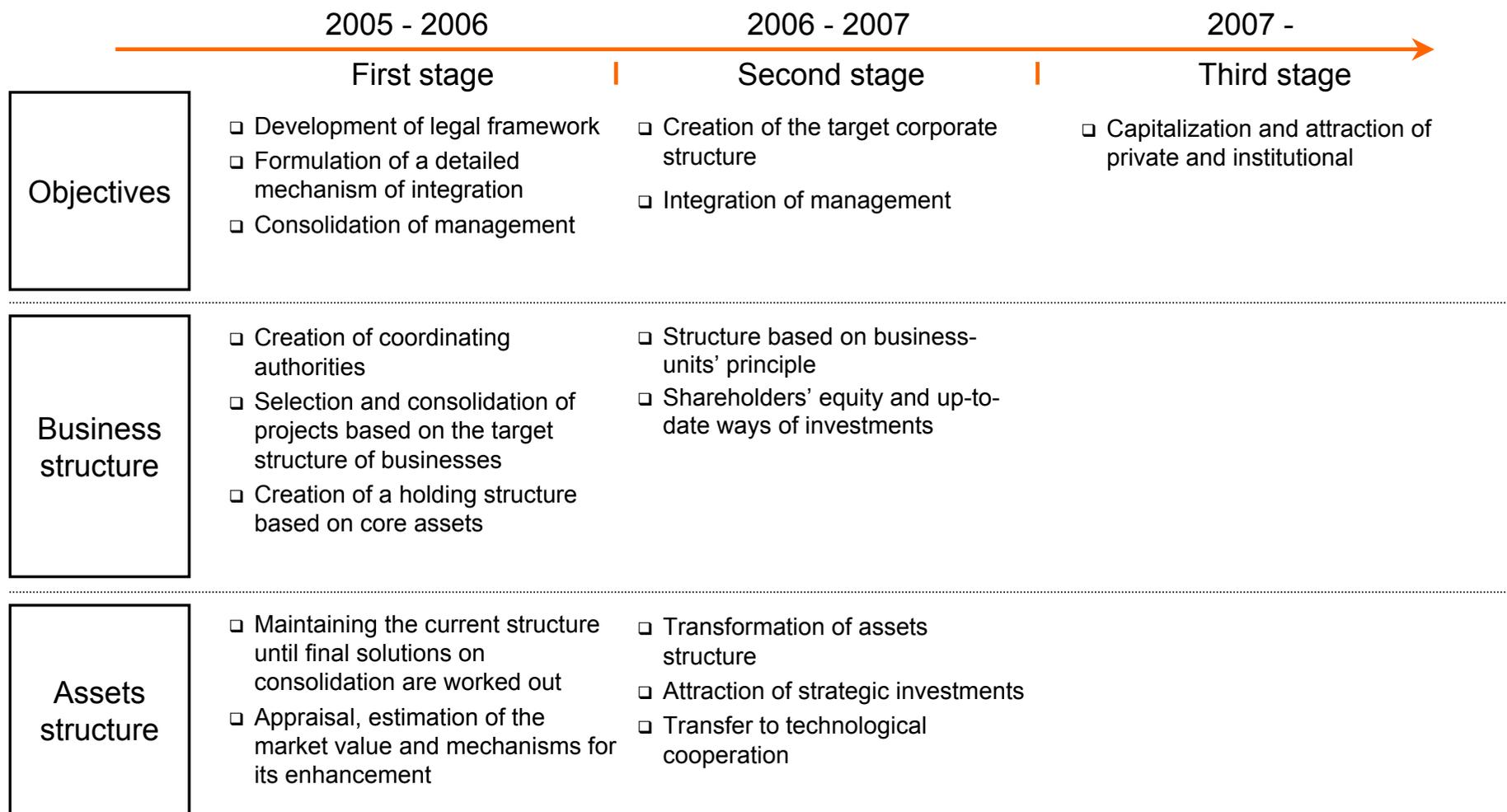
The UAC prospective structure



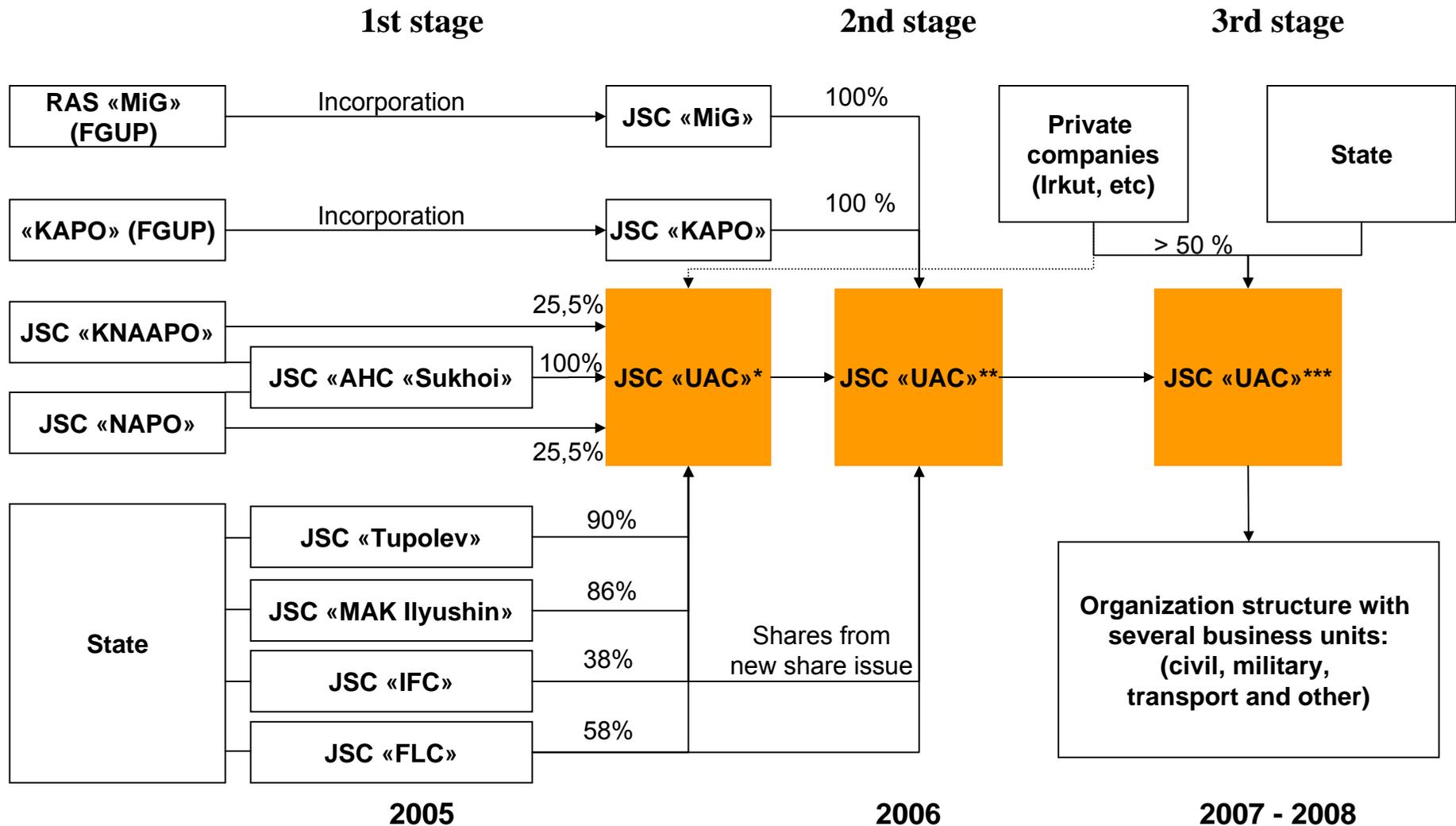
The purposes of creation of the UAC under the Decree of the President

- ❑ - The main objective – “ ... creation of the United Aircraft Corporation before December 1, 2006 on the basis of the major aircraft building companies’ assets...”;
- ❑ - The objectives of the first stage – implementation of all the key preparatory procedures, working out and agreement of the design of the United Aircraft Corporation, the principles of its composition and management, and a detailed plan of corporate actions;
- ❑ - Consolidation of aircraft building companies’ assets in a holding structure with participation of state and private capital;
