Carpenter Technology Corporation







ENGINEERED MATERIALS FOR A CHANGING WORLD

Credit Suisse Global Industrials Conference

December 4, 2013

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Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Act of 1995. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ from those projected, anticipated or implied. The most significant of these uncertainties are described in Carpenter's filings with the Securities and Exchange Commission including its annual report on Form 10-K for the year ended June 30, 2013 and 10Q for the quarter ended September 30, 2013 and the exhibits attached to those filings. They include but are not limited to: (1) the cyclical nature of the specialty materials business and certain end-use markets, including aerospace, defense, industrial, transportation, consumer, medical, and energy, or other influences on Carpenter's business such as new competitors, the consolidation of competitors, customers, and suppliers or the transfer of manufacturing capacity from the United States to foreign countries; (2) the ability of Carpenter to achieve cost savings, productivity improvements or process changes; (3) the ability to recoup increases in the cost of energy, raw materials, freight or other factors; (4) domestic and foreign excess manufacturing capacity for certain metals; (5) fluctuations in currency exchange rates; (6) the degree of success of government trade actions; (7) the valuation of the assets and liabilities in Carpenter's pension trusts and the accounting for pension plans; (8) possible labor disputes or work stoppages; (9) the potential that our customers may substitute alternate materials or adopt different manufacturing practices that replace or limit the suitability of our products; (10) the ability to successfully acquire and integrate acquisitions, including the Latrobe acquisition; (11) the availability of credit facilities to Carpenter, its customers or other members of the supply chain; (12) the ability to obtain energy or raw materials, especially from suppliers located in countries that may be subject to unstable political or economic conditions; (13) Carpenter's manufacturing processes are dependent upon highly specialized equipment located primarily in facilities in Reading and Latrobe, Pennsylvania for which there may be limited alternatives if there are significant equipment failures or catastrophic event; and (14) Carpenter's future success depends on the continued service and availability of key personnel, including members of our executive management team, management, metallurgists and other skilled personnel and the loss of these key personnel could affect our ability to perform until suitable replacements are found. Any of these factors could have an adverse and/or fluctuating effect on Carpenter's results of operations. The forward-looking statements in this document are intended to be subject to the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Carpenter undertakes no obligation to update or revise any forward-looking statements.

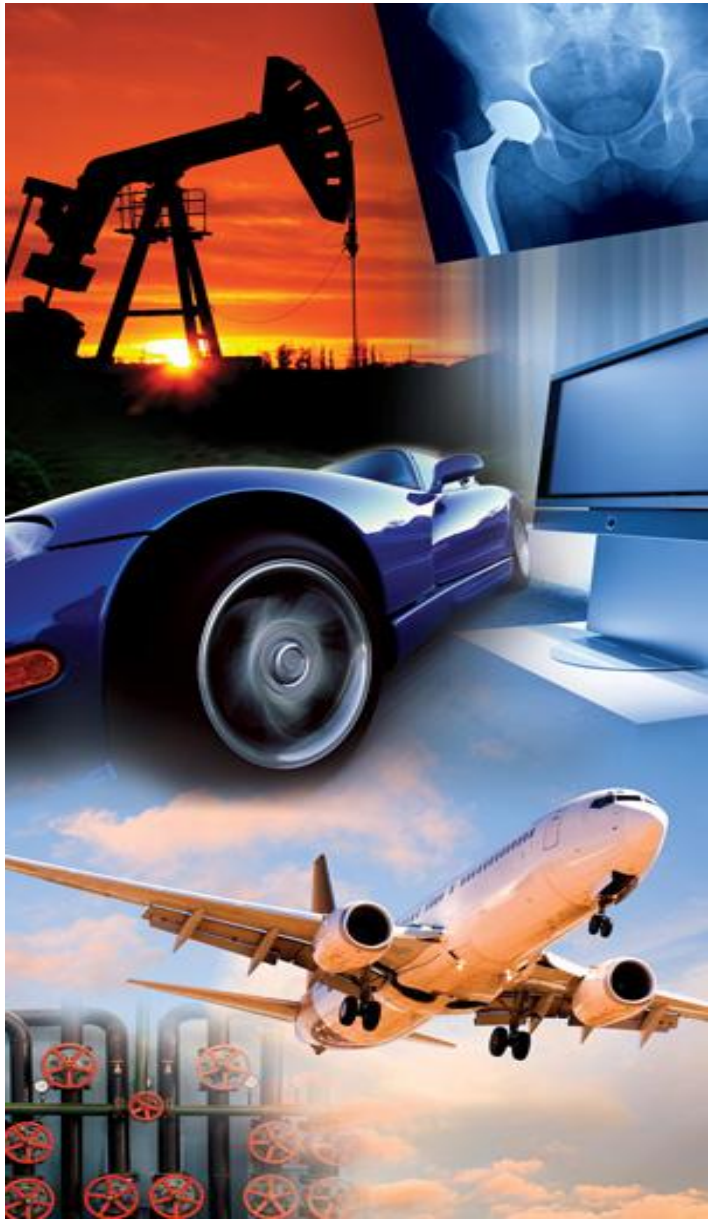
Non-GAAP Financial Measures

Some of the information included in this presentation is derived from Carpenter's consolidated financial information but is not presented in Carpenter's financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). Certain of these data are considered "non-GAAP financial measures" under SEC rules. These non-GAAP financial measures supplement our GAAP disclosures and should not be considered an alternative to the GAAP measure. Reconciliations to the most directly comparable GAAP financial measures and management's rationale for the use of the non-GAAP financial measures can be found in the Appendix to this presentation.

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Carpenter – A Leader in Specialty Metals



- **Over 124 years** of metallurgical and manufacturing expertise
- Focused on **high value, differentiated,** "long" products used in demanding, niche applications
- **Attractive end-use markets** and strong customer relationships
- **Transformational growth period** - Latrobe acquisition plus Athens, AL capacity addition
- **Best positioned** company in the specialty metals market to meet growing customer demand for premium products

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Carpenter – Our Aspiration



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Carpenter has a Diverse Operational Footprint

Specialty Alloy Operations (SAO)

Major ultra-premium alloy and stainless steel manufacturing

- Reading Operations
- Latrobe Operations
- Hartsville Operations
- Shalmet
- CSWP
- Athens Operations (2014)

Performance Engineered Products (PEP)

