

Carpenter Technology Corporation

4th Quarter and Fiscal Year 2015

Earnings Call

July 30, 2015

CARPENTER®

Unless otherwise noted, the logo and registered trademarks are property of CRS Holdings, Inc. a subsidiary of Carpenter Technology Corporation.
© 2015 CRS Holdings, Inc. All rights reserved

Cautionary Statement

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, 2014, Form 10-Q for the quarters ended September 30, 2014, December 31, 2014 and March 31, 2015 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 cash generation, growth, earnings, profitability, cost savings and reductions, 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; (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, Latrobe and Athens for which there may be limited alternatives if there are significant equipment failures or a catastrophic event; (14) the ability to hire and retain key personnel, including members of the executive management team, management, metallurgists and other skilled personnel; (15) fluctuations in oil and gas prices and production; (16) the success of restructuring actions; and (17) share repurchases are at Carpenter's discretion and could be affected by changes in Carpenter's share price, operating results, capital spending, cash flows, inventory, acquisitions, investments, tax laws and general market conditions. 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.

© 2015 CRS Holdings, Inc. All rights reserved



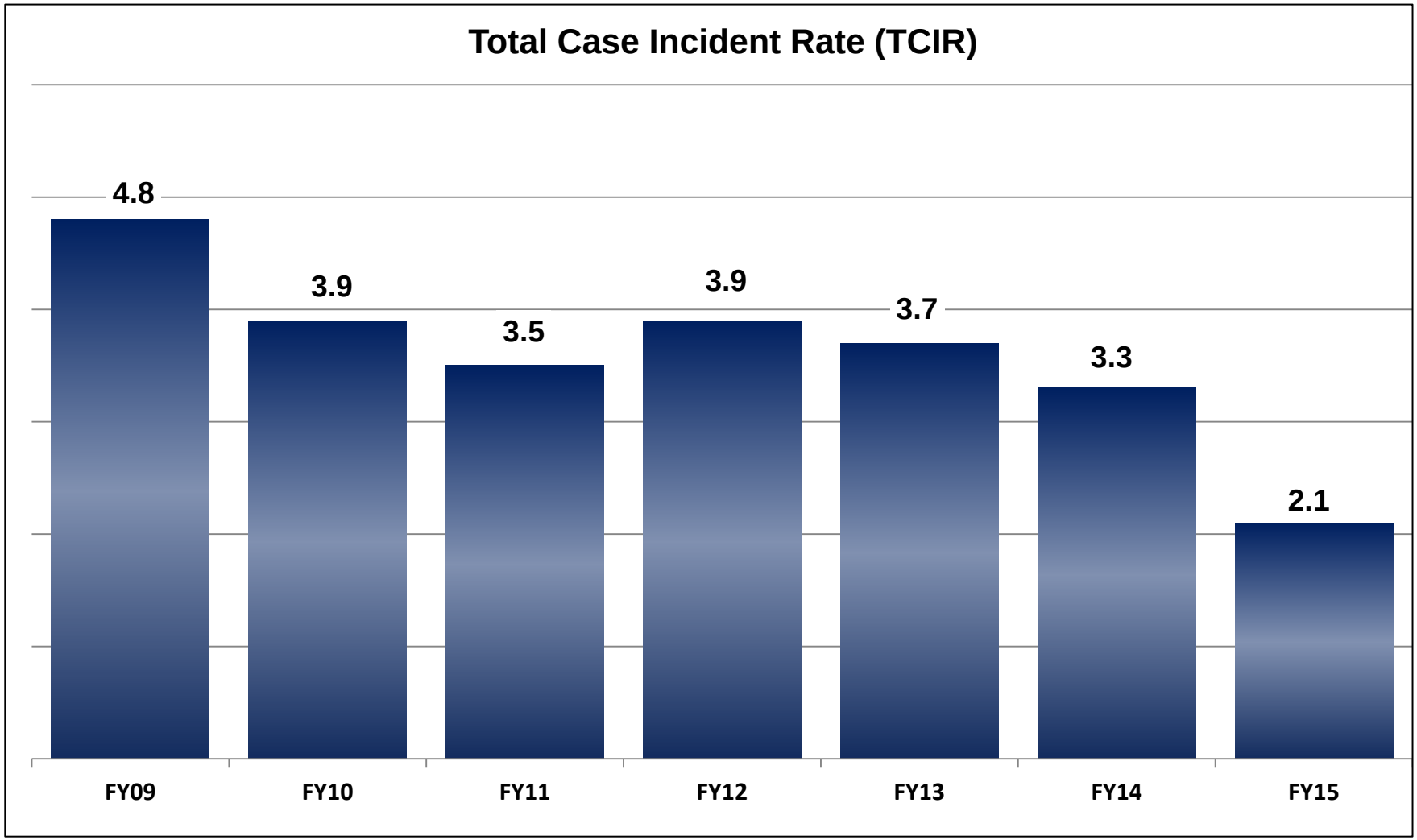
4th Quarter and Fiscal Year 2015 Summary