- ❑ - Additional objectives – creation of a team of managers, the beginning of implementation of management mechanisms corresponding to the target idea of the United Aircraft Corporation’s work in the “virtual” or “project” regime;
- ❑ - Implementation of practical actions to attract investments and organize strategic partnership within the framework of a mixed (private and state) structure of the United Aircraft Corporation’s capital being created.

Proposed Stages of UAC creation



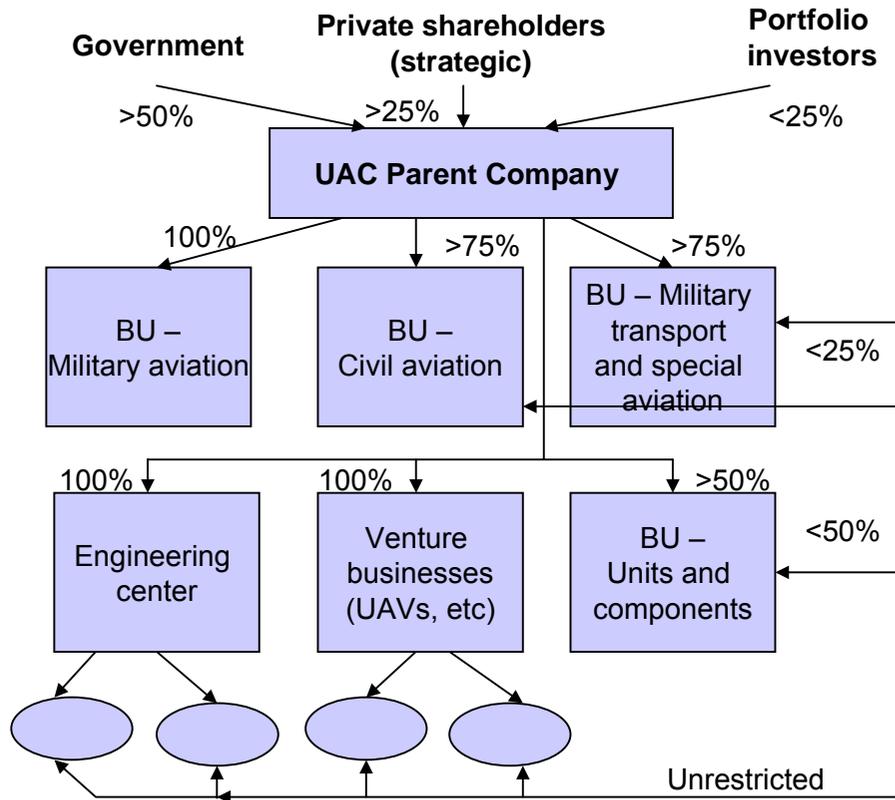
UAC creation scheme



Key changes in aviation sector's structure

Target structure version

Capitalization of the parent company
 Business units are profit-centers
 The parent company is the center of cash-flow consolidation



