



Fiscal 2012 Q3 Earnings

Mark Donegan
Chairman & CEO
January 26, 2012

Forward-Looking Statements

Information included within this presentation describing 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 fluctuations in the aerospace, power generation, and general industrial cycles; the relative success of the Company's entry into new markets; competitive pricing; the financial viability of the Company's significant customers; the impact on the Company of customer labor disputes; demand, timing, and market acceptance of new commercial and military programs, including the Boeing 787; the availability and cost of energy, materials, supplies, and insurance; the cost of pension benefits and post-retirement medical benefits; equipment failures; relations with the Company's employees; the Company's ability to manage its operating costs and to integrate acquired businesses in an effective manner; governmental regulations and environmental matters; risks associated with international operations and world economies; the relative stability of certain foreign currencies; the impact of adverse weather or natural disasters; the availability and cost of financing; and implementation of new technologies and process improvement. Any forward-looking statements should be considered in light of these factors. The Company undertakes no obligation to publicly release any forward-looking information to reflect anticipated or unanticipated events or circumstances after the date of this document.

Continued Top- and Bottom-Line Execution

	Q3 FY12	Q3 FY11	% Change
Net Sales	\$ 1,816.8 M	\$ 1,590.3 M	14.2 %
Consolidated Segment Operating Income	\$ 459.0 M	\$ 386.9 M	18.6 %
<i>Margin %</i>	25.3 %	24.3 %	
Earnings Per Share from Continuing Operations (<i>diluted</i>)	\$ 2.12	\$ 1.80	17.8 %

Y-O-Y Q3 Sales:

- Solid base aerospace growth → casting and forging sales increase of ~ 14% ↑
 - Schedules supporting first increase in base build rates
 - Maintaining stable level of 787 production
 - Robust aftermarket sales ~ 25% ↑
 - Further growth in external alloy sales → ~10% ↑
- Moderate recovery in core aerospace fastener sales → ~2% ↑
 - Lagging current 787 build rates
- Steady industrial gas turbine (IGT) growth → ~ 10% ↑
 - OEM and aftermarket
- Chengde buy/resell pipe sales dropped → ~ \$20M ↓
- Decreased general industrial base sales → ~ 5% ↓
 - Higher selectivity → enhanced margins
 - Assets redirected to intercompany benefits → intercompany activity ~ 35% ↑
- Sales contributions from acquisitions → ~ \$150M ↑
 - Full quarter: Primus, Tru-Form, Rollmet, KLAD / Partial quarter: PB Fasteners
- Incremental contractual pass-through pricing and higher metal selling prices at three primary mills of ~ \$51M ↑

Sequential Sales Q2 → Q3:

- Base aerospace sales up 1% Q2 → Q3
 - Increased build rates ramped in Q1-Q2
- Flat IGT sales
- Full quarter of sales from acquisitions
- Four fewer manufacturing days
 - Reduced opportunity to ship from strong backlogs

Y-O-Y Q3 EBIT:

- Daily focus on extracting value
- Maximizing leverage opportunities
 - Never-ending PCC tool kit
- Drive to increase internal sources of metal and revert supply

Offset by:

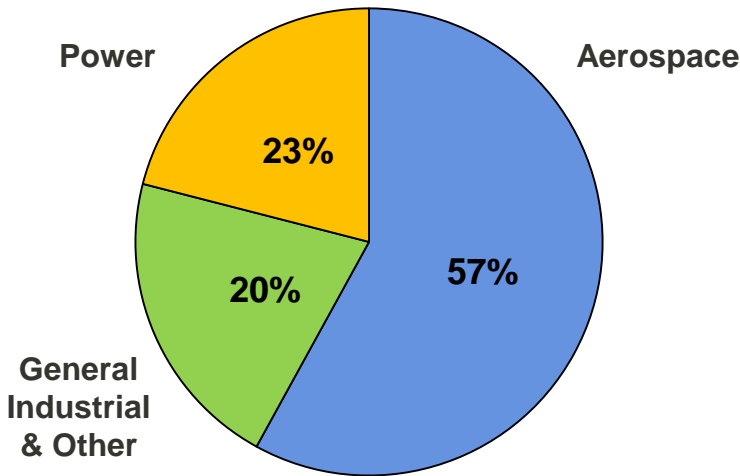
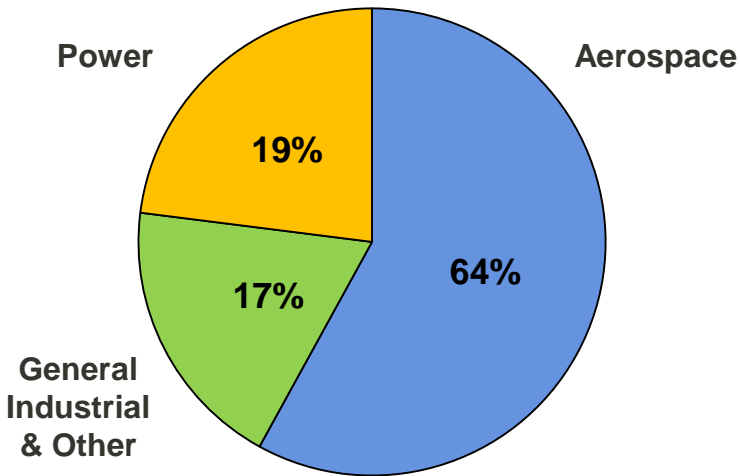
- Dilution from higher contractual pass-through pricing and metal selling prices (0.7 p.p.s.)
- Lower-margin acquisitions

**THIRD CONSECUTIVE
QUARTER WITH RECORD EPS**

Sales By Market – Q3 FY12 vs. Q3 FY11

Q3 FY12

Q3 FY11



Organic Growth Q3 FY11 → Q3 FY12

Aerospace → ~ +10%

Power → ~ -5% (+2% excluding Chengde buy/resell pipe)

General Industrial & Other → ~ -5%

Segment Summary

Investment Cast Products

	<u>Q3 FY12</u>	<u>Q3 FY11</u>	<u>% Change</u>
Sales	\$ 582.1 M	\$ 537.7 M	8.3 %
Operating Income	\$ 193.0 M	\$ 170.8 M	13.0 %
<i>Operating Margin</i>	33.2 %	31.8 %	

Y-O-Y Q3 Sales:

- Solid aerospace traction → ~ 10% ↑
 - Steady base production
 - First wave of increased build rates
 - In line with current 787 schedules
 - PCC Structural → ~ 3-4 per month
 - PCC Airfoils → ~ 2 per month
 - Continued aftermarket gains → ~ +25% ↑
 - Further strength in external alloy sales → ~ 10% ↑
- IGT upside → ~ 5% ↑
 - Led by higher aftermarket sales
- Increased material pass-through → ~ \$6M ↑

Sequential Sales Developments Q2 → Q3:

- Modest aerospace growth → ~ 2% ↑
 - Increased base build rates ramped Q1 – Q2
- Flat IGT sales
- Four fewer manufacturing days

Y-O-Y Q3 EBIT:

- Daily focused improvement in manufacturing operations
 - Strong drop-through → ~ +50% incremental margins
- Full pipeline of short- and long-term opportunities

- Moderate 787 step-up in Q1 FY13
- Next increment in base sales → Q2/Q3 FY13
- Strong aftermarket potential
- Solid IGT outlook

Segment Summary

Forged Products

	<u>Q3 FY12</u>	<u>Q3 FY11</u>	<u>% Change</u>
Sales	\$ 771.5 M	\$ 708.5 M	8.9 %
Operating Income	\$ 172.6 M	\$ 141.8 M	21.7 %
<i>Operating Margin</i>	22.4 %	20.0 %	

