

KeyBanc 2015 Basic Materials & Packaging Conference

Carpenter Technology Corporation

September 3, 2015

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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, 2015 and the exhibits attached to that filing. 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

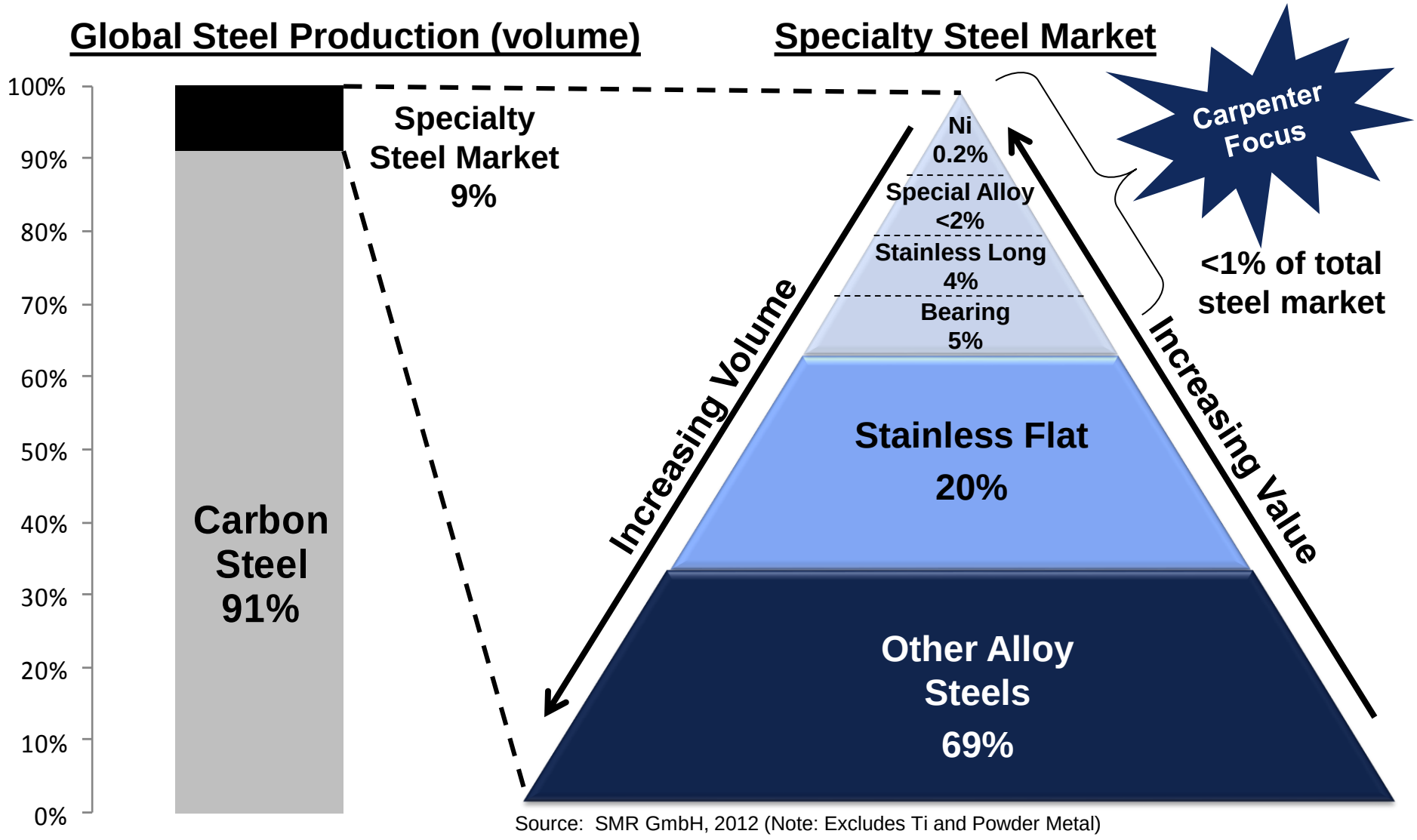
Some of the information included in this presentation is derived from Carpenter's consolidated financial information but is not presented in Carpenter's financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Certain of these data are considered "non-GAAP 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.