Separate projects



Prospective changes

- ❑ Transformation of the government's functions, gradual abandonment of "direct management" of aircraft industry
- ❑ Transfer to a new market-oriented business-model
- ❑ Enhancement of private capital role in aircraft industry
- ❑ Transfer from a complete production cycle to product-and-technology specialization and cooperation
- ❑ Focus on key projects, reduction of internal competition
- ❑ Capitalization of the company, capacities' modernization, efficiency upgrading
- ❑ Change in approach to decision-making – "investor succeeds manager"

Nonprofit partnership “UAC” – the first practical step

NPP “UAC”

- ❑ Manages the project and coordinates the participants in the process of creation of UAC corporate structure
- ❑ Secures the decision-making process on the following issues:
 - Working-out of UAC strategy
 - Working-out of different versions of prospective technological structure
 - Development and implementation of corporate and organization UAC managing patterns at all stages
 - Actuation of amendments to legislation and regulatory control in aircraft industry

Participants

- ❑ Participate in the management of NPP “UAC”
- ❑ Retain independence in their business activities on the first stage
- ❑ Secure necessary resources for implementation of corporate reorganization
- ❑ Involvement of rather large number of specialists and managers into the project is crucial to secure the quality and timeframes of decision-making
- ❑ Coordination of the project on the first stage:
 - The Ministry of Industry and Energy
 - The Federal Agency for Industry
 - Non-profit partnership “UAC”

New vistas for Irkut due to creation of UAC

Order book increasing :

- ❑ Gaining access to the order book and solutions for the Russian domestic market
- ❑ Development of relations with the leading partners worldwide
- ❑ Extension of orders' structure in the context of international industrial cooperation
- ❑ Elimination of artificial competition for domestic orders
- ❑ Growth of marketing system's and sales' efficiency

+

Enhancement of efficiency:

- ❑ Access to more up-to-date technologies
- ❑ Opportunities of gaining cheaper and higher-quality resources
- ❑ Cutting costs for deliveries

+

Additional investing mechanisms:

- ❑ Government investments in promising technologies and projects
- ❑ Growth of capitalization and investment-attracting base
- ❑ Amendments to the regulatory legislation for aircraft industry

+

Long-term competitiveness:

- ❑ Personnel training and upgrading its skills
- ❑ Integration of promising R&D and development of engineering base
- ❑ Participation in long-term programs
- ❑ Global (in terms of the industry) diversification and reduction of circularity

= Growth of the value and investment attraction of the company

Part 3

Results of operating activities and strategy

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Strategy of UAC building

Valery Bezverkhniy (First VP, President of UAC)

2004 Financial Results

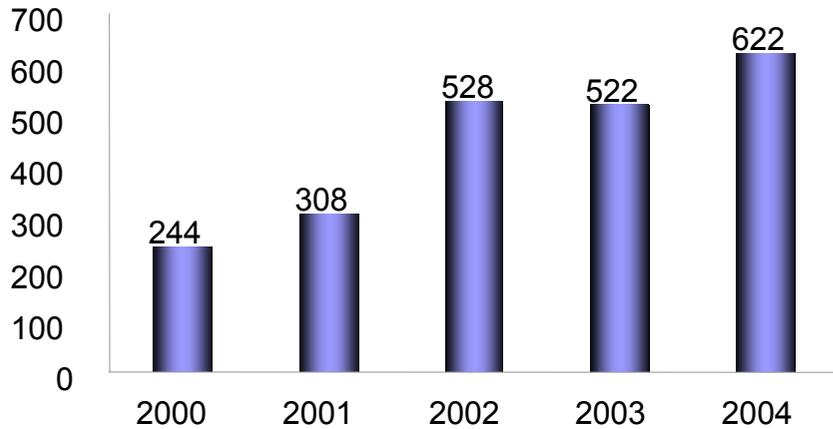
Dmitry Eliseev (VP Corporate Finance)

2004 Main financial indicators

USD million	2004	2003	2002
	IFRS	IFRS	US GAAP
Revenues	621.9	522.0	528.5
Cost of Goods Sold	330.7	315.1	343.9
Gross profit	291.2	206.9	184.6
Gross margin	47%	40%	35%
Operating expenses	142.6	131.7	96.2
Operating income	148.5	75.3	88.4
Operating margin	24%	14%	17%
DD&A	17.3	16.4	14.4
EBITDA	165.8	91.7	102.8
EBITDA margin	27%	18%	19%
EBIT	145.6	65.5	81.9
Interest expenses	58.1	65.1	72.6
Other financing expenses	2.9	9.8	6.5
Income tax	-20.2	0.6	-17.4
Net income	68.4	1.8	-7.8
Net income margin	11.0%	0.3%	-1.5%

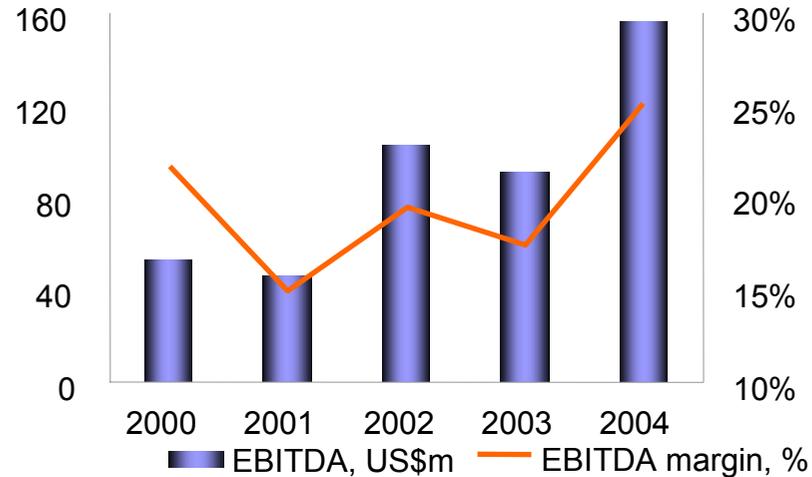
Turnaround of financial performance

Revenues, 2000-2004 (US\$m)