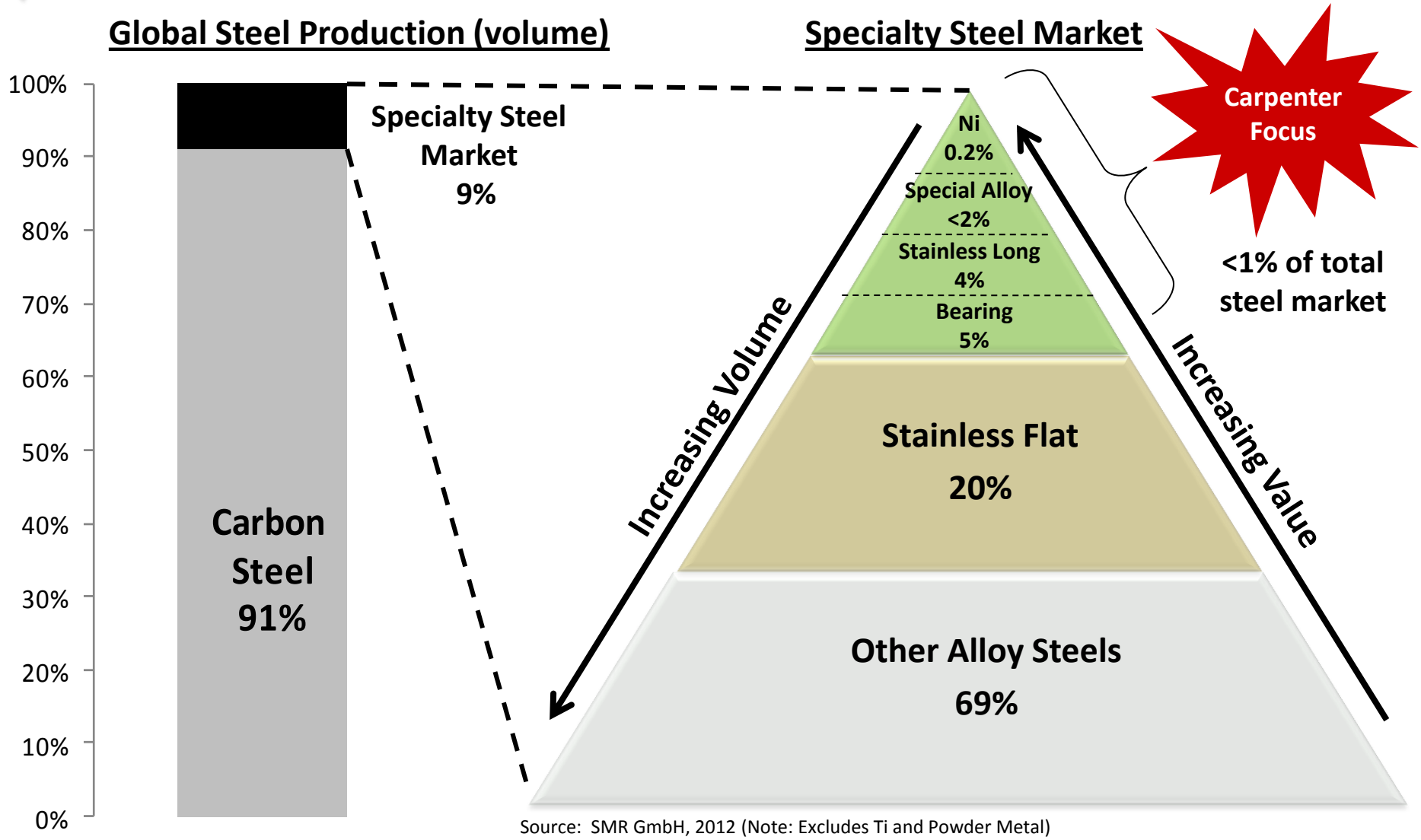
Differentiated operations

- Amega West
- Carpenter Powder Products
- Dynamet
- Distribution

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Carpenter Targets High End of Specialty Steel Market



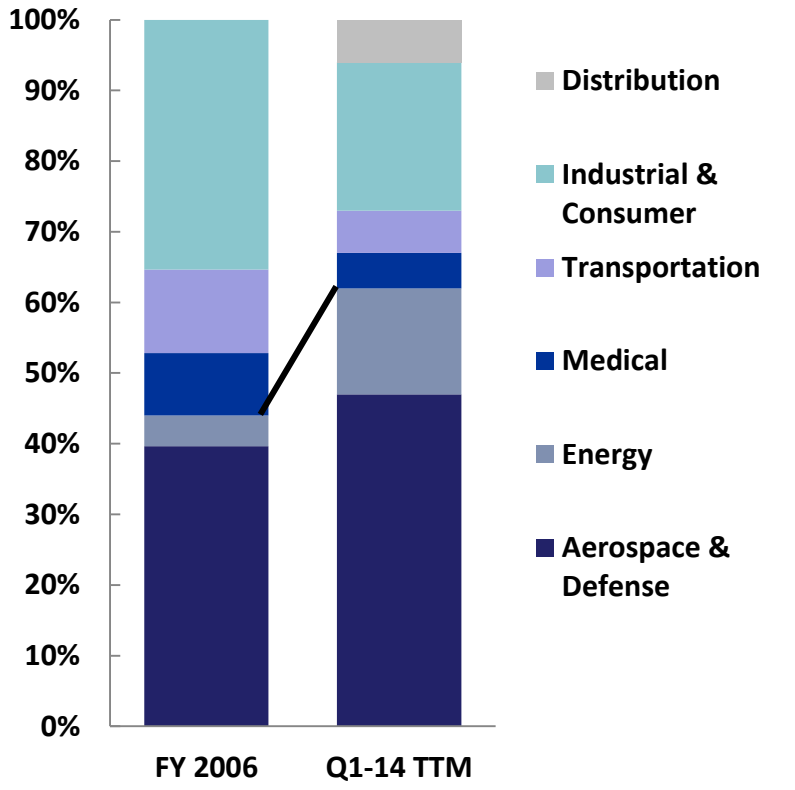
Source: SMR GmbH, 2012 (Note: Excludes Ti and Powder Metal)

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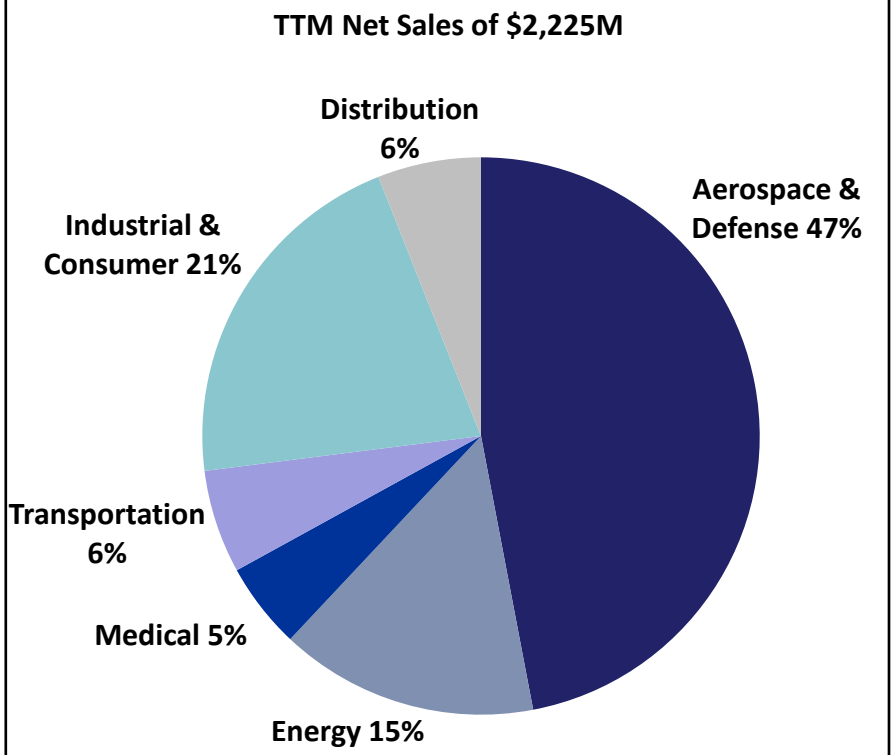
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Aerospace and Energy are 62% of Total Net Sales