Carpenter – A Leader in Specialty Metals



- Over **125 years** of metallurgical and manufacturing expertise
- Focused on **high-value, differentiated products** used in demanding, niche applications
- **Attractive end-use markets** and strong customer relationships
- **Transformational growth period** enabled by premium capacity expansion
- Recently transitioned from heavy capital investment phase to **strong cash generation phase**

Carpenter Targets High End of Specialty Steel Market



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

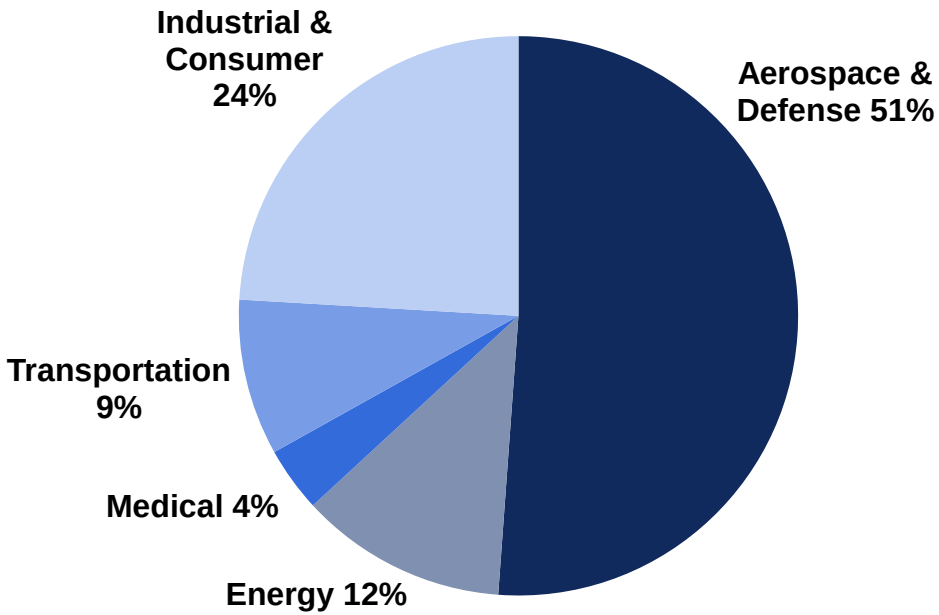
Carpenter Has Two Distinct Operating Segments - SAO

Specialty Alloys Operations (SAO)

Major ultra-premium alloy and stainless steel manufacturing system

- Reading Operations
- Latrobe Operations
- Athens Operations
- Hartsville Operations
- Shalmet

SAO Net Sales - FY2015 $1.8B



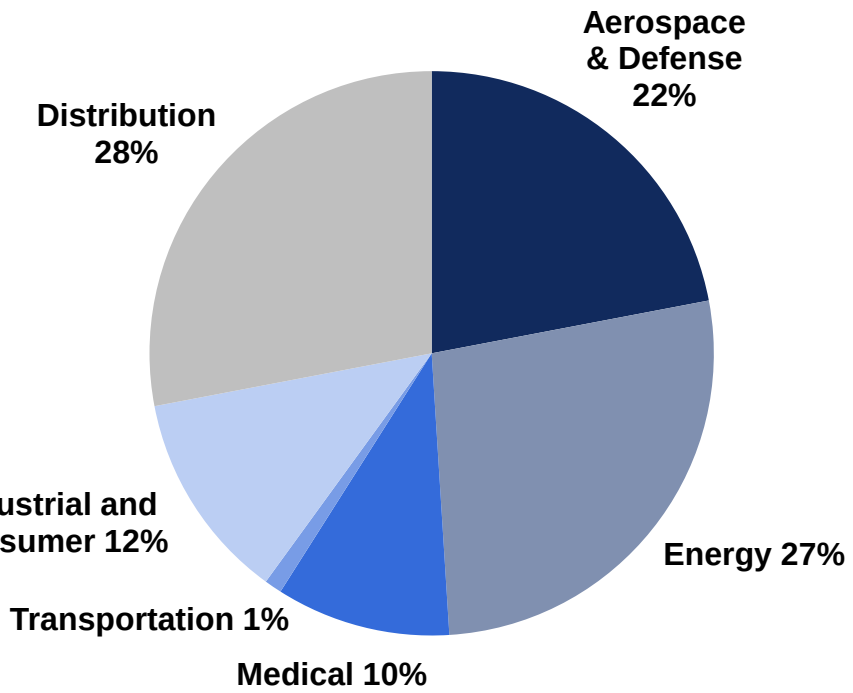
Carpenter Has Two Distinct Operating Segments - PEP

