



# Fiscal 2011 Q4 Earnings

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# 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.

# Solid Q4 Results in Line with Company Expectations

	Q4 FY11	Q4 FY10	% Change
Net Sales	\$ 1,674.9 M	\$ 1,433.7 M	16.8 %
Consolidated Segment Operating Income	\$ 401.4 M	\$ 360.9 M	11.2 %
<i>Margin %</i>	24.0 %	25.2 %	
Earnings Per Share from Continuing Operations ( <i>diluted</i> )	\$ 1.87	\$ 1.66	12.7 %

## Y-O-Y Q4 Sales:

- Contractual pass-through pricing and higher metal selling prices at three primary mills of ~ \$58M
- Continued aerospace strength → ~19% ↑
  - Cast and forged components
    - Realignment with the base commercial build rates
  - > 2x increase in Cannon Muskegon external alloy sales
    - Leading indicator of aerospace recovery
  - Improved aftermarket activity
- Slight boost in aerospace fastener sales → ~ 3% ↑
  - Still no significant distributor or 787 orders
- IGT upside → ~ 23%↑
  - Investment Cast Products → ~ 7% ↑
    - OEM increases
  - Forged Products → ~ 80% ↑
    - Material share gains and component sales
- General industrial growth → ~ 23% ↑
- Decline in core seamless pipe sales → ~ 55% ↓
  - Initial recovery late in Q4
  - Steady growth in shipments through FY12

## Sequential Sales Q3 → Q4:

- Additional aerospace growth → ~ 6% ↑
- Increased general industrial sales → ~ 10% ↑

## Y-O-Y Q4 EBIT:

### Benefited from:

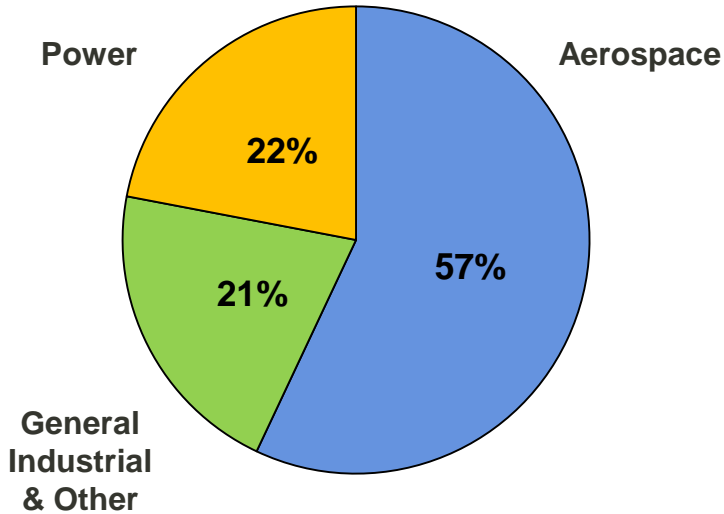
- Strong leverage on increased aerospace throughput
- Higher general industrial volumes

### Offset by:

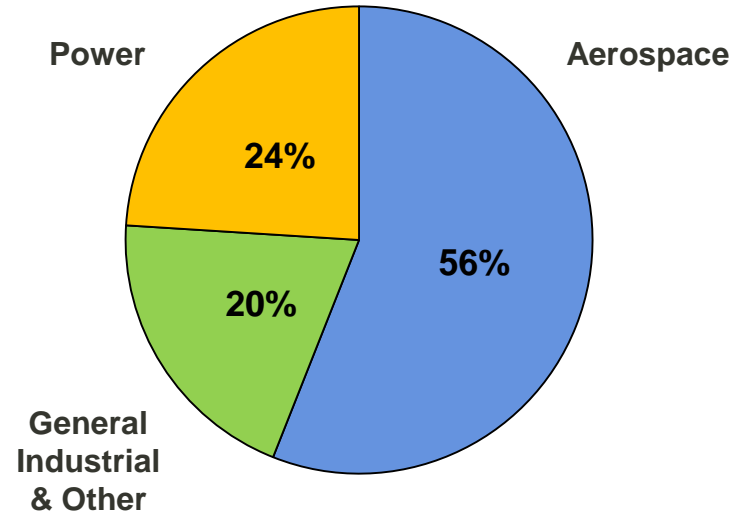
- Decreased contribution from seamless pipe sales
- Increased share of lower value aerospace fastener products
- Dilution from metal pass-through and higher metal selling prices

