



Carpenter Technology Corporation

3rd Quarter Fiscal Year 2016

Earnings Call

April 26, 2016



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, Form 10-Q for the quarters ended September 30, 2015 and December 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 and Latrobe, Pennsylvania and Athens, Alabama 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.

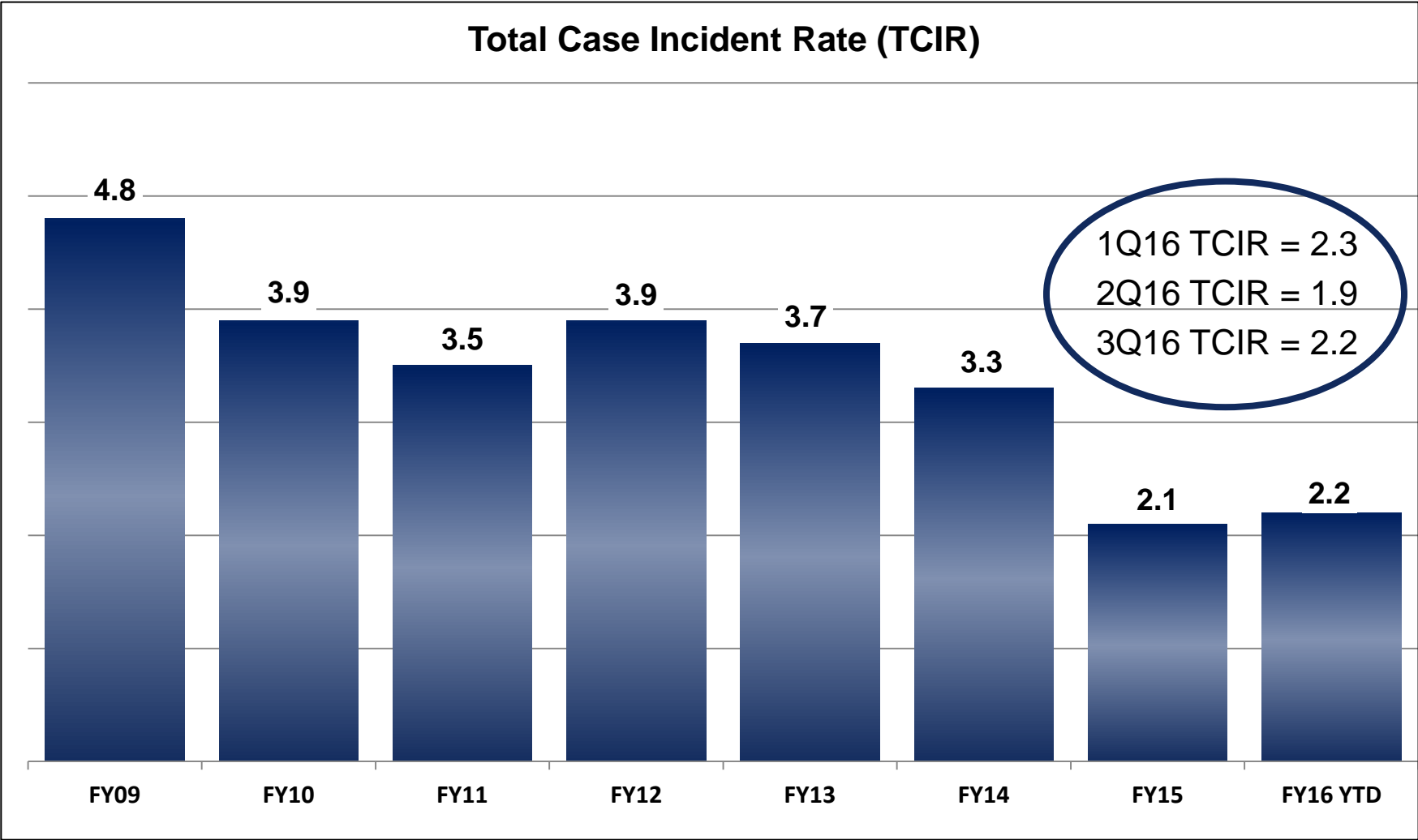


3rd Quarter Fiscal Year 2016 Summary

Tony Thene

President and Chief Executive Officer

Safety is our First Priority



3rd Quarter Summary
















Solid Profitability and Free Cash Flow Reflects Focus on High-End Premium Alloys and Disciplined Approach to Cost Management

- Solid operating performance excluding special items; adjusted EPS of \$0.30 (loss of \$0.51 as reported)
- Ongoing progress implementing Carpenter operating model supporting margins through cost reductions and operational excellence
- Sequential revenue growth in majority of end-use markets highlights business diversification and participation in broad range of applications
- Overall volume impacted by continued weakness in Energy and Industrial and Consumer end-use markets
- Aerospace and Defense end-use market results benefited from improved mix and strength in Defense, partially offsetting impact of industry-wide platform transitioning and delays
- Realignment of sales and marketing team in line with ongoing transition to solutions-oriented organization leveraging full Carpenter portfolio
- Maintained solid liquidity position with improved working capital management and reduced capital expenditures
- Strong Free Cash Flow of \$47 million
- Repurchased \$28 million of common stock during the quarter