Performance Engineered Products (PEP)

Differentiated operations

- Amega West
- Carpenter Powder Products
- Dynamet
- Distribution

PEP Net Sales - FY2015 $0.5B



Carpenter Participates in Attractive End-Use Markets



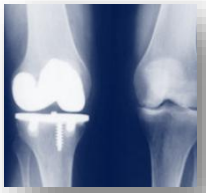
Industrial & Consumer

22%



Transportation

7%



Medical

6%



Energy

13%

FY2015
Net Sales of
$2.2B

6%



Distribution

46%



Aerospace &
Defense

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Current End-Use Market Outlook

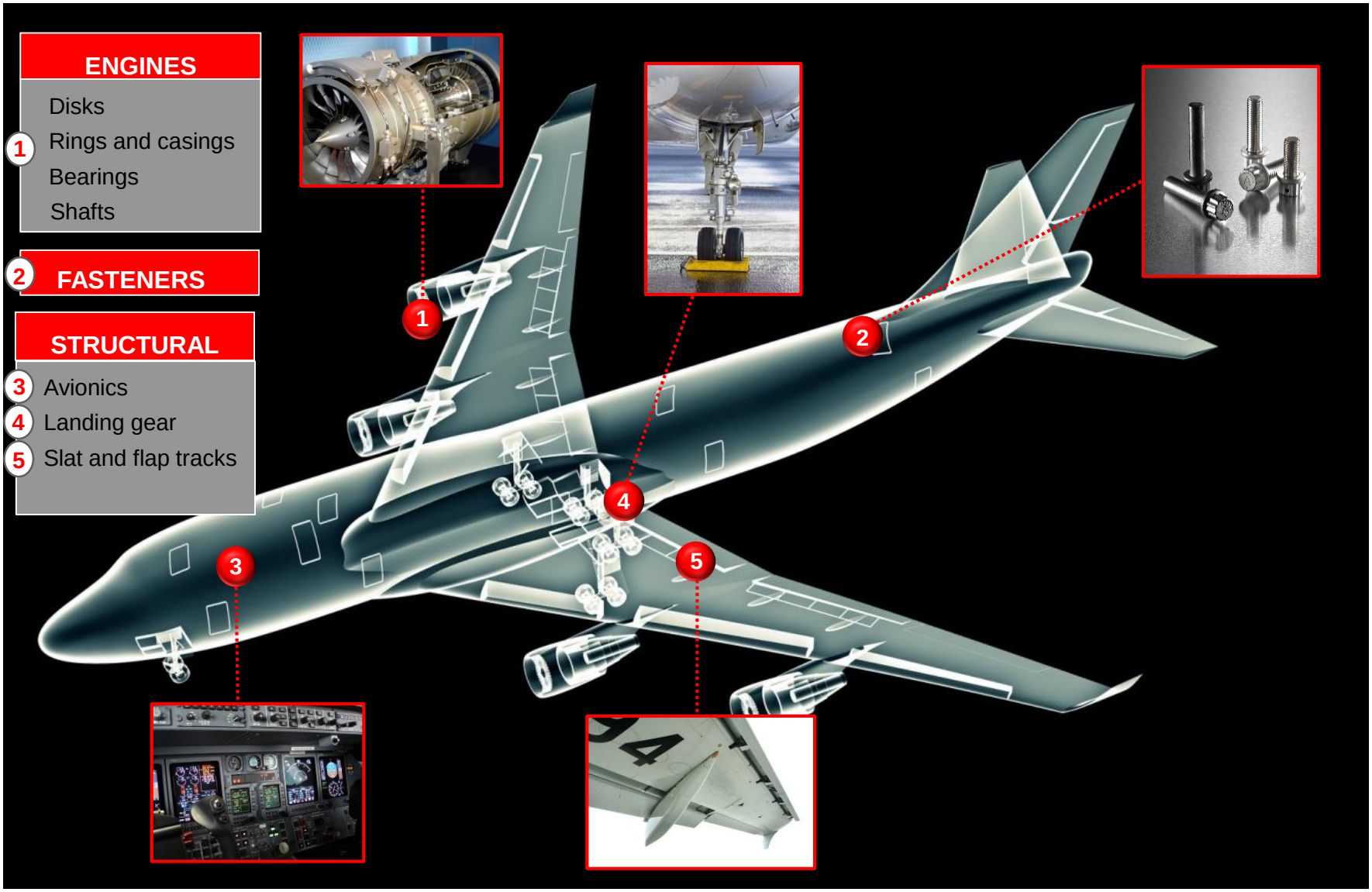
	Aerospace & Defense	▪ Supply chain generally balanced ▪ Airframe/engine build growth trajectory is compelling ▪ Favorable position on existing and next generation engines ▪ Short-term expected weak demand for Titanium fastener material

