

Market Update

Aerospace (25% of 2005 revenue)

We continue to believe that the aerospace market is in the early stage of a potentially strong and extended cycle. Global air travel is robust with record load factors. Demand is strong for new fuel efficient aircraft and for wide body planes. In addition, two new revolutionary aircraft are scheduled for first delivery during this decade. The new Airbus A380, scheduled for first delivery in 2006, is the largest commercial airplane ever built. The new mid-size Boeing 787 Dreamliner, scheduled for first delivery in 2008, is to be a super-efficient airplane designed to achieve new levels of efficiency in part through the use of advanced metals in the airframe and engine.

All of this provides great opportunities for ATI and the advanced specialty metals we supply to the aerospace market.

ATI is a world leader in the production of premium titanium alloys, nickel- and cobalt-based alloys and superalloys, and vacuum-melted specialty alloys for commercial and military jet engines. We also produce titanium and specialty alloys for commercial and military airframe applications. ATI also produces titanium alloy tubing and nickel titanium shape memory alloy for aerospace hydraulic systems.

We are excited about the response to our new patented ATI Allvac® 718Plus® superalloy. Most major U.S. and European jet engine manufacturers have the alloy in test or component trials for new designs for the most fuel efficient jet engines. This new superalloy offers engine manufacturers improved fuel efficiency from higher operating temperatures than standard 718 alloy. We believe that compared to other superalloys capable of operating at 1300°F, 718Plus superalloy is a lower cost alternative due to its superior forgeability and weldability.

Chemical Process Industry/Oil and Gas (16% of 2005 revenue)

Around the world, oil and gas exploration and development is very active due to growing demands. Exploration and development have turned to more hostile environments involving deep offshore wells, high pressure and temperature conditions, sour wells, and unconventional sources, such as oil sands.

ATI provides advanced metals designed to meet the strength and corrosion resistant properties necessary for these challenging environments. To the oil and gas market, we supply our advanced specialty metals for offshore piping systems on platforms and subsea fields. Our specialty metals are used in liquefied natural gas (LNG) vessels, tanks, and vaporizers that transform LNG from liquid to the gas state. In biofuels, including ethanol, our specialty metals are used in processing and blending applications. Our advanced alloys are also used for production from unconventional oil sources, such as oil sands in Alberta, Canada.

Our tungsten products are used for drill bit inserts for the oil and gas market where directional drilling technology is rapidly changing. To enable faster drilling and longer life, our diamond matrix materials and advanced tungsten carbide materials are often required.



ATI's advanced titanium alloys and nickel-based superalloys are used in large jet engines for wide-body airplanes.



ATI's advanced specialty metals are used for offshore oil and gas piping systems on platforms and subsea fields.