Net Sales by End Use Market



Q1-14 (TTM) Net Sales Mix



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Aerospace is Our Largest End Use Market

STRUCTURAL/ OTHER COMPONENTS

- Slat tracks/Flap tracks
- Actuators
- *Landing gear*
- *Wing bolts*
- Avionics

Growth Focus



FASTENERS

- Titanium
- Ni based superalloy
- Stainless

Market Segment Leader

ENGINE COMPONENTS

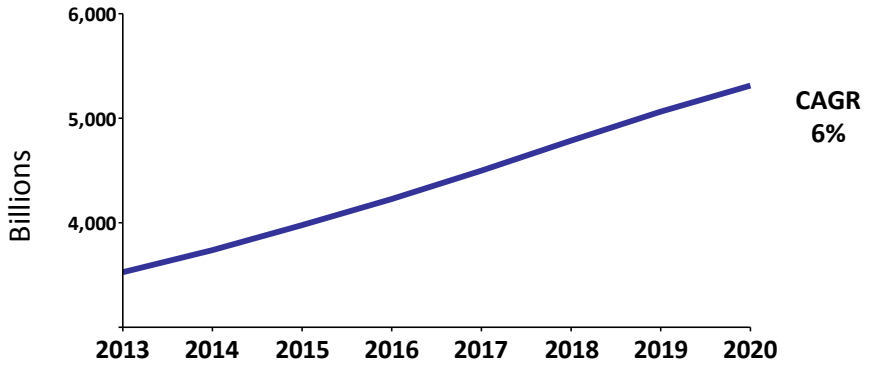
- Seamless rings
- Shafts
- Rotating disks
- *Bearings*
- *Gears*

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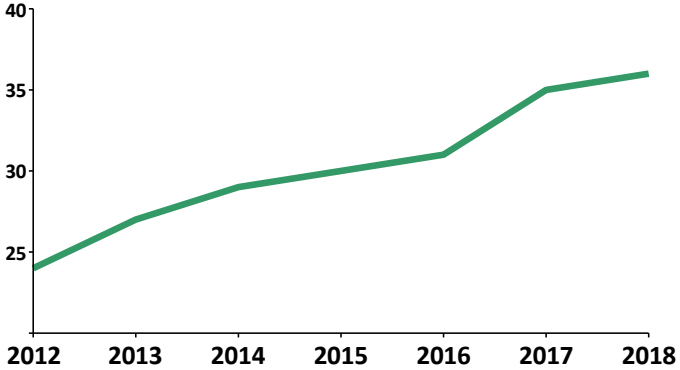
Aerospace Market Drivers Point to Significant Growth

Revenue Passenger Miles



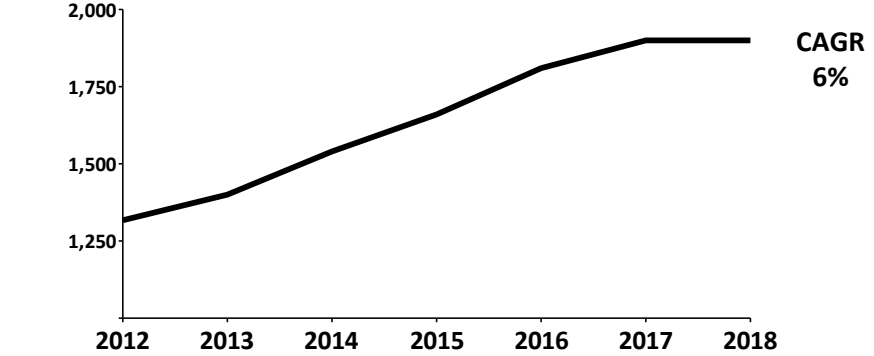
Source: June 2013 Airline Monitor

% Wide Body Builds



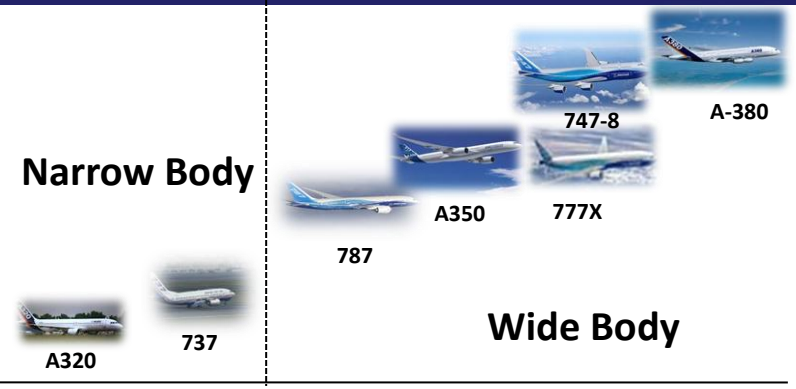
Source: June 2013 Airline Monitor and CRS Market Analysis

Commercial Delivery Forecast



Source: June 2013 Airline Monitor

Relative Material Content Index*



Source: AeroStrategy and CRS Market Analysis

*** Material Index** = Number of 737 aircraft that would be built with the equivalent amount of material (engine billet, Ni and Ti fasteners, airframe SS) used in the other aircraft

Slide updated and used for September 10, 2013 KeyBanc Basic Materials and Packaging Conference