	Energy	▪ Oil & Gas market expected to be weak throughout all of FY16
		▪ Weaker demand even worse than anticipated at time of Q4-15 earnings call
		  ▪ Q1 SAO volume expected to be down approximately 50% sequentially
		  ▪ Further erosion of PEP revenue with Q1-16 expected to be down about 15% sequentially

	Medical	▪ OEMs have resumed more normalized buying patterns as supply chain stabilizes ▪ Improving market position with strategic contract wins ▪ Seeing demand strength for materials used for surgical instruments and titanium used in orthopedic implant products
	Transportation	▪ North American production remains strong for automobiles and light trucks ▪ Market trends favor Carpenter's product attributes to reduce emissions and improve fuel efficiency ▪ Strong demand for performance materials used in engine fasteners, valves and fuel systems. Current demand outpacing capacity.
	Industrial & Consumer	▪ Continued efforts to grow sales in high-end applications for consumer electronics ▪ Depressed Oil & Gas activity impacting customer order patterns ▪ Softening distributor market for lower value materials ▪ Q1 volume anticipated to be down approximately 20% sequentially

Volume in Q1-16 currently expected to be approximately 15% lower sequentially, which is about twice as much as expected at Q4-15 earnings call driven by lower Energy and Industrial & Consumer markets.

Aerospace & Defense



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Aerospace & Defense Position

Aero Engines

- Materials: Ni, SS, Alloy
- Healthy position in legacy and new engine platforms
- All Carpenter product forms



Aero Structurals

- Materials: Ni, SS, Alloy, Electronic
- Prime directed buy and sales through tiered suppliers
- All Carpenter product forms





Fasteners

- Materials: Ni, SS, Ti
- Market leader
- Capacity investment to meet strong growth demand
- Bar, wire and strip product forms



Aerospace & Defense Sales
FY2015: $1.0 Billion

- **LTAs and qualification of new materials continue with component manufacturers across all Carpenter Aerospace sub-segments**
- **Athens facility to provide advanced capabilities to support streamlined supply requirements for performance materials**

