TRENDS IN THE DEFENSE MARKET:
A TITANIUM PERSPECTIVE

HENRY S. SEINER
FORWARD-LOOKING STATEMENTS

Information included within this press release describing the projected growth and future results and events constitutes forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results in future periods may differ materially from the forward-looking statements because of a number of risks and uncertainties, including but not limited to the risk that the Merger with Berkshire is delayed or will not be completed and the resulting effect thereof on our future business, financial results and the price of our common stock; the effect the expenses related to the Merger may have on our operating results; the effect of business uncertainties and contractual restrictions while the Merger is pending; fluctuations in the aerospace, power generation, and general industrial cycles; the relative success of our entry into new markets; competitive pricing; the financial viability of our significant customers; the concentration of a substantial portion of our business with a relatively small number of key customers; the impact on the Company of customer or supplier labor disputes; demand, timing, and market acceptance of new commercial and military programs, and our ability to accelerate production levels to meet order increases on new or existing programs in a timely fashion; the availability and cost of energy, raw materials, supplies, and insurance; the cost of pension and postretirement medical benefits; equipment failures; product liability claims; changes in inventory valuations; cybersecurity threats; relations with our employees; our ability to manage our operating costs and to integrate acquired businesses in an effective manner, including the ability to realize expected synergies; the timing of new acquisitions; misappropriation of our intellectual property rights; governmental regulations and environmental matters; risks associated with international operations and world economies; the relative stability of certain foreign currencies; fluctuations in oil & gas prices and production; the impact of adverse weather conditions or natural disasters; the availability and cost of financing; and the implementation of new technologies and process improvements. Any forward-looking statements should be considered in light of these factors. We undertake no obligation to update any forward-looking information to reflect anticipated or unanticipated events or circumstances after the date of this document.
AGENDA

- BUDGETS
- AEROSPACE
- LAND
- SEA
- GLOBAL ISSUES
- FORECAST
TOP 15 IN 15

Source: SIPRI Military Expenditure Database
DEFENSE SPEND BY REGION

Source: SIPRI Military Expenditure Database
YEAR-ON-YEAR % CHANGE

Source: SIPRI Military Expenditure Database
TOP 3: GAP NARROWS

Source: SIPRI Military Expenditure Database
US SPENDING & US PRODUCER DELIVERIES

Sources: SIPRI Military Expenditure Database and Teal Group
JSF (F35) ACTUAL AND PROJECTED DELIVERIES

Source: Teal Group
MILITARY TRANSPORTS

Source: Teal Group
MILITARY AEROSPACE: LANDSCAPE CHANGES

Source: Breaking Defense
ALL MILITARY AIRCRAFT

Source: Teal Group
CHINESE & RUSSIAN MILITARY AEROSPACE DEVELOPMENTS

China Milestone: First Transport

Other China-Russia Collaboration:
1. Yak-18/CJ-5
2. MiG-17/J-5
3. Tu-16/H-6
4. MiG-19/J-6
5. Su-27/J-11A
6. Project 941/Z-10
7. RD-9/WP-6
8. Heavy lift helicopter

Source: military-today.com
GROUND VEHICLES & WEAPONS SYSTEMS

- Abrams Tank
- Stryker Armored Combat Vehicle Family
- 155m M777 Towed Howitzer
- Bradley Fighting Vehicle

- Ground Combat Vehicle
- Expeditionary Fighting Vehicle
- MRAP
- JLTV

Source: AZO Materials
TITANIUM’S ROLE

Goal: 40% reduction

"It's not about fixing the materials of today. It's about what materials we will need tomorrow."

Dr. Patrick Baker
Director of the Army Research Laboratory's Weapons & Materials Research Directorate

BODY ARMOR

Source: bulldogdirect.com, rubylane.com
MARINE MARKET FOR TITANIUM

Photo courtesy of Target Rock
TITANIUM AND NAVAL APPLICATIONS

Navy's Five-Year and 30-Year Shipbuilding Plans

FY2017-FY2021 Five-Year Shipbuilding Plan

Table 2 shows the Navy’s FY2017-FY2021 five-year shipbuilding plan.

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<thead>
<tr>
<th>Ship type</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>Total</th>
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<tr>
<td>Ohio replacement (SSN(X)) battle ship submarine</td>
<td>1</td>
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<tr>
<td>Ford (CVN-78) class aircraft carrier</td>
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<td>Virginia (SSN-774) class attack submarine</td>
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<td>Arleigh Burke (DDG-51) class destroyer</td>
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<tr>
<td>Littoral Combat Ship (LCS)/Frigate</td>
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<td>LHA(R) amphibious assault ship</td>
<td>1</td>
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<tr>
<td>LX(R) amphibious ship</td>
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<td>Fleet towing, salvage, and rescue ship (TATS)</td>
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<td>TAO-205 (previously TAO-30) oiler</td>
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<td>4</td>
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<tr>
<td><strong>TOTAL</strong></td>
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<td>0</td>
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<td>0</td>
<td>0</td>
<td>16</td>
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</table>

**Sources:** Navy Force Structure and Shipbuilding Plans: Background and Issues for Congress and Roskill Titanium Metal: Market Outlook to 2018
NON US NAVAL UTILIZATION

Source: VSMPO AVISMA Orlando ITA, 2015; Japan Titanium Society, August 2016
GLOBAL UNCERTAINTY

- Upcoming US Election
- Brexit
- Ukraine & Russia
- Korea
- ISIS

Source: hedgeye.com
• TIMET forecast based upon Teal Group build rates and market analysis
• Russia and China to increase by nearly 40% from 2010 to 2018
• Rest of the World down by nearly 30%

Source: ITA Chicago 2014
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