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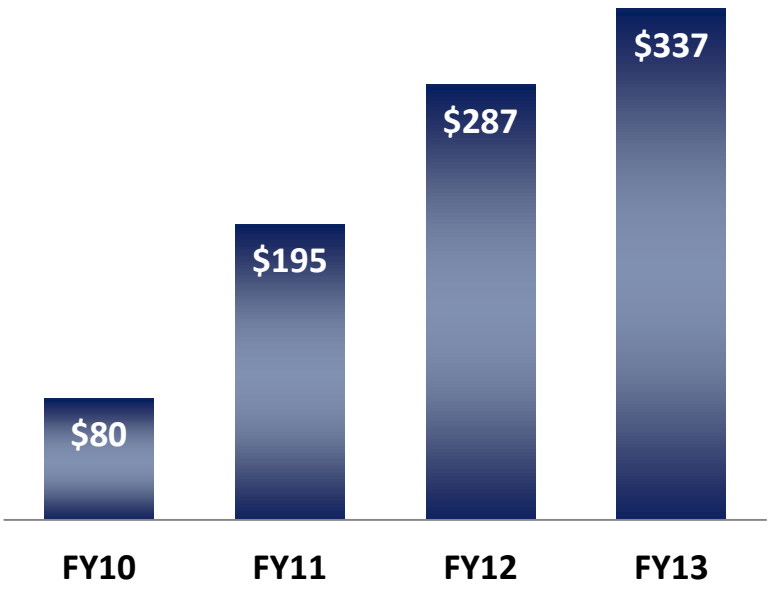
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Energy is Our Fastest Growing End Use Market

Strong Historical Growth

- N. American Oil & Gas Exploration
- Amega West and Latrobe acquisitions
- Share gain in completions

Energy Market Net Sales
(millions)



Areas of Future Growth

- **Oil & Gas**
  - Increased N. American drilling activity
  - Continued growth in completions
  - Amega West portfolio diversification
  - Increased international drilling, CRS footprint
  - Increased offshore exploration
- **Power Generation**
  - Shift toward industrial gas turbines
  - Higher operating temperature for coal-fired plants, steam turbines







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Medical is our Most Challenging End Use Market

FRACTURE FIXATION

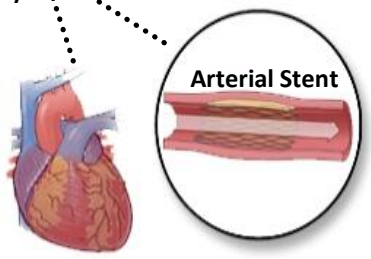
- Carpenter Stainless Type 316/316L
- Ti 6Al-4V ELI
- BioDur® 108 Alloy

HIP & KNEE REPLACEMENTS

- BioDur® Carpenter CCM® Alloy
- BioDur® CCM Plus® Alloy

VASCULAR DEVICES (Stents)

- Carpenter MP35N Alloy
- Carpenter L-605 Alloy



ARTIFICIAL DISCS & SPINAL FIXATION

- Micro-Melt® BioDur® Carpenter CCM® Alloy
- BioDur® CCM Plus® Alloy
- Ti 6Al-4V ELI
- Ti 6Al-7Nb
- CP Titanium

SURGICAL NEEDLES & STAPLES

- Custom 475® Stainless
- Carpenter Stainless Type 420
- Ti 6Al-4V ELI
- CP Titanium



DENTAL INSTRUMENTS & IMPLANTS

- Carpenter Stainless Type 440A
- Custom 465® Stainless
- Ti 6Al-4V ELI

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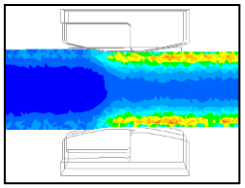
Best in Industry R&D Capabilities

Top R&D Capabilities

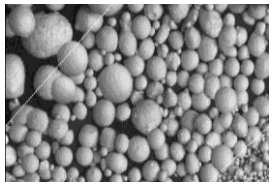


- World class staff and capabilities
- Rich history of developing bench-mark alloys for critical applications
- Global collaborative network
  - National laboratories,
  - Industrial research laboratories
  - Universities
- Awarded multiple R&D 100 Awards

Carpenter Core Competencies



Modeling



Metallic Powders



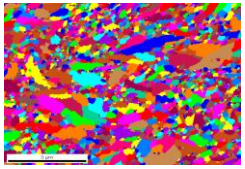
Forming



Process Technologies



Alloy Development



Nano-materials



Applied & Basic Research



Customer Focused Development

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Growth Through Technology and Innovation

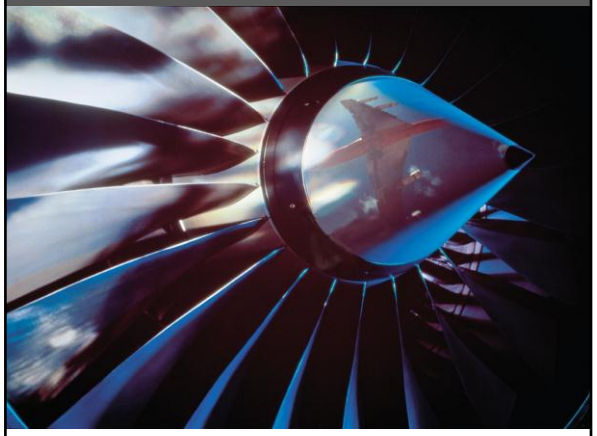
Driving Innovation & Responding to Increased Customer Demand

Landing Gear



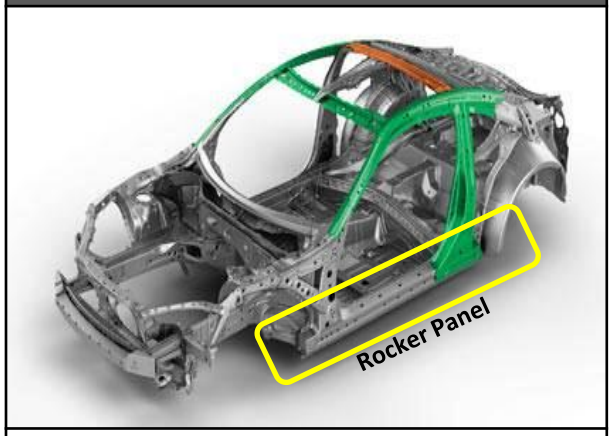
- Nine A320 main fittings being forged from Custom 465® Alloy
- Eliminates need for Cadmium plating
- Flight demonstration planned for 2014

United Technologies



- Multi-level agreement covering superalloy powder and other high value aerospace materials
- Expands supply position with UTC to ~ $600m over 10 years
- Further supports Athens facility investment

Temper Tough ™ Alloy



- Major technical gains with United States Steel Corp.
- Achieved strength and ductility compatible with warm and cold forming
- Lightweighting solution that fits within existing global auto infrastructure
- Initial demand will likely exceed Carpenter's production capacity

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Athens is the Game Changer





- $518m facility with expected start-up by April, 2014
- 2/3^{rds} of capex spend completed
- 27k tons of capacity targeting premium/ultra-premium products
- Significantly reduced lead times for products sold into the Aerospace, Energy and other key markets
- Lean flow and state-of-the-art equipment to result in low cost production
- Multiple high level customer visits
- Taking actions based on increased insourcing opportunities