Energy

OIL & GAS DRILLING

1. Logging and measurement while drilling (LWD & MWD)
2. Drill collars

OIL & GAS COMPLETIONS

3. Well heads
   Tubing hangers

POWER GENERATION

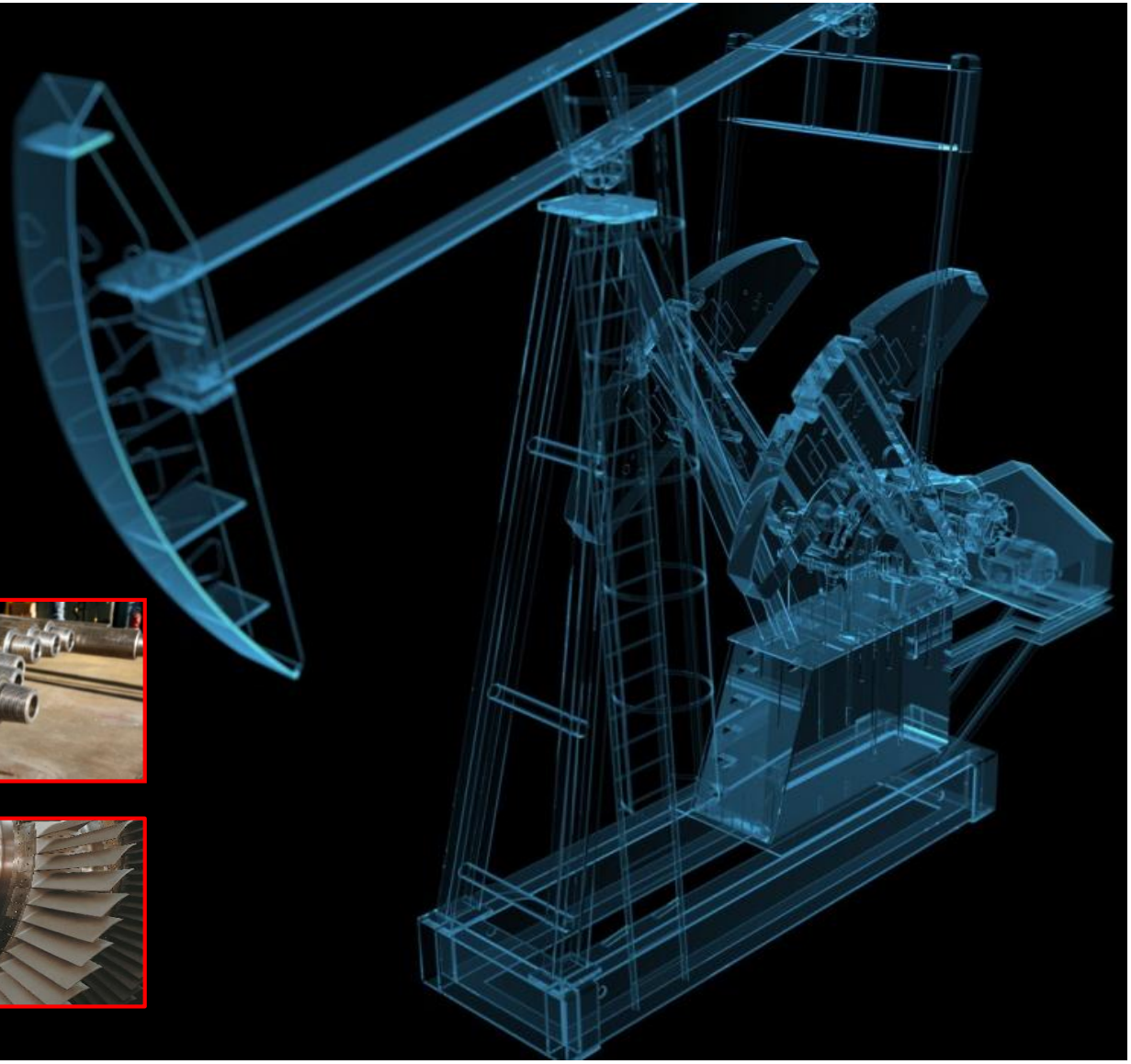
4. Gas and steam turbines











Oil & Gas Position

Drilling & Exploration

- Materials sales
  (primarily non-mag)
- Tool sales
- Machining services
- Equipment rentals



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Completions

- Materials sales
  (nickel alloys)
  (powder products)
- Ingot, bar, wire line, strip