3rd Quarter FY16 End-Use Market Highlights

Q3-16 Net Sales ex. Surcharge (\$M)* vs. Q3-15 vs. Q2-16

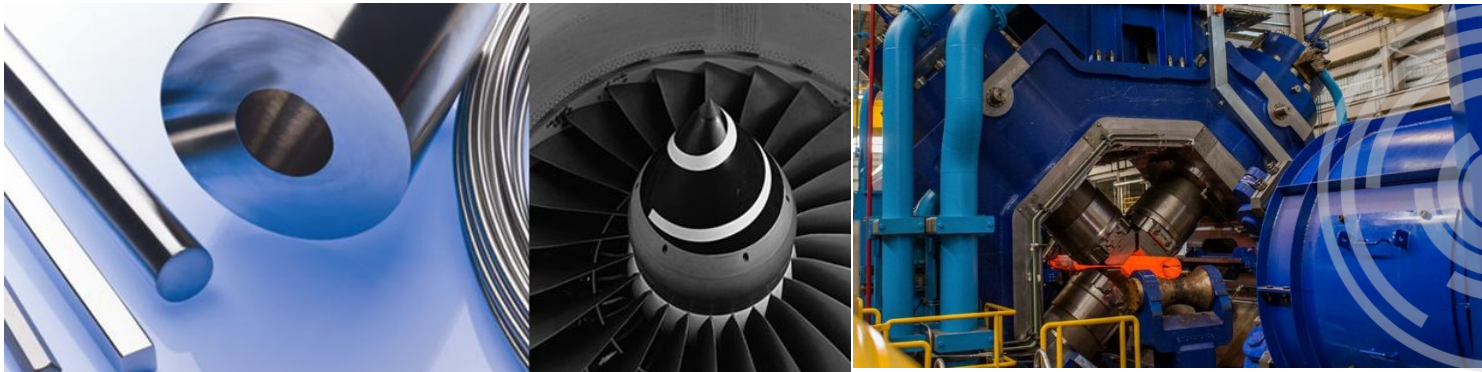
Comments

Image	Market	Q3-16 Net Sales ex. Surcharge (\$M)*	%	vs. Q3-15	vs. Q2-16	Comments
	Aerospace and Defense	200.9	50%	-6% 	+3% 	<ul style="list-style-type: none"> Engines up slightly on a sequential basis; down YOY mainly due to platform transitioning and delays Fastener sales up sequentially; down YOY due to impact of continued supply chain inventory adjustments Structural slightly down YOY on higher volume and weaker mix Defense up significantly YOY on high-value material for targeted programs
	Energy	33.6	8%	-45% 	+41% 	<ul style="list-style-type: none"> North American quarterly average directional and horizontal rig count down 58% YOY; down 24% sequentially Completions activity continuing at low but stable level Focus on positioning for eventual recovery Power generation orders drove sequential growth
	Transportation	34.1	8%	+2% 	-2% 	<ul style="list-style-type: none"> Increased YOY sales driven by high performance material growth supporting regulatory demand Share gain experienced in emerging markets Reduced sequential sales due to lower heavy duty truck builds
	Medical	28.9	7%	+0% 	+12% 	<ul style="list-style-type: none"> Sequential revenue growth driven by seasonality; revenue flat YOY on improved mix Demand remains steady for differentiated titanium, nickel and cobalt materials – supported by long term agreements Transactional business remains very competitive
	Industrial and Consumer	74.1	18%	-19% 	+4% 	<ul style="list-style-type: none"> Revenues up on sequential basis General industrial market demand down YOY influenced by decrease of oil & gas but growth realized in other select applications Consumer sales remained stable on balanced sentiment

Sales ex. surcharge down 13% year-over-year and up 6% sequentially

*Excludes sales through Carpenter's Distribution businesses

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3rd Quarter Fiscal Year 2016 Financial Overview & Business Update

Damon Audia

Senior Vice President and Chief Financial Officer

Income Statement Summary

\$ Millions, except pounds and per-share amounts	Q3-15	Q2-16	Q3-16	Sequential Change
Pounds ('000)	69,052	56,928	61,338	4,410
Net Sales	570.6	443.8	456.3	12.5
Sales ex. Surcharge *	462.9	379.4	402.4	23.0
Gross Profit	75.8	66.3	47.5	(18.8)
Selling, General and Administrative Expenses	45.7	44.5	41.7	(2.8)
<i>% of Sales ex. Surcharge</i>	9.9%	11.7%	10.4%	-1.3% pts.
Special Items *	27.9	2.6	54.7	52.1
Operating Income (Loss)	4.8	21.8	(24.3)	(46.1)
Operating Income ex. Pension EID and Special Items *	35.1	29.2	35.2	6.0
<i>% of Sales ex. Surcharge</i>	7.6%	7.7%	8.7%	1% pts.
Effective Tax Rate	39.1%	23.8%	27.6%	3.8%
Net (Loss) Income	(1.4)	11.5	(23.9)	(35.4)
Diluted (Loss) Earnings per Share	(\$0.03)	\$0.23	(\$0.51)	(\$0.74)
Adjusted Diluted Earnings per Share ^	\$0.32	\$0.24	\$0.30	\$0.06

Improved adjusted operating margin despite 11% year over year reduction in volume

*Detailed schedule included in Non-GAAP Schedules in Appendix

^ Detailed schedule included in Slide 9

Special Items

\$ Millions, except per-share amounts	Q3-15	Q2-16	Q3-16
As Reported			
Net (Loss) Income	(1.4)	11.5	(23.9)
Diluted (Loss) Earnings per Share	(\$0.03)	\$0.23	(\$0.51)
Restructuring and Asset Impairment Charges	16.6	-	12.0
Goodwill Impairment	-	-	9.3
Excess Inventory Write-down	-	-	14.7
Consulting Costs	1.7	1.7	1.4
Income Tax Items*	-	(0