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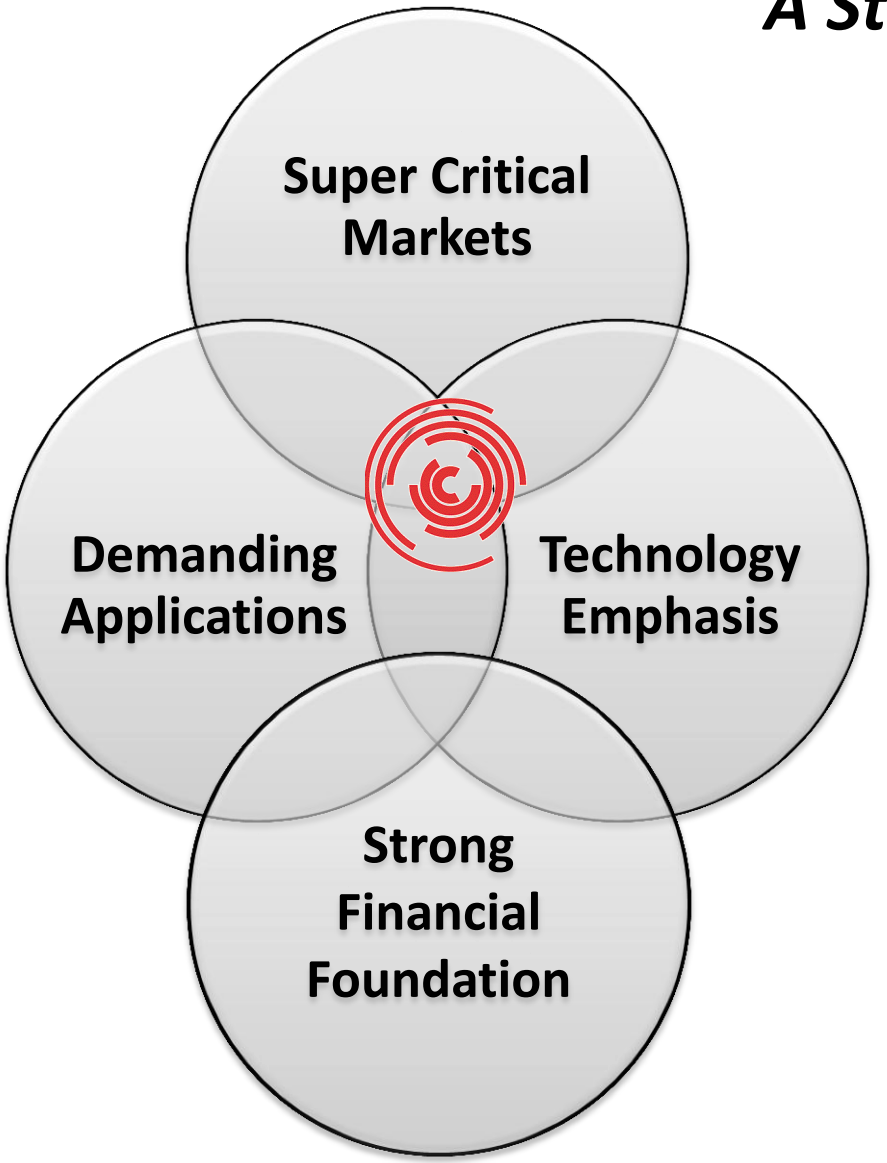
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Athens Facility Construction Time Lapse Video

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Carpenter is Strategically Well-Positioned *WITH*



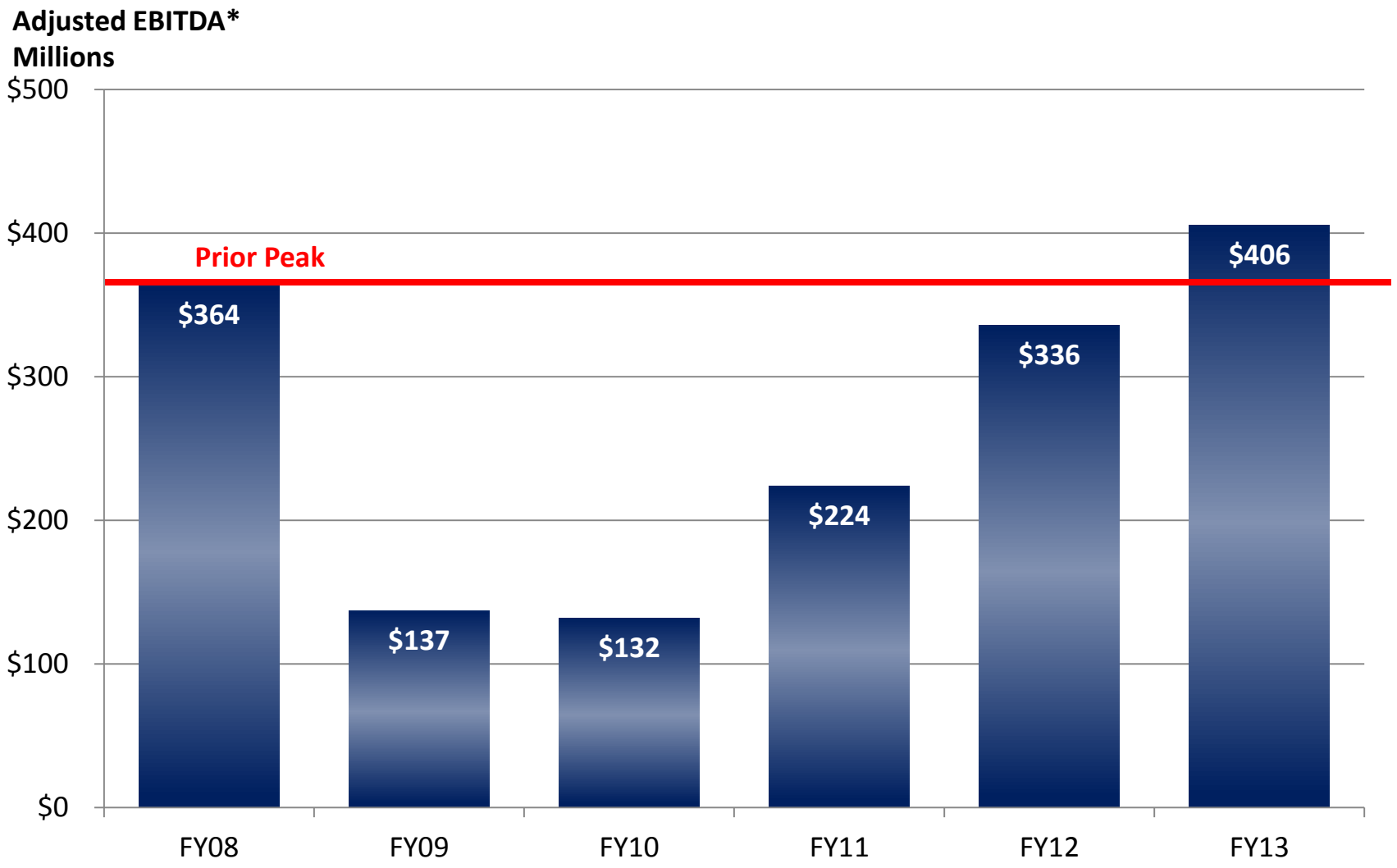
A Strong Financial Foundation

- **Rapidly growing and highly profitable** specialty materials company
- **Strong presence** in the **aerospace and energy** markets
- Leader in **research and development**
- **Low cost capacity** investments to meet premium demand
- **Significant Free Cash Flow Potential**