=

CRS Oil & Gas Sales
FY2015: $240.3 Million

Strong Oil & Gas Position

- **Balanced offering of materials, products and services**
- **Strong supply chain relationships - directly with oil field services companies**
- **Athens and value-added capabilities**
- **International and domestic footprint**

Medical

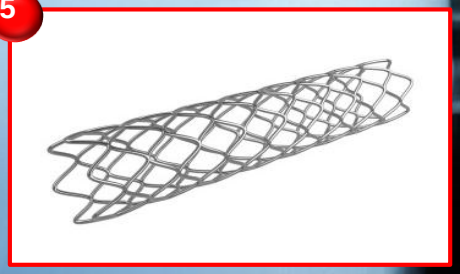
1. Orthopedics
2. Surgical instruments
3. Dental instruments
4. Diagnostics
5. Cardiology











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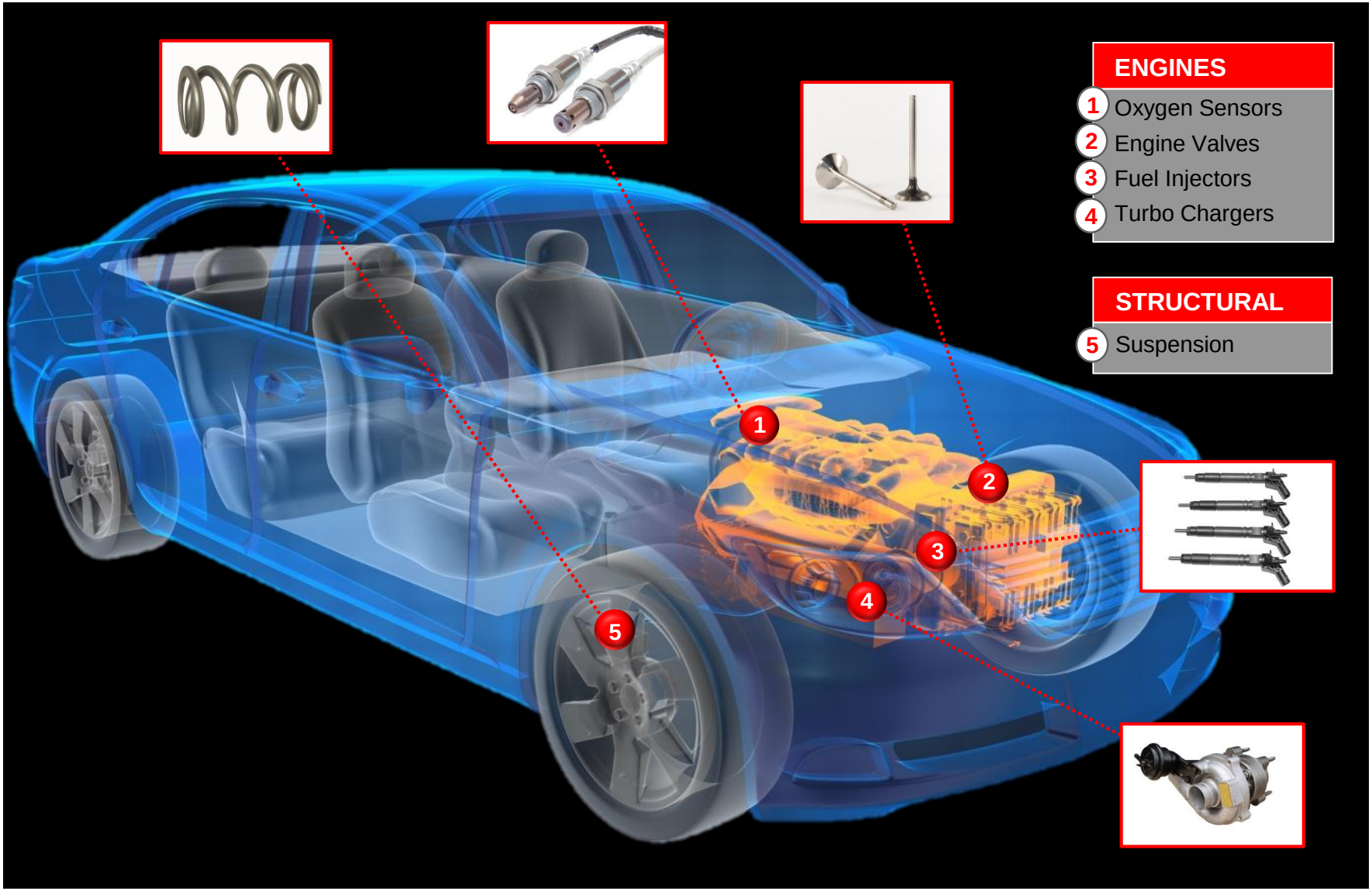
Transportation