# Sales By Market – Q4 FY11 vs. Q4 FY10

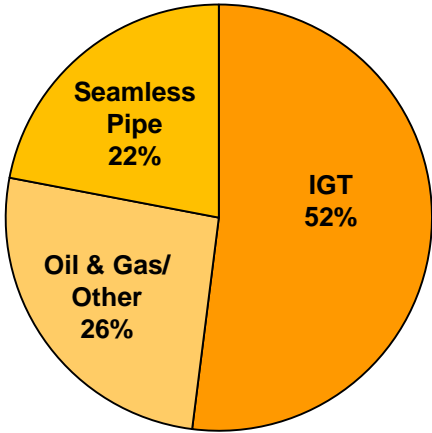
**Q4 FY11**



**Q4 FY10**

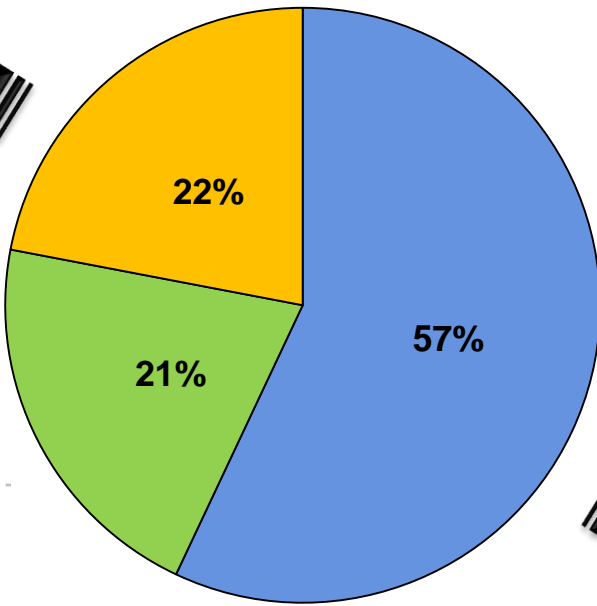


# FY11 Sales by Market

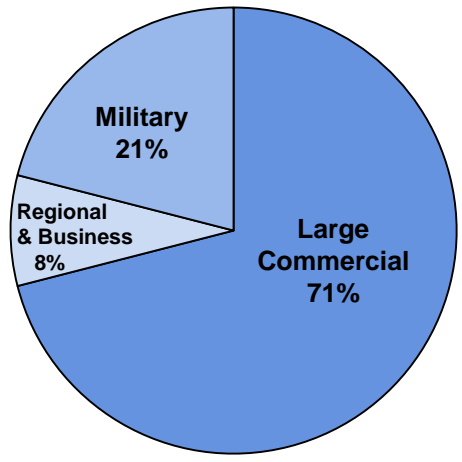


**POWER**

**GENERAL INDUSTRIAL & OTHER**



**AEROSPACE**



# Segment Summary

## Investment Cast Products

	<u>Q4 FY11</u>	<u>Q4 FY10</u>	<u>% Change</u>
Sales	\$ 558.9 M	\$ 466.9 M	19.7 %
Operating Income	\$ 177.1 M	\$ 145.3 M	21.9 %
<i>Operating Margin</i>	31.7 %	31.1 %	

### Y-O-Y Q4 Sales:

- Good traction in aerospace markets → ~ 28% ↑
  - Schedules consistent with OEM production rates → ~ 32% ↑
  - Aftermarket increases driven by engine cycles → ~ 6% ↑
- Moderate pickup in IGT sales → ~ 7%↑
  - Improvements in OEM shipments
- Higher material pass-through → ~ \$7M↑

### Sequential Sales Developments Q3 → Q4:

- Steady ramp in aerospace → ~ 5% ↑
- Improved IGT shipments
  - Material share gains
  - Components

### Y-O-Y Q4 EBIT:

- Improved leverage on increased aerospace throughput
  - Solid drop-through
    - ~ 35% incremental margins
    - Material pass-through dilutes margins 0.4 pps
- Continuous focus on cost metrics
  - Productivity
  - Variable cost
  - Scrap and rework



- Previously announced customer schedules loading in
  - Base commercial aircraft programs
  - 787



Sales growth ramping up into latter half of FY12

- Potential upside in IGT orders

# Segment Summary

## Forged Products

	Q4 FY11	Q4 FY10	% Change
Sales	\$ 771.3 M	\$ 640.3 M	20.5 %
Operating Income	\$ 147.3 M	\$ 132.1 M	11.5 %
<i>Operating Margin</i>	19.1 %	20.6 %	

### Y-O-Y Q4 Sales:

- Material pass-through relatively flat/higher metal selling prices from three primary mills → ~ \$51M ↑
- Aerospace dynamics similar to Investment Cast Products
  - Sales improvement of ~ 24% ↑
- Continued health of general industrial markets
  - Y-o-Y increase of ~ 35% ↑
- Solid IGT growth in both components and material share gain of ~ 80% ↑
- Significant drop in core seamless pipe shipments
  - ~ 55% lower than last year's Q4 sales

### Sequential Sales Developments Q3 → Q4:

- Higher material pass-through and increased metal selling prices at mills → ~ \$25M ↑
- Robust aerospace sales growth → ~ 12% ↑
- Further general industrial strength → ~ 15% ↑

### Y-O-Y Q4 EBIT:

- Solid leverage from increased aerospace volume
- Improved contribution from general industrial businesses