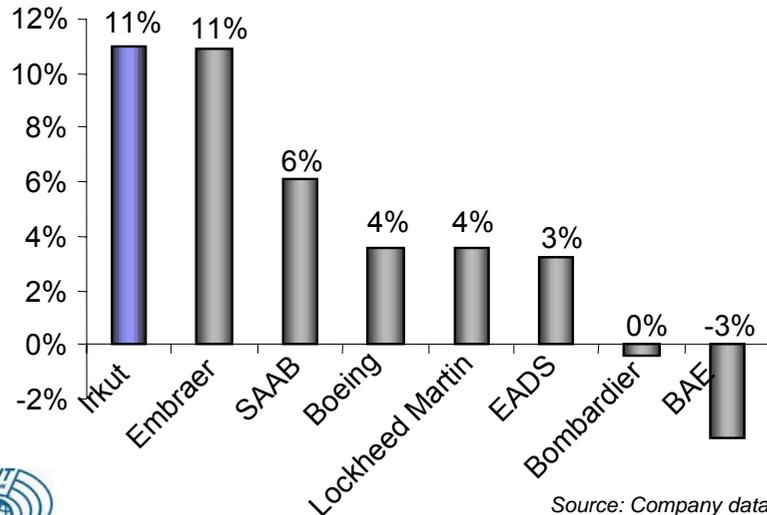


A 26% CAGR in sales in 2000-04

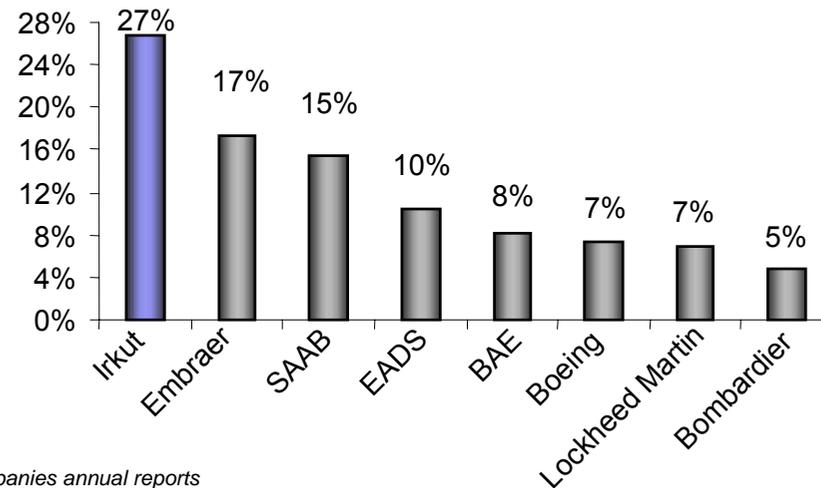
EBITDA, 2000-2004 (US\$m)



International Net income margin comparison, 2004



International EBITDA margin comparison, 2004

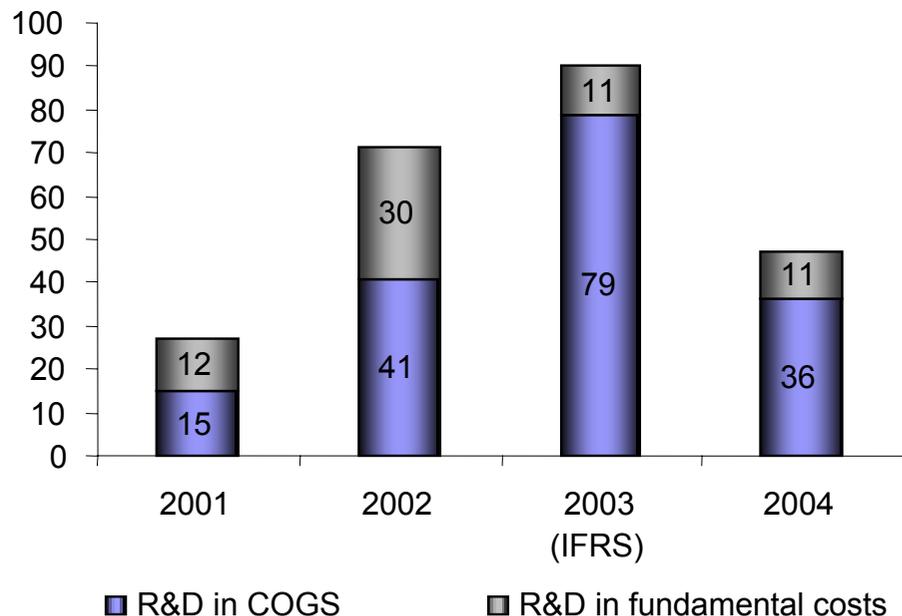


Source: Company data and companies annual reports

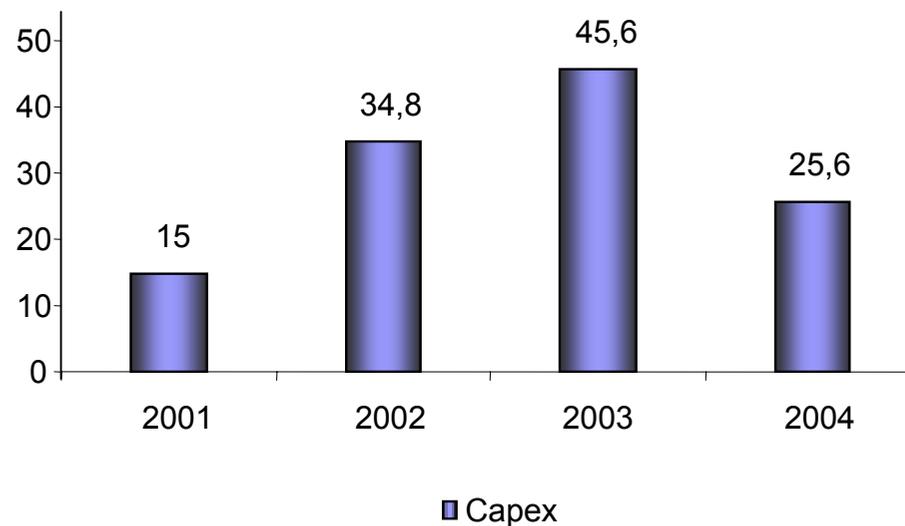


R&D investments and Capex breakdown

R&D investments, 2004 (US\$m)