Industrial & Consumer

1. Fittings
2. Valves
3. Stainless fasteners













1. Sporting goods
2. Consumer electronics
3. Knives/food processing

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Athens Facility Expected to be an Industry Game-Changer



- **27K tons of incremental premium capacity**
- Latest technology and automation permits **straight-through processing**
- Enables **shorter customer lead times** and efficient inventory management
- **Low break-even volumes** for cash and earnings
- Major **site accreditations complete**
- **Qualification process progressing**

Athens Product Qualification Process On-Track

Current

- VAP Approvals
  - Achieved second VAP qualification for nickel superalloy used for aerospace engine rings
- Customer Site Certifications
  - Achieved 80% of planned non-VAP product approvals for applications that include:
    - 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



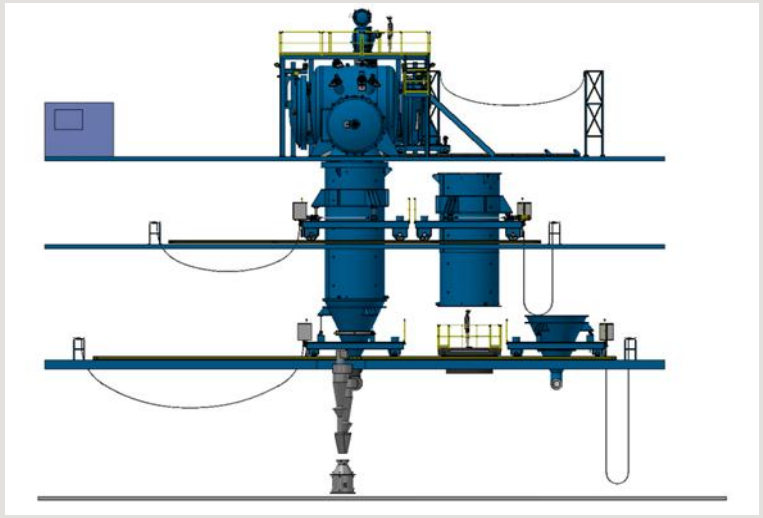




VAP: Vendor Approved Process

Expanding Leadership Role in Powder Metallurgy





- Carpenter is a proven leader in powder metal development/manufacturing
  - Largest global producer of gas atomized powder metal
  - Capabilities across various product types
- Increasing customer demand for superalloy powder metal
  - Initially for key aerospace engine components
  - Also for additive manufacturing and energy applications
- Multi-Level agreement with Pratt & Whitney
  - Licensing technology to produce superalloy powder metal
  - Long-term supply agreement
- Construction of $30 million superalloy facility nearly complete (adjacent to Athens facility)
  - Startup activities began in August 2015
  - Advanced technological features
  - VIM/gas atomization designed to produce powder meeting stringent quality requirements for aero engine applications

Carpenter – A Leader in Specialty Metals



- Well positioned in **attractive end-use markets**
- Executing on initiatives to **improve profitability**
- Athens capacity is an **enabler** to meet **demand** for high value products
- Transitioned to **strong cash flow generation** phase
- **Solid liquidity** position and **capital structure**
- **Stock repurchase program** prioritized as cash deployment method to return value to shareholders