Y-O-Y Q3 Sales:

- Contractual pass-through pricing and higher metal selling prices at three primary mills of ~ \$45M ↑
- Continued boost in intercompany activity → ~ \$60M ↑
- Solid base aerospace growth → ~ 15% ↑
 - Production consistent with 787 builds → ~ 3 per month
- Power generation
 - Further IGT strength → ~ 15% ↑
 - Strong oil & gas sales growth → ~ +50% ↑
 - Chengde buy/resell pipe sales dropped → ~ \$20M ↓
 - Products finished/awaiting testing → ~ \$20M
- General industrial base drop → ~ 10% ↓
 - Greater selectivity of projects/diverting assets to internal supply
- Full quarter of Tru-Form, Rollmet and KLAD

Sequential Sales Developments Q2 → Q3:

- Base aerospace sales flat
- Increased intercompany activity → ~ \$24M ↑
- Power generation
 - Drop in Chengde pipe sales → ~ \$8M ↓
 - Products finished/awaiting testing → ~ \$20M
 - Oil & gas strength → ~ 5% ↑
- Material impact
 - Lower material pass-through and metal selling prices → ~ \$5M ↓
 - Negative impact of lower nickel prices on revert sales → ~ \$5M ↓
- Increased sales from acquisitions → ~ 10% ↑
- Four fewer manufacturing days

Y-O-Y Q3 EBIT:

- Greater throughput across high fixed cost asset base
- Increased internal metal sourcing
 - IGT billet
 - Carlton
 - Houston turbine and energy
- Better revert utilization/yields
- Incremental EBIT from acquisitions

Improved base margins by ~ 2.4 p.p.s.

Headwinds:

- Higher metal pass-through and selling prices
 - Diluted margins by 1.4 p.p.s.

- Positive aerospace outlook
 - Catalysts similar to Investment Cast Products
 - Modest 787 increase in Q1 FY13
 - Forged market share gains → ~ \$15M/year ↑
 - Starting in Q2 FY13
- Power generation
 - Shipment of Saudi Aramco order begins Q4 FY12
 - Large new order initial deliveries → ~ Q2 FY13
 - Steady recovery in interconnect sales
- Stable general industrial markets

Segment Summary

Fastener Products

	<u>Q3 FY12</u>	<u>Q3 FY11</u>	<u>% Change</u>
Sales	\$ 463.2 M	\$ 344.1 M	34.6 %
Operating Income	\$ 124.1 M	\$ 104.8 M	18.4 %
<i>Operating Margin</i>	26.8 %	30.5 %	

Y-O-Y Q3 Sales:

- Continued positive trend in base aerospace business → ~ 5% ↑
 - Strengthening order books
 - Still not tracking increased base build rates
 - 787 production at ~ .5 per month
 - Full quarter of Primus
 - 787 production at ~ 2 per month
 - Nearly full quarter of PB Fasteners
- } → ~ \$100M

Sequential Sales Developments Q2 → Q3:

- Moderate base aerospace increase → ~ 3% ↑
- General industrial sales decline on smaller base → ~ 10% ↓
- Incremental sales from acquisitions
- Four fewer manufacturing days

Y-O-Y Q3 EBIT:

- Well-executed cost reductions/operational improvement
 - Heightened volume = continued leverage opportunities

Offset by:

- Lower margins at Primus and PB Fasteners
 - Improved off of Q2 levels
 - Realization of synergies started

- Strengthening booking profile on core programs
 - Growing backlogs
 - No immediate signs of 787 ramp
 - Will realign with build rates when inventory pipeline is depleted
 - Strong focus on aerostructures platform
 - Primus
 - ~ \$20M synergies in first 12-18 months
 - Same 787 acceleration benefit (~\$1M/shipset)
 - Further acquisition targets