Tony Thene
President and Chief Executive Officer

CARPENTER®

© 2015 CRS Holdings, Inc. All rights reserved

Safety is our First Priority



© 2015 CRS Holdings, Inc. All rights reserved

Fiscal Year 2015 Summary

Actions Taken to Improve Profitability and Strengthen Operations

- **Generated free cash flow of $74 million** for full year
  - Original Athens project spend completed
  - Inventory reduction of $67 million since the end of the first quarter
- **Repurchased $125 million of shares** under $500 million share repurchase authorization put in place in October
- **Implemented restructuring plan** to reduce overhead costs
- **Improved manufacturing performance** after challenges in the first three quarters
- **Grew sales excluding surcharge by 2%** in a challenging market environment
  - Sales growth in Aerospace, Medical and Transportation
  - Significant decline in Energy sales
  - Three straight quarters of **improved year-over-year (YOY) product mix**
- **Continued progress on Athens qualifications**

© 2015 CRS Holdings, Inc. All rights reserved

4th Quarter Summary

Generated Strong Free Cash Flow and Improved Profitability

- **Positive free cash flow of $107 million** driven by:
  - Inventory reduction of $54 million
  - Capital expenditures at $18 million
- **Repurchased $64 million of shares** during Q4
- **Operating margins improved sequentially** as a result of improved operating cost performance and overhead cost reduction efforts
- Specialty Alloys Operations (SAO) **continued the trend of stronger YOY mix**
- Performance Engineered Products (PEP) **sales down sequentially and YOY**
  - Driven by continued weakness in Oil & Gas markets
  - Partially offset by **stronger Titanium and Powder performance**
- Achieved **first Vendor Approved Process (VAP) qualification** at Athens facility for Aerospace engine ring material

© 2015 CRS Holdings, Inc. All rights reserved

4th Quarter FY15 End-Use Market Highlights

		Q4-15 Net Sales ex. Surcharge ($M)*		vs. Q4-14	vs. Q3-15	Comments
	**Aerospace & Defense**	**216.5**	47%	**+2%** ↑	**+1%** ↑	• Engine material sales flat year-over-year (YOY) • Fastener activity continued to be strong; up YOY and sequentially • Structural sales flat YOY and up sequentially with a stronger mix • Defense material sales up YOY and sequentially due to growth of supported programs
	**Energy**	**51.3**	11%	**-30%** ↓	**-16%** ↓	• North American quarterly average directional and horizontal rig count down 46% YOY and 39% sequentially • Continued weakness for materials used in Oil & Gas drilling • Softening demand now evident in Oil & Gas completions • Power generation sales up modestly both YOY and sequentially
	**Medical**	**32.4**	7%	**+16%** ↑	**+12%** ↑	• Improving market position as supply chain stabilizes • YOY and sequential growth led by: - Demand strength for materials used for surgical instruments - Increased sales of titanium materials used in orthopedic implant procedures
	**Transportation**	**33.3**	7%	**-1%** ↓	**0%** →	• Automotive demand levels remain high although flat YOY and sequentially • Market trends favor our product attributes to reduce emissions and improve fuel efficiency as evidenced by 9% full year growth • Backlog growing with improved mix
	**Industrial & Consumer**	**95.9**	21%	**-10%** ↓	**+4%** ↑	• Sales down YOY driven by reduced shipments of selective lower value industrial products • Sequential sales growth of materials used in high-end applications for consumer electronics