Capex, 2004 (US\$m)

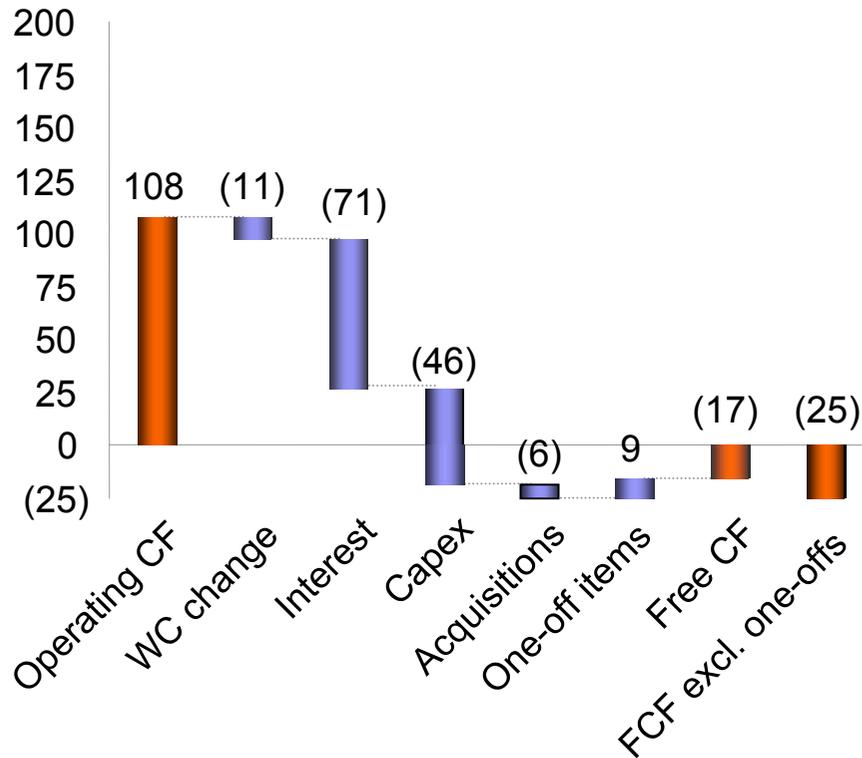


- ❑ R&D costs increase up to 2003 due to works on Su-30MK project Cy-30MK (this project continues but to a lesser degree), and on Be-200 project
- ❑ In 2004 we started to decrease both R&D and capital expenditures, which will positively influence our financial statements in future

Cash flow analysis

First ever year of positive free cash flow – US\$131 million in 2004

Cash flow analysis, 2003 (US\$m)

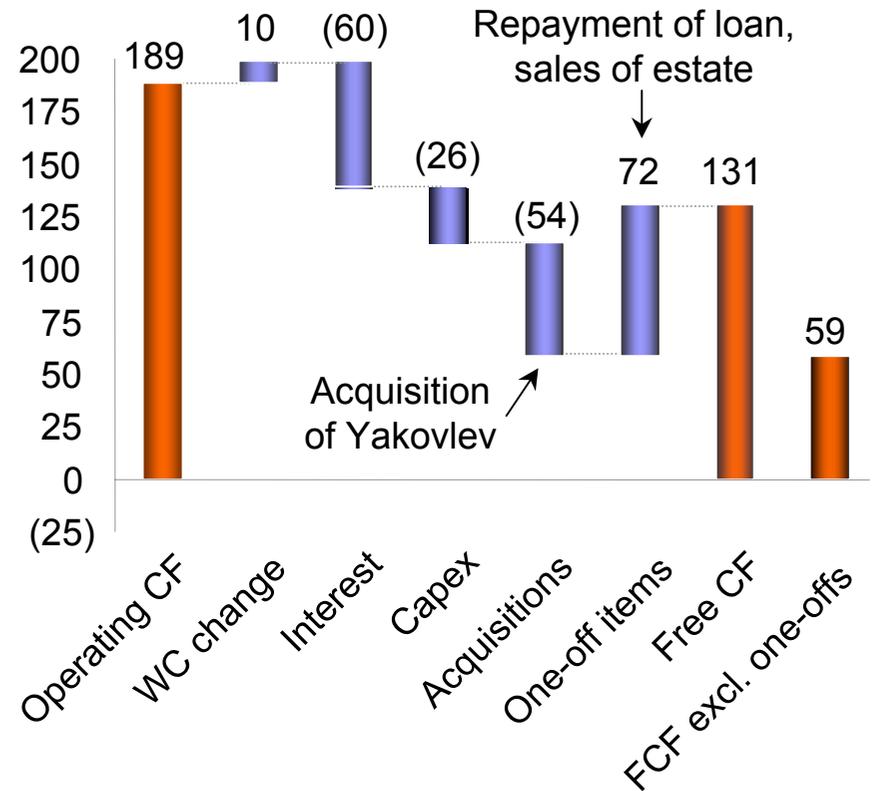


* Operating cash flow before changing in working capital and provisions

Source: Company data



Cash flow analysis, 2004 (US\$m)