#### Offset by:

- Weak seamless pipe performance
  - Reduced earnings by more than \$30M
  - Impacted margins by more than 3.0 pps
- Material pass-through dilutes margins by 1.3 pps



- Q4 aerospace order increases
  - Production rate boosts
    - Base programs
    - 787
  - Steady sales improvement into back half of FY12
- Seamless pipe sales/earnings growing through FY12
  - Recovery in core product
  - Upside opportunity in complex alloy product for oil & gas markets
- Additional general industrial strength
  - Potential market share growth

# Segment Summary

## Fastener Products

	<u>Q4 FY11</u>	<u>Q4 FY10</u>	<u>% Change</u>
Sales	\$ 344.7 M	\$ 326.5 M	5.6 %
Operating Income	\$ 105.0 M	\$ 108.1 M	(2.9) %
<i>Operating Margin</i>	30.5 %	33.1 %	

### Y-O-Y Q4 Sales:

- Increase in general industrial markets → ~ 13% or \$11M ↑
- Modest aerospace sales
  - Non-core aerospace fastener growth gains → ~ \$12M ↑
  - No traction from core products/distributor base
  - Minimal 787 activity
    - Current build coming out of customer inventories

### Sequential Sales Developments Q3 → Q4:

- Flat

### Y-O-Y Q4 EBIT:

- Continued aerospace doldrums
  - Reduced high-value component throughput
    - Distribution core product
    - 787 business
  - More lower-margin aerospace shipments
- Increased general industrial volume



- Contractually well-positioned for upturn
  - 787/distribution upside
  - OEM to support ramp-up
- Lagging casting and forging segments by two to three quarters
- New acquisition → PB Fasteners

# Acquisition of PB Fasteners

## Strategic Rationale

- Product range and strength in “Specials” enhance fastener product range in critical airframe applications
  - Broadens Fastener Products portfolio to include entire SLEEVbolt® product line and opens up sales to wider customer base
- Technological and manufacturing capabilities
  - Developed SLEEVbolt® fastener technology
  - Strong 787 content
- Potential synergies in raw material purchasing, leverage of Southern California fastener operations, and optimizing production with Jenkintown
- Identified as part of initial product family review following SPS Technologies acquisition

## Valuation

- Transaction multiples consistent with prior fasteners acquisitions

## Timing

- Subject to Hart-Scott-Rodino
- Closing expected in June

# Cash and Debt Position for Q4 FY11

	<u>April 3, 2011</u>	<u>January 2, 2011</u>	<u>Q4 Change</u>
Cash	\$ 1,159.0 M	\$ 822.8 M	\$ 336.2 M
Debt	236.6 M	236.9 M	0.3 M
<i>Debt-To-Capitalization</i>	<i>3.2 %</i>	<i>3.4 %</i>	
 			<hr/>
Total change in cash and debt			<u><u>\$ 336.5 M</u></u>

# Inventory Position

	<u>April 3, 2011</u>	<u>January 2, 2011</u>	<u>Q4 Change</u>
Raw Materials & Supplies	\$ 437 M	\$ 466 M	\$ (29) M
WIP	539 M	547 M	(8) M
Finished Goods	334 M	322 M	12 M
LIFO	<u>149 M</u>	<u>186 M</u>	<u>(37) M</u>
Total	<u>\$ 1,459 M</u>	<u>\$ 1,521 M</u>	<u>\$ (62) M</u>

# Q4 Summary

## Investment Cast Products

- Consistent with current commercial aircraft production rates
- **Transitional events**
  - Increased external alloy sales → leading indicator
  - Significant aerospace order traction midway through quarter
  - More promising IGT environment

## Forged Products

- Tracked commercial build rates
- Continued general industrial strength
- **Transitional events**
  - Improved aerospace order flow by mid-quarter
  - Initial ramp of pipe volume out of trough

## Fastener Products

- Flat sequential sales
- No recovery in 787/distributor orders
  - Building current production aircraft out of customer inventory
- Modest general industrial growth

**Supporting  
Anticipated Future  
Growth Rates**

# Looking Ahead

## Aerospace

- Investment Cast Products/ Forged Products
    - OEM schedules now loading in for increased base aircraft and 787 rates
      - Driving initial ramp of sales into back half of fiscal 2012 and beyond
    - Solid aftermarket traction going forward
  - Fastener Products
    - Currently lagging recovery in other two segments by 2-3 quarters
    - Continued flatness in Q1
    - Major accelerators
      - Resurgence of 787 product lines
      - Heightened distribution activity
- Well-positioned across the board  
Long runway for growth



## Power

- Forged Products
  - Seamless pipe
    - Sequential sales/earnings improvements through FY12
    - Promising opportunities in power generation
    - Expanded offerings in niche oil & gas markets
- Investment Cast Products
  - Industrial gas turbine
    - Potential upside
      - Support Japan needs
      - Increase in inquiry activity
      - Aftermarket opportunities

## General Industrial

- Further upside through market improvement and additional share gains

# Questions

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