Sales ex-surcharge down 5% on 14% lower volume year-over-year as mix improved

*Excludes sales through Carpenter's Distribution businesses

© 2015 CRS Holdings, Inc. All rights reserved

CARPENTER



4th Quarter Fiscal Year 2015 Financial Overview

Tim Lain

Acting Chief Financial Officer

CARPENTER®

© 2015 CRS Holdings, Inc. All rights reserved

Income Statement Summary

$ Millions, except per-share amounts	Q4-14	Q3-15	Q4-15	Sequential Change
Pounds ('000)	80,538	69,052	68,972	(80)
Net Sales	604.6	570.6	558.0	(12.6)
Sales ex. Surcharge *	488.9	462.9	463.0	0.1
Gross Profit	105.6	75.8	88.4	12.6
% of Sales ex. Surcharge	*21.6%*	*16.4%*	*19.1%*	*2.7% pts.*
Selling, General and Administrative Expenses	46.4	45.7	45.2	(0.5)
% of Sales ex. Surcharge	*9.5%*	*9.9%*	*9.8%*	*-0.1% pts.*
Restructuring Charges	0.0	25.3	3.7	(21.6)
Operating Income	59.2	4.8	39.5	34.7
% of Sales ex. Surcharge	*12.1%*	*1.0%*	*8.5%*	*7.5% pts.*
Operating Income ex. Pension EID, Resturcturing Charges and Special Items *	65.2	35.1	48.2	13.1
% of Sales ex. Surcharge	*13.3%*	*7.6%*	*10.4%*	*2.8% pts.*
Effective Tax Rate	29.7%	39.1%	32.4%	-6.7%
Net Income (Loss)	38.1	(1.4)	22.5	23.9
Diluted Earnings (Loss) Per Share	$0.71	($0.03)	$0.44	$0.47
Adjusted Diluted Earnings per Share ^	$0.71	$0.32	$0.52	$0.20

Operating margin improved on operating cost performance and overhead cost reductions

*Detailed schedule included in Non-GAAP Schedules in Appendix ^ Detailed schedule included on next slide

© 2015 CRS Holdings, Inc. All rights reserved

CARPENTER

Restructuring Charges & Special Items

$ Millions, except per-share amounts	Q3-15	Q4-15	Income Statement Classification
As Reported			
Pre-tax (Loss) / Income	**(2.3)**	**33.3**	
Diluted (Loss) / Earnings per Share	**($0.03)**	**$0.44**	
Reduction in Force & Severance Costs	10.6	2.1	Restructuring Charges
Site Closure Costs	1.3	1.6	Restructuring Charges
Ultra-fine Grain Materials Development Exit	13.4	-	Restructuring Charges
Consulting Costs	2.6	2.6	SG&A Expenses
Restructuring Charges & Special Items	**27.9**	**6.3**	
Excluding Restructuring Charges & Special Items			
Pre-tax Income	**25.6**	**39.6**	
Adjusted Diluted Earnings per Share	**$0.32**	**$0.52**	

Q4 impacted by $6.3 million ($0.08 EPS) of restructuring charges & special items

© 2015 CRS Holdings, Inc. All rights reserved

Free Cash Flow Summary

$ Millions	FY14	Q1	Q2	Q3	Q4	FY15
Net Income + Non-cash Items	**306**	**61**	**133**	**59**	**61**	**313**
Inventory	(37)	(31)	(31)	44	54	36
Other working capital	(23)	(12)	(88)	20	20	(59)
Total Net Working Capital	(60)	(43)	(119)	64	74	(23)
Pension Plan Contributions	(6)	(3)	(1)	(2)	(1)	(7)
Net Cash from Operating Activities	**240**	**15**	**13**	**121**	**134**	**283**
Purchases of property, equipment and software - Other	(81)	(27)	(33)	(18)	(18)	(97)
Purchases of property, equipment and software - Athens	(268)	(32)	(35)	(7)	0	(74)
Purchases of property, equipment and software	(349)	(59)	(68)	(25)	(18)	(171)
Dividends paid	(38)	(10)	(10)	(9)	(9)	(38)
Other	(1)	0	(1)	0	0	0
Free Cash Flow	**(148)**	**(54)**	**(66)**	**87**	**107**	**74**

The clerical accuracy of certain amounts may be impacted due to rounding.