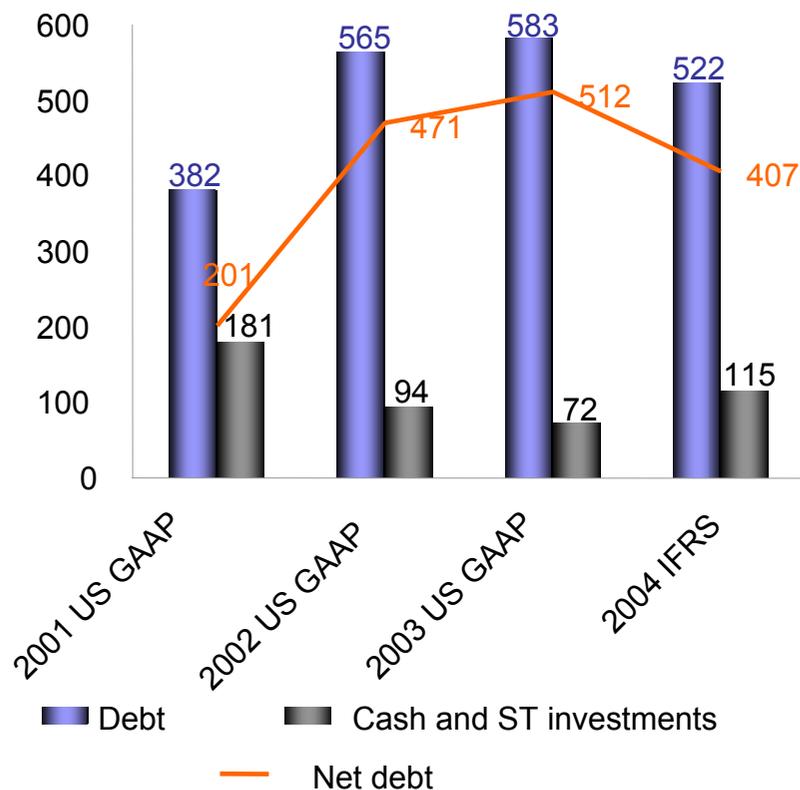
* Operating cash flow before changing in working capital and provisions

Source: Company data

Net debt and interest expense

Net debt reduced to US\$407 million and cost of borrowing cut significantly

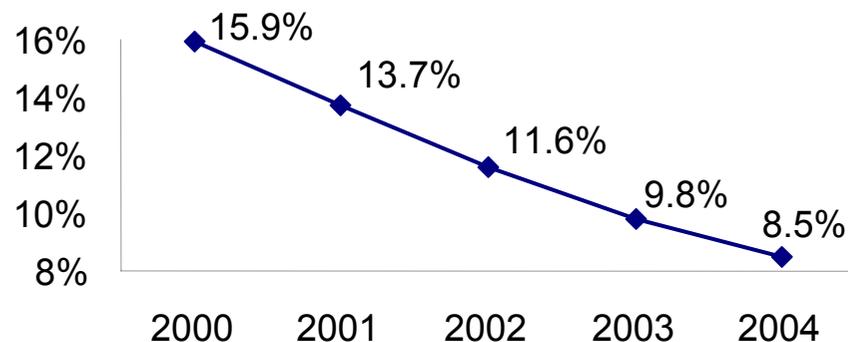
Net debt, 2001-2004 (US\$m)



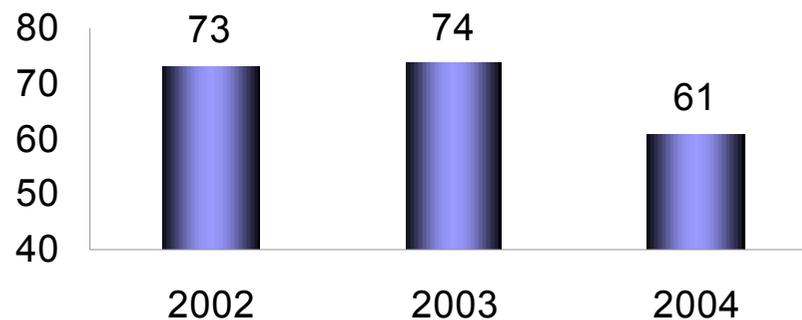
Source: Company data



Weighted average interest rate



Net financing costs, 2002-2004 (US\$m)