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Record Adj. EBITDA in a Challenging Environment

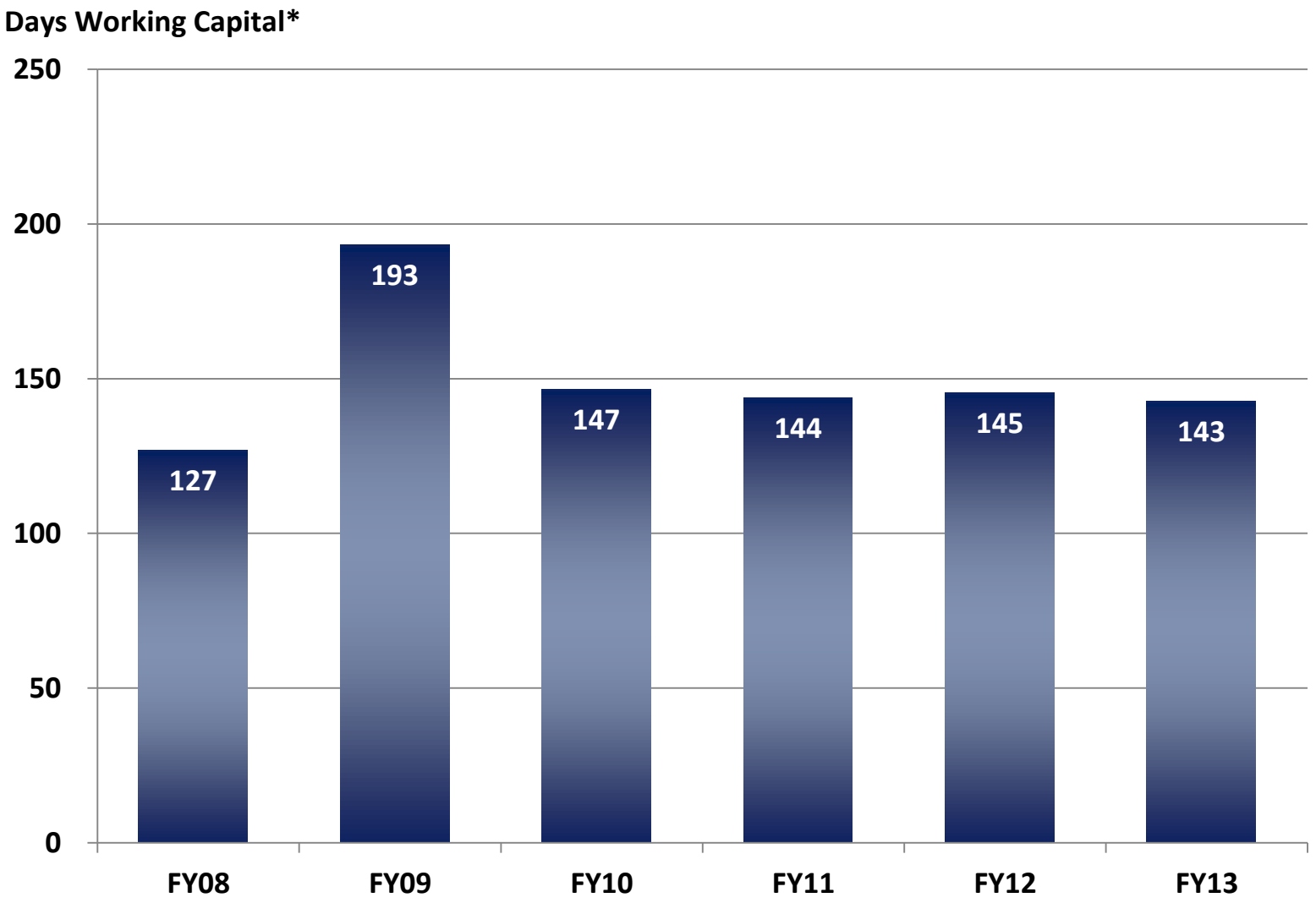


* Non-GAAP measure. See appendix for details of calculation.

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Working Capital Reduction is a Priority