$563 million of total liquidity including $70 million of cash at end of Q4

© 2015 CRS Holdings, Inc. All rights reserved

Share Repurchase Program Update

	Q2-15	Q3-15	Q4-15	FY15	July 2015	Program to Date
Share Purchase Total ($ millions)	10.0	50.3	64.2	124.5	30.0	154.5
Number of Shares Purchased (millions)	0.2	1.2	1.6	3.0	0.8	3.8

- Authorized share repurchase program in October 2014
- Up to $500M of share repurchases authorized over a two year period
- Repurchased at Company's discretion based on capital needs of the business, general market conditions and market price of the stock
- May be discontinued at any time

Repurchased $154.5 million of shares to date

© 2015 CRS Holdings, Inc. All rights reserved

Guidance for FY16

$ Millions	FY15	FY16
Depreciation and Amortization	122	121
Interest Expense, net	28	32
Net Pension Expense	45	54
Effective Tax Rate	34.1%	32-33%
Pension Contributions	7	0
Capital Expenditures	171	120

© 2015 CRS Holdings, Inc. All rights reserved



Business Update & Growth Enablers

Tony Thene

President and Chief Executive Officer

CARPENTER®

© 2015 CRS Holdings, Inc. All rights reserved

SAO Segment Summary

SAO Segment Q4 Results and Q1 Outlook

Q4 Operating Results

	Q4-14	Q3-15	Q4-15	vs PY	vs Q3
Pounds ('000)	77,932	67,232	66,598	(11,334)	(634)
Sales ex. Surcharge ($M)	369.1	360.0	357.1	(12.0)	(2.9)
Op Inc ex. EID ($M)	63.0	37.9	49.2	(13.8)	11.3
% of Sales ex. Surcharge	*17.1%*	*10.5%*	*13.8%*	*-3.3%*	*3.3%*

Q4 Business Results

- Volume down YOY driven by lower Industrial & Consumer sales and weakness in Oil & Gas
- Sales mix was stronger YOY fueled by higher Aerospace and Medical activity
- Lower YOY operating margins are a result of higher operating costs and costs associated with reducing inventory
- Higher sequential operating margins driven by improved operating cost performance and overhead cost reductions

Q1 Outlook

- Overall volumes anticipated to be lower sequentially due to
  - Normal seasonality
  - Further weakness in Oil & Gas
- Operating margins are expected to be lower sequentially as operating cost improvements will be more than offset by impacts of lower volumes

© 2015 CRS Holdings, Inc. All rights reserved

PEP Segment Summary

PEP Segment Q4 Results and Q1 Outlook

Q4 Operating Results

	Q4-14	Q3-15	Q4-15	vs PY	vs Q3
Pounds* ('000)	3,790	3,806	4,200	410	394
Sales ex. Surcharge ($M)	136.0	120.1	113.3	(22.7)	(6.8)
Op Inc ex. EID ($M)	12.2	8.5	8.3	(3.9)	(0.2)
% of Sales ex. Surcharge	*9.0%*	*7.1%*	*7.3%*	*-1.7%*	*0.2%*

Q4 Business Results

- Sales and operating income performance significantly impacted by weak Oil & Gas demand due to limited drilling activity
- Partially offset by:
  - Strong sequential and YOY performance in the Titanium and Powder businesses driven by improved mix
  - Favorable margin impact of inventory valuation in the Titanium business

Q1 Outlook

- Operating income expected to be down sequentially due to:
  - Lower Aerospace demand for Titanium products
  - Lower Industrial & Consumer demand for Powder products
  - Favorable impact of inventory valuation will not repeat
- Oil & Gas demand expected to remain at current levels

* Pounds related to manufactured tons for Dynamet and Carpenter Powder Products only

© 2015 CRS Holdings, Inc. All rights reserved

Athens Product Qualification Process On-Track

Current

- Achieved first VAP qualification for nickel superalloy used for aerospace engine rings
- Expanded the scope of qualified products requiring only site certifications (non-VAP):
  - Aero fasteners
  - Aero standard grade rings and structural
  - Structural stainless steels for air-frame applications
  - Oil & Gas drill collars
  - Transportation

