

KUMZ TODAY

MONTHLY NEWS BULLETIN FOR OUR CUSTOMERS AND PARTNERS

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PRODUCTION

New latest generation furnaces

New quench / heat - treatment furnace is installed in KUMZ forging shop. Currently it is operated in a trial mode. One more new furnace for thermal processing of ingots consisting of two homogenization chambers with frequency-adjustable drives, visualization systems and gas automatics is put into operation in casting shop.

Commissioning of this equipment eliminates quenching capacities deficiency of forging production and makes it possible to increase release of homogenized products by 20%. These new facilities allow to expand significantly the range of products, including needs of the aerospace industry. The equipment operates completely in automatic mode and will allow reducing production cycle and increasing quality rating.

SAP-KUMZ. Introduction of the integrated information system

Innovations taking place at KUMZ. Under decision of administration supported by 'Aluminium products' Managing Company integrated information system SAP R/3 implementation has just started. This project is one of the major transformations of the Company and completely corresponds to the development strategy.

Alexey V. Filippov, Managing Director of KUMZ:

'It is a very important decision to become the up-to-date Company using the most advanced IT products within 2 years. It will allow KUMZ as the most successful and profitable Russian company in the sphere of aluminium downstream to strengthen growth dynamics in all key directions'.

Today, being actively supported by KUMZ functional services and especially IT-service the descriptions of business-processes

in their today's present kind were finished. The emphasis is made on all basic stages of each business-process and on their integration and compatibility.

The next step is the analysis and definition of necessary transformations of business-processes and then further accomplishment of this challenge. The complete project development will take about 2 years.

MARKET POLICY

KUMZ has considerably increased sales in the domestic and export markets in the past year. Compared to the level of 2006 sales have grown by 6.4%. What is the cause for the success? What are market priorities of KUMZ? And how will tasks be accomplished in 2008? These questions are answered by the Commercial Director, Andrey V. Kurganskiy:

'Factors of productivity are quite obvious. KUMZ has a steady client base, including clear mutually advantageous relations with the partners, focused, first of all, on reduction of order performance lead-times and quality improvement, on development of cooperation with a long-term objective. The correct system approach in marketing, supplying, transport services, advertising-exhibition activity gives necessary feedback. KUMZ is well positioned as the innovative enterprise effectively realizing serious investment projects, increasing production volumes. All this is equitable to the market interests, facilitating our market promotion.

Our Company strengthens specialization concerning deliveries for advanced industries - aerospace, oil-and-gas, power-generation, shipbuilding and transportation. It is in line with long-term strategy of KUMZ development, with business traditions of the factory which basic potential is demanded in these hi-

tech spheres with the greatest effect.

The foreign market differs in susceptibility of our production. The highest growth rates of deliveries are in Europe. With the US dollar weakening, decrease in economic activity of North American market has an impact on our sales. Such foreign markets as countries of Southeast Asia, Latin America - are represented today as favorable and attractive.

Our export deliveries are realized within the limits of the commercial market through the distributors having branched out marketing networks. In addition the launch of our 'Chkalovsky' plate finishing facility will allow our Company to seriously designate positions in the new export sector - aerospace. KUMZ with support and direct participation of 'Aluminium products' Managing Company has concluded long-term contracts for deliveries of our products with a number of world leading aerospace companies. The major tasks of our Company for a current year are to successfully pass certifications, to meet requirements of our potential partners.

As a whole, prospects for 2008 are quite optimistic. Sales are planned to increase approximately by 20 thousand tons'.