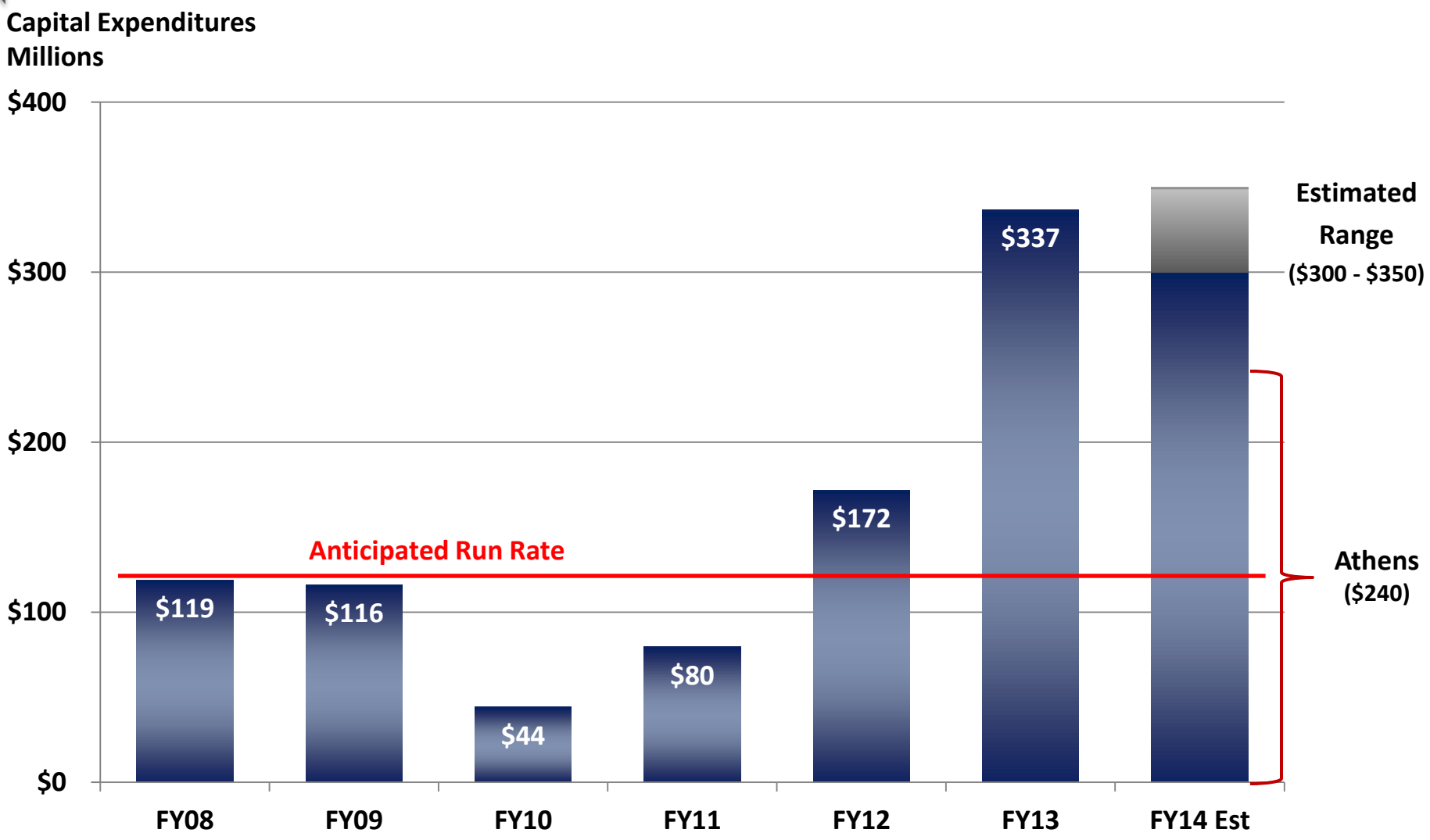


* See appendix for details of calculation.

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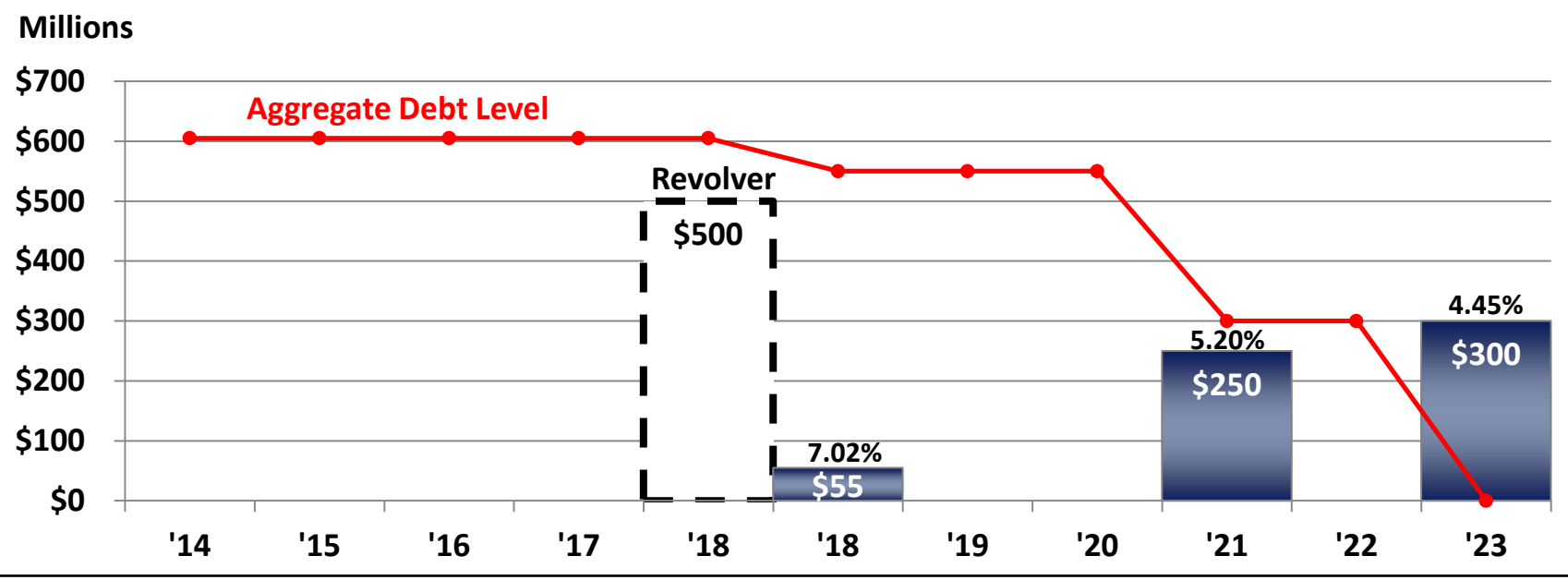
Heavy Investment Phase Nearly Complete



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Strong Liquidity Position and Solid Capital Structure

