World Industry Supply Trends

How are we Positioned for the Future?

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Presentation Outline

- A Brief Look Back
  - 2005-06 Raw Materials supply – demand dynamics
  - Lingering imbalance concerns
- Titanium Supply 2007
  - Signs of relief
- Look to the Future
  - Supply outlook
  - Demand sensitivity
  - Supply chain dynamics
  - Supply versus Demand
A Brief Look Back


- Revert versus sponge
- Spot market versus contracts
- Short-term versus long-term perspective
A Brief Look Back

  - Revert versus sponge
  - Spot market versus contracts
  - Short-term versus long-term perspective

- Why ???
  - Low scrap generation
  - DLA stockpile depleted
  - Steel market demand and reach beyond ferro-ti
  - Unanticipated recovery – especially aerospace
Large Commercial Aircraft Delivery Forecast

Source: Airline Monitor
A Brief Look Back


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- Spot market versus contracts
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Why ???

- Low scrap generation
- DLA stockpile depleted
- Steel market demand and reach beyond ferro-ti
- Unanticipated recovery – especially aerospace
- Industry skepticism
- OEM demand visibility
- Reaction time
Titanium Supply 2007

- Transition Year for Supply – Demand Dynamics
  - Revert versus sponge
Titanium Supply 2007

➢ Transition Year for Supply – Demand Dynamics
   • Revert versus sponge
   • Spot market versus contracts
   • Higher pedigree versus lower pedigree materials

➢ Market Forces at Work
   • High scrap prices influence consideration of sponge expansions
   • Qualifications and flexibility enhance value
   • Value of certainty – mills and customers target supply mix – sponge/revert and captive/market

➢ Return to “Balance” of Supply – Demand ??
Look to the Future

➢ Supply Outlook

  • Sponge capacity expansions
  • Announcements versus certainty
• Global sponge supply for titanium mill products to at least double from 2005 to 2015
• Schedule adherence to meet 2010 estimate remains unknown
• Announcements for China exceed amounts estimated above
Look to the Future

Supply Outlook
- Sponge capacity expansions
- Announcements versus certainty

Demand Outlook
- Long-term prognosis strong in all key markets
- Variability in estimates continues
Global Mill Product Demand Outlook

- Overall industry estimates indicate demand growth is essentially doubling in 10 years
- Some sectors long-term outlook could result in additional growth potential
Look to the Future

Supply Outlook

- Sponge capacity expansions
- Announcements versus certainty

Demand Outlook

- Long-term prognosis strong in all key markets
- Variability in estimates continues

Supply Chain Dynamics

- Mergers, acquisitions and strategic alliances
- Quality / technology capability of new entrants
- Regional shift in market share
Supply versus Demand Outlook

- Balance of supply – demand for near and long term remains uncertain
- Some periods of balance may materialize only to give way to future shortages as demand increases over long-term

Derived from Available Industry Sources
Conclusion

- Market forces will continue to prevail
- The world will likely continue to react to future revisions in demand requirements and changes in capacity expansions
- Understanding and accurately predicting dynamics within the supply chain will go a long way towards determining winners and losers over the next decade and beyond