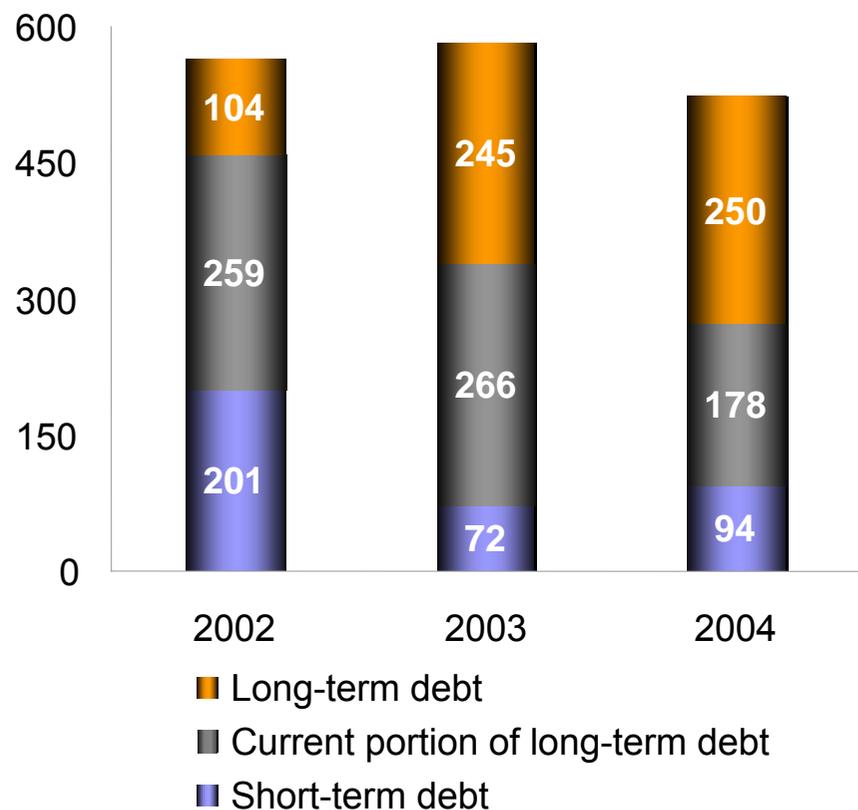


Source: Company data

Debt portfolio structure

Debt portfolio structure matches business profile and share of long-term is rising

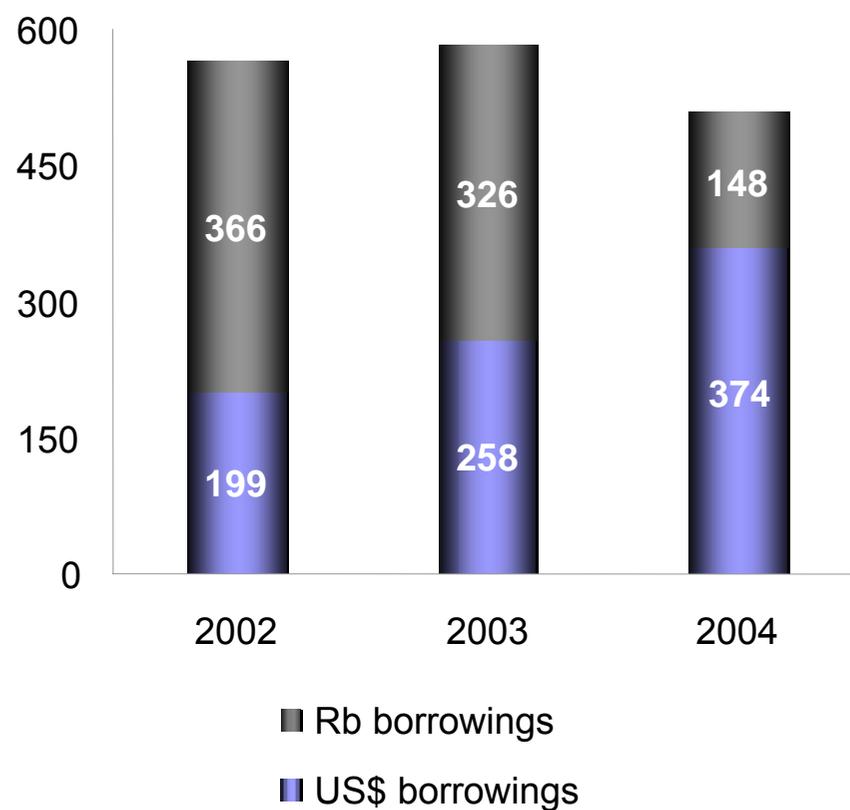
Debt portfolio by maturity, year-end



Source: Company data



Debt portfolio by currency, year-end



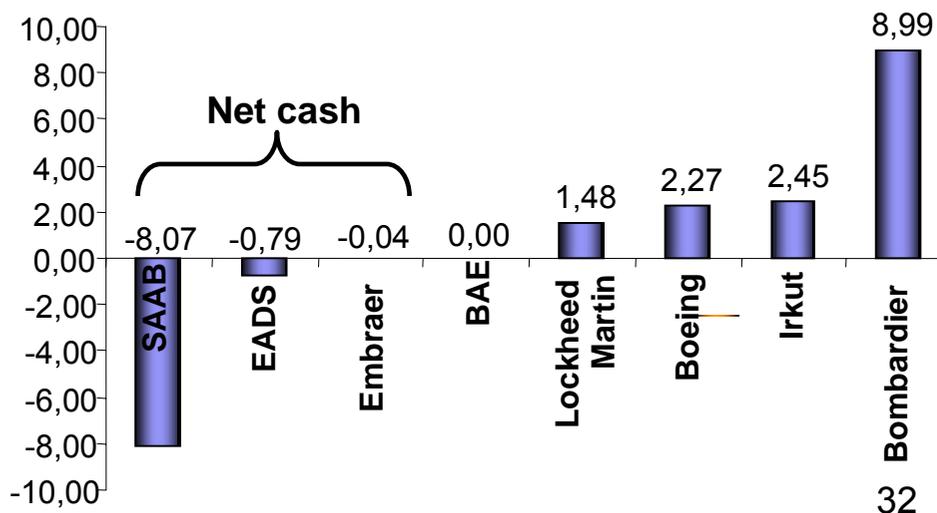
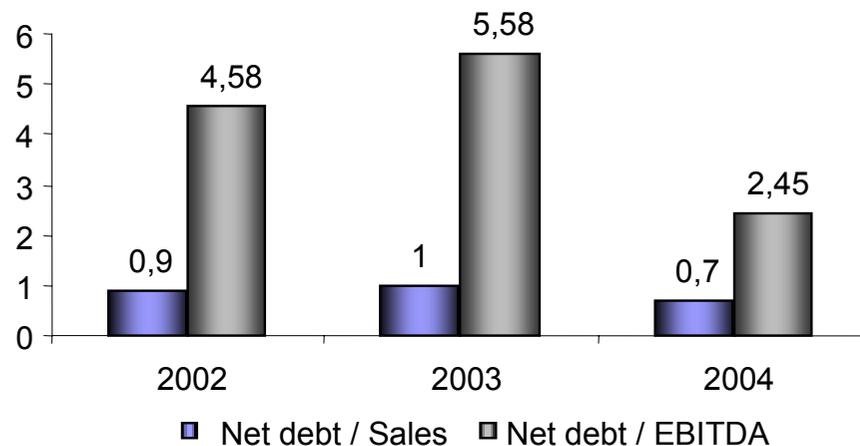
Source: Company data