Calendar Year 2015

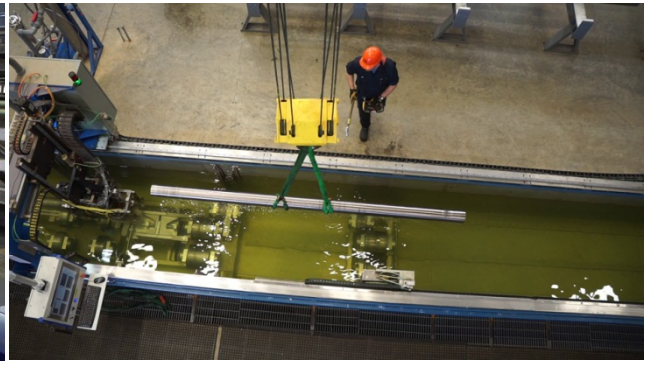
- Targeting to complete remaining site certifications (non-VAP) for materials used in:
  - Additional aerospace structural applications
  - Oil & Gas nickel superalloys for completion applications
- Finalize internal development processes and work with customers on stringent VAP qualification processes

Calendar Years 2016-17

- Achieve the most stringent aerospace engine parts qualifications from the primes and their supply chain partners
- Achieve full integration of the entire specialty steels portfolio
- Achieve maximum manufacturing flexibility and add the ultimate net volume output to the system







VAP: Vendor Approved Process

© 2015 CRS Holdings, Inc. All rights reserved

CARPENTER

Outlook and Closing Comments

FY16 Outlook & Areas of Focus

- The **significant decline in the Energy end use market** remains a primary concern and we expect it will **remain depressed throughout the fiscal year**
- Weakness in Energy is expected to **amplify the seasonal volume decline** typically experienced in the first quarter
- First quarter **operating margin expected to be lower** sequentially as cost improvements are more than offset by impacts of lower volumes
- **Areas of Focus for FY16**
  - Operating cost improvement back to FY14 levels
  - Targeting $50 million inventory reduction
  - Capital spending discipline with cap of $120 million
  - Improve upon our customer satisfaction & delivery performance
  - Continue progress on Athens qualifications
  - Execution of share repurchase program

© 2015 CRS Holdings, Inc. All rights reserved





Appendix of Non-GAAP Schedules

CARPENTER®

© 2015 CRS Holdings, Inc. All rights reserved

Non-GAAP Schedules (Unaudited)

Operating Margin Excluding Surcharge, Pension Earnings, Interest and Deferrals "Pension EID", Restructuring Charges and Special Items

$ Millions	Q4-14	Q3-15	Q4-15	FY14	FY15
Net sales	604.6	570.6	558.0	2,173.0	2,226.7
Less: surcharge revenue	115.7	107.7	95.0	390.2	414.9
Consolidated Net Sales Excluding Surcharge	**488.9**	**462.9**	**463.0**	**1,782.8**	**1,811.8**
Operating income	59.2	4.8	39.5	212.0	111.5
Pension EID	6.0	2.4	2.4	21.8	9.4
Operating Income Excluding Pension EID	**65.2**	**7.2**	**41.9**	**233.8**	**120.9**
Restructuring Charges and Special Items					
Restructuring costs	-	25.3	3.7	-	29.1
Consulting costs	-	2.6	2.6	-	5.1
Operating Income Excluding Pension EID, Restructuring Charges and Special Items	**65.2**	**35.1**	**48.2**	**233.8**	**155.1**
Operating Margin Excluding Surcharge, Pension EID, Restructuring Charges and Special Items	**13.3%**	**7.6%**	**10.4%**	**13.1%**	**8.6%**

Management believes that removing the impacts of raw material surcharge from operating margin provides a more consistent basis for comparing results of operations from period to period. In addition, management believes that excluding the impact of pension EID, which may be volatile due to changes in the financial markets, is helpful in analyzing the true operating performance of the Company.

Management believes that removing the impact of costs associated with restructuring charges and special items (i.) restructuring costs and (ii.) consulting costs is helpful in analyzing the operating performance of the Company, as these costs are not indicative of ongoing operating performance.

© 2015 CRS Holdings, Inc. All rights reserved

Non-GAAP Schedules (Unaudited)

Free Cash Flow

$ Millions	Q4-14	Q4-15	FY14	FY15
Net cash provided from operating activities	95.5	134.1	239.6	282.6
Purchases of property, equipment and software	(51.0)	(18.3)	(349.2)	(170.5)
Proceeds from disposals of property and equipment	-	-	0.3	0.2
Dividends paid	(9.6)	(9.1)	(38.5)	(37.9)
Free Cash Flow	**34.9**	**106.7**	**(147.8)**	**74.4**

Management believes that the free cash flow measure provides useful information to investors regarding our financial condition because it is a measure of cash generated which management evaluates for alternative uses.

© 2015 CRS Holdings, Inc. All rights reserved