Cash and Debt Position for Q3 FY12

	<u>January 1, 2012</u>	<u>October 2, 2011</u>	<u>Q3 Change</u>
Cash	\$ 337.3 M	\$ 195.1 M	\$ 142.2 M
Debt	208.4 M	244.3 M	35.9 M
<i>Debt-To-Capitalization</i>	<i>2.5 %</i>	<i>3.1 %</i>	
Total change in cash and debt			<u>178.1 M</u>
Add back cash utilized for acquisitions			140.4 M
Total change in cash and debt, excluding cash utilized for acquisitions			<u><u>\$ 318.5 M</u></u>

Inventory Position

	<u>January 1, 2012</u>	<u>October 2, 2011</u>	<u>Q3 Change</u>
Raw Materials & Supplies	\$ 547 M	\$ 565 M	\$ (18) M
WIP	762 M	715 M	47 M
Finished Goods	347 M	346 M	1 M
LIFO	<u>178 M</u>	<u>158 M</u>	<u>20 M</u>
Total	<u>\$ 1,834 M</u>	<u>\$ 1,784 M</u>	<u>\$ 50 M</u>

	<u>Q3 Impact</u>
Saudi Aramco inventory build (total ~ \$37M)	\$ 20 M
New product testing created delays	15 M
Inventory build to support 50k ton press maintenance (total ~ \$35M)	10 M
<ul style="list-style-type: none"> - Scheduled for Q2 FY13 - Down for ~ 70-90 days - Preparing/planning for last 18 months 	
Inventory acquired with PB Fasteners	10 M
Reductions (net)	(5) M

Q3 FY12 Summary

Investment Cast Products

- Healthy aerospace sales environment
 - Production schedules supporting initial base rate increments
 - 787 shipments steady at ~ 2.5-3.5 per month
 - Robust aftermarket sales
- Further IGT upside
 - Strong aftermarket

Forged Products

- Solid aerospace growth in OEM/aftermarket
 - 787 shipments at ~ 3 per month
- Strong oil & gas sales growth
- Steadily improving IGT sales
- Buy/resell Chengde pipe transitioned to direct sales from Chengde
- Increased internal supply of metal requirements
- More selective, higher value general industrial sales

Fastener Products

- Core aerospace sales recovering off low base
 - Continued base 787 softness → ~ .5 per month
- Stable general industrial sales
- Contributions from Primus and PB Fasteners

Aerospace

- Investment Cast Products/Forged Products
 - Moderate step-up in 787 schedules in Q1 FY13
 - Next wave of base aircraft rate increments in Q2/Q3 FY13
 - Further aftermarket upside driven by aircraft utilization/fleet expansion

- Fastener Products
 - Recovery in core fastener products over next three quarters
 - Continued weakness in 787 orders
 - No current line of sight to order increases
 - Improved schedules anticipated by Q2 FY13
 - Strong focus on development of Primus platform
 - PCC Aerostructures synergies
 - Increased sales and margins
 - Potential for future acquisitions
 - Effective integration of PB Fasteners
 - Strong 787 content

Outlook

Power

- Investment Cast Products/Forged Products
 - IGT
 - Favorable mix moving into CY12
 - Opportunities for aftermarket growth
- Forged Products
 - Oil & gas products
 - Saudi Aramco starts delivery in Q4 → FY13 Q3
 - Sizeable oil & gas project just won
 - Delivery starting FY13 Q2 → Q4
 - First co-extrusion order received (KLAD)
 - Continued uptick in interconnect deliveries
 - Near-term, double-digit growth in core products

General Industrial

- Stable market
- Targeting projects for profitable growth

Going Forward

- Strictly a timing issue
 - Contracts in place
 - Capacity in place
 - Solid baseline performance
- Significant leverage opportunities on sales accelerators
 - 787 build rate alignment
 - Next build rate step-up
 - New Boeing contract
 - Oil & gas projects
 - Acquisition synergies

Questions

Mark Donegan
Chairman & CEO