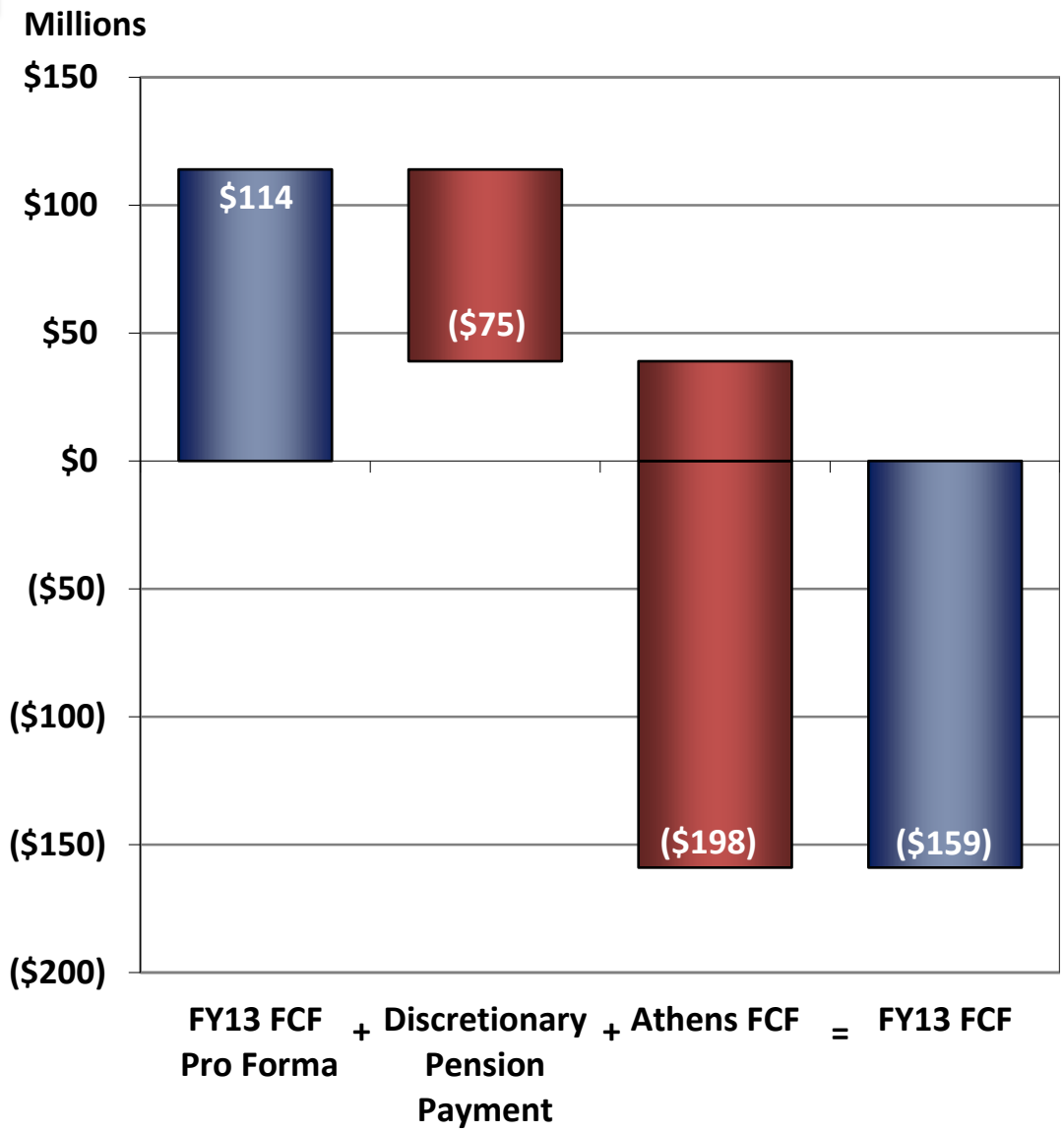


- **Increased credit facility from $350M to $500M** with better terms and pricing
- **Successfully issued $300M, 10 year notes** with 4.45% coupon in Feb. 2013
  - Paid off $100M notes that were due in May 2013
  - Made $75M discretionary pension contribution
- Next debt maturity is **$55M in 2018**

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Strong Free Cash Flow Potential



- **Increasing year-over-year** Adjusted EBITDA
- **Focus on productivity** improvements
- Targeting **working capital reductions**
- Heavy **capital expenditure phase nearly complete**
- **Minimal required pension contributions** anticipated in the near-term

* Non-GAAP measure. See appendix for details of calculation.

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Carpenter – Long Term Strategic Perspective

	2008-2009 Great Recession	2010-2011 Profit Improvement	2012-2013 Expansion	2014 & Beyond Growth
Profit & Margin Expansion Actions	• Drove strong absorption and cash flow	• Introduced Ultra-Premium/Premium framework • Managed mix to higher value products	• Expanded Premium and Ultra-Premium product sales • Grew oil & gas revenue by 111% FY13 vs. FY11	• Utilize new capacity to drive volume growth • Leverage higher volumes to improve profitability • 10-10-10 strategy
Investment Actions	• Completed Reading VIM expansion	• De-bottlenecked key premium work centers • Acquired Amega West	• Acquired Latrobe • Increased titanium wire capacity • Constructed Athens facility	• Post Athens - reduce Capex to maintenance + level (~ $120m) • Add superalloy powder capabilities
Financial Actions	• Focused on cash flow • Intense cost management	• Continued cost management • Maintained liquidity	• Refinanced/extended debt • Increased liquidity • Pre-funded pension	• Generate strong cash flow • Evaluate full range of cash deployment opportunities
Highlights	• Positive free cash flow • Retained skilled workforce • Maintained dividend	• EBITDA up 69% FY11 vs. FY10 • 530bp YOY operating margin improvement (OI ex. Surcharge and pension EID)	• EBITDA up 81% FY13 vs. FY11 • Took actions to double premium capacity • Improved capital structure to support growth	• Game changing capacity, capabilities and lead times • Focus on: - Leveraging market growth and new capacity to drive growth - Mix/volume driven margin improvements - Generating strong cash flow & RONA

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Appendix of Non-GAAP Schedules







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Adjusted EBITDA

ADJUSTED EARNINGS BEFORE INTEREST, TAXES,
DEPRECIATION AND AMORTIZATION (ADJUSTED EBITDA)

	Fiscal Year					
($ in millions)	2008	2009	2010	2011	2012	2013
Income from continuing operations	$200.5	$47.9	$2.1	$71.7	$121.6	$146.5
Interest expense	20.5	16.1	17.8	17.1	23.8	21.0
Income tax expense	96.8	15.1	2.6	16.1	67.0	70.3
Depreciation and amortization	49.2	52.7	59.1	66.5	83.8	104.1
Other income, net	(24.2)	(15.1)	(10.8)	(8.5)	(2.3)	(5.1)
EBITDA	342.8	116.7	70.8	162.9	293.9	336.8
Net pension expense	(0.1)	20.6	61.3	60.8	42.1	68.8
Boarhead farms litigation reserve adjustment	21.0	-	-	-	-	-
Adjusted EBITDA	$363.7	$137.3	$132.1	$223.7	$336.0	$405.6

Management believes that adjusted EBITDA is helpful in analyzing the operating performance. Our definitions and calculations of these items may not necessarily be the same as those used by other companies. EBITDA is not a measure of liquidity or profitability and should not be considered as an alternative to net income, operating income, net cash provided by operating activities or any other measure determined in accordance with US GAAP.

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Free Cash Flow

($ in millions)	Fiscal Year 2013
Net cash provided from operating activities	$ 215.2
Purchases of property, equipment and software	(336.9)
Dividends paid	(38.3)
Proceeds from disposals of plant and equipment	1.2
Proceeds from sale of equity method investment	7.9
Purchase of subsidiary shares from noncontrolling interest	(8.4)
Free cash flow	$(159.3)

Management believes that the presentation of free cash flow provides useful information to investors regarding our financial condition because it is a measure of cash generated which management evaluates for alternative uses. It is management's current intention to use excess cash to fund investments in capital equipment, acquisition opportunities and consistent dividend payments. Free cash flow is not a U.S. GAAP financial measure and should not be considered in isolation of, or as a substitute for, cash flows calculated in accordance with U.S. GAAP.

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Days Working Capital Calculations

($ in millions)	Fiscal Year 2008	2009	2010	2011	2012	2013
Accounts receivable, net	$ 285.1	$ 130.8	$ 188.5	$ 259.4	$ 354.2	$ 342.0
Inventory, net	209.0	185.4	203.6	328.6	642.0	659.2
LIFO reserve	448.0	305.8	331.8	355.4	279.8	222.4
Gross inventory	657.0	491.2	535.4	684.0	921.8	881.6
Accounts Payable	(158.4)	(70.2)	(130.5)	(170.5)	(236.1)	(252.7)
Net working capital	$ 783.7	$ 551.8	$ 593.4	$ 772.9	$ 1,039.9	$ 970.9
Net sales - Q4	$ 556.3	$ 256.9	$ 364.2	$ 483.6	$ 643.7	$ 611.8
Days Working Capital	126.8	193.3	146.6	143.8	145.4	142.8

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