Debt structure (continued)

Further debt portfolio optimization is underway

- ❑ New debt instruments: \$90-100 million 3-year syndicated loan (April 2005), ruble bond A03 (September 2005)
- ❑ Target debt ratios: debt / sales 0.5; debt / EBITDA 3.5-4.0
- ❑ Credit line with Sberbank for 5 years
- ❑ Possible credit line with Amsterdam Trade Bank for 3 years
- ❑ Possible credit limit with Vneshtorgbank

	2002	2003	2004
Short-term debt	201	72	94
Bank loans	106	65	35
Bond issue	68	7	57
Other loans	27	0	2
Current portion of long-term debt	259	266	178
Bank loans	259	266	178
Long-term debt	104	245	250
Bank loans	104	194	250
Bond issue	-	51	-
Total debt	565	583	522
Cash & cash equivalents	22	13	115

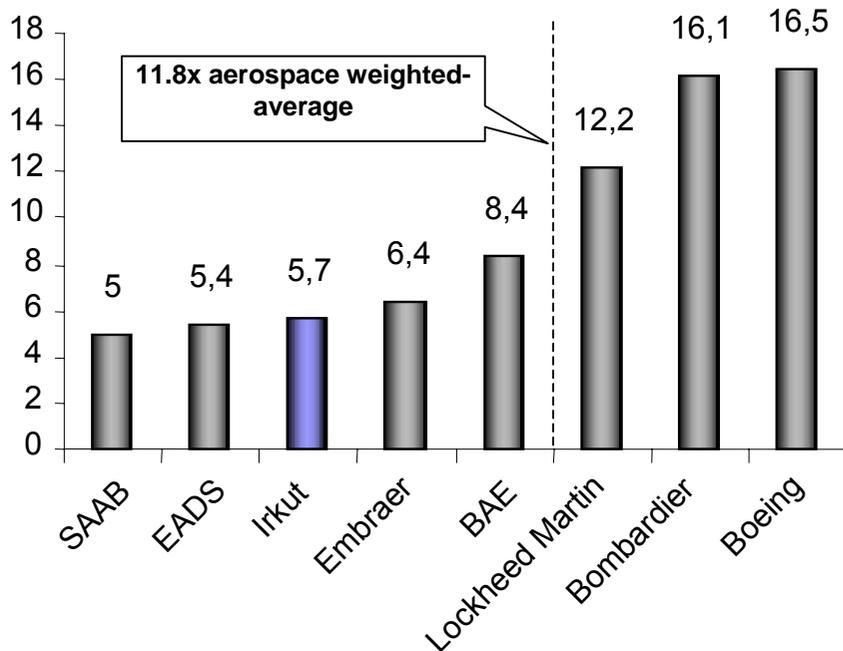


Source: Company data

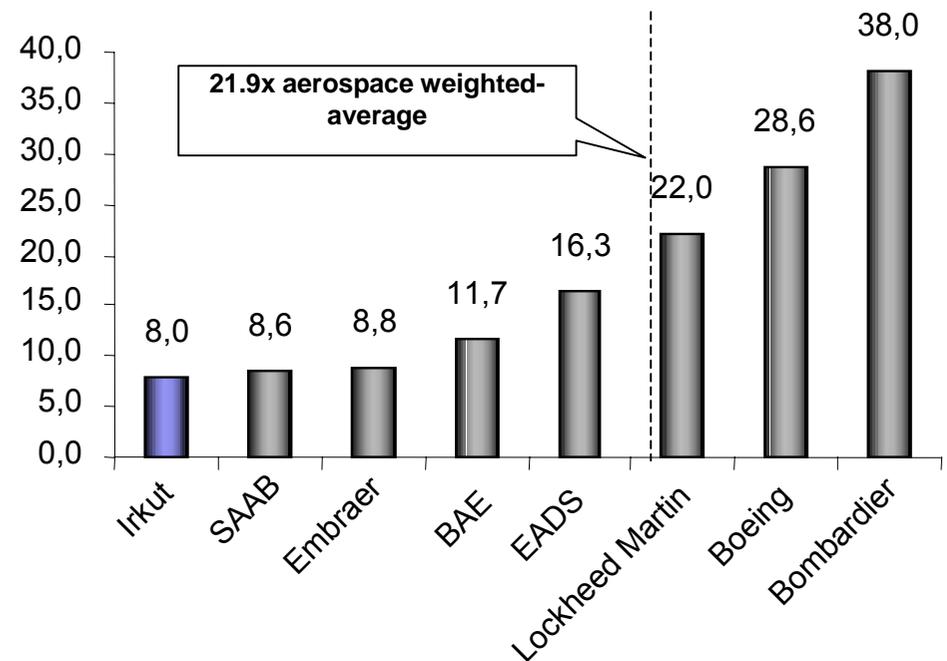
Growth potential valuation

Irkut has an upside potential to growth by EV/EBITDA and P/E*.

EV/EBITDA of international aerospace and defense companies, 2004



P/E of international aerospace and defense companies, 2004



- Irkut has growth potential by EV/EBITDA from 5.7x to 11.8x of Aerospace weighted-average
- Irkut has growth potential by P/E from 8.0x to 21.9x of Aerospace weighted-average



Source: Companies annual reports, CSFB Aerospace and Defense report

* MCap at August 01, 2005