Forecast of Russian Titanium Products

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Russian Titanium Outlook Overview

• Global Market Environment
  – Global Demand Dynamics
  – Russian Domestic and International Supply
  – Raw Material Trends

• Strategy and Capacities
  – Raw Material
  – Mill Products
  – Value Added Capabilities
  – Partnerships
Titanium Mill Product Demand Rising

• Domestic Russian / CIS demand increasing
• International demand strong
  – Aerospace, especially commercial, showing tremendous growth
  – Industrial markets stronger
• Mill product shipments projected to reach 75,000 MT by 2008
  – Increase from 50,000 MT in 2003
Domestic Russian Demand Growing

- Russian regional jets moving to market
- Military aircraft retrofit programs, new production for domestic and export
- New power generation and general industrial construction

![Russian Demand Chart]

- Metric Tons
- Russian Demand
- Aerospace
- Industrial
Growth in all Market Segments Driving Cyclic Recovery in Mill Product Shipments

Peak demand projected to reach 75,000 MT, up 50% from trough
2004 Export Volumes for all Categories Increased in Response to Market Demand

MT of Russian Exports

Source: Company Estimates
Raw Material Prices at Historical High Levels

• Strong steel shipments globally fueling strong demand for sacrificial uses of titanium raw material
• Increasing mill product demand also pressuring raw material supply
• Lag in scrap recovery compared to mill product shipments, depletion of world stockpiles significantly reduced traditional supply
• Sponge production increasing, but not enough to meet demand
• Creating volatile raw material market pricing
Strategy: Long Term Growth, Solid Shareholder Return, Stable Work Force

• Maximize customer service and relationship depth
• Expand raw materials to meet customer demand
• Improve internal product flow to maximize throughput
• Focus on value added products
• Provide stable employment to improve economic conditions in local areas of operation
Investment in Sponge Capacity Will Allow for Further Mill Product Volume Growth

- Reinvestment in additional reduction stations and installation of new, larger vessels now increasing capacity to 32,000 MT
- Further growth beyond 2007 under study
  - Evaluating continued incremental investment vs large scale expansion
- Melting and mill product capacities capable of producing more material – sponge is key bottleneck
VSMPO Investing to De-bottleneck Operations

- Various areas of heating, rolling and finishing within the plant not in balance with maximum capacity available for each product lines
  - Imbalances vary by product line
- Ongoing capital plan addresses those needs to improve internal throughput
- Will result in increased capacity without significant equipment installation
Product Mix Moving to Higher Value

Russian Global Export Product Mix

Volume Percent

Source: Company Estimates
1 meter
Increasing Machining Capabilities, Supporting Airframe Customers
Strategy (continued)

• Supporting partnerships
  – Long Term Core Aerospace Customers
    • Continue to broaden OEM and supply chain relationships to maximize mutual benefits of company capabilities
  – Uniti
    • First significant new company in decades to compete in the large, stable market for industrial titanium
Uniti: Successful Expansion of Industrial Market Penetration

• Company formed as a joint venture with ATI in 2003
• Combines basic material strengths and sophisticated rolling technology into single successful supplier
• Customer acceptance has been overwhelming

Note: Forecast 2005 annualized actual results
Supply / Demand Summary

- New era in supply dynamics
  - Global stockpiles and excess inventories a thing of the past
- Global demand on the rise
  - Russian recovery
  - Commercial aerospace growth leading across-the-board market upswing
- Raw materials at a premium
  - Stockpiles liquidated
  - Scrap generation at cyclical low
  - New sponge capacity on the way but not yet here
VSMPO Summary

• VSMPO investing capital to meet customer needs, in both raw material production and existing plant operations to maximize output of value added products
  – Expanding downstream capabilities in areas such as rough machining

• VSMPO focus on support of long term core partners
  – Continue to develop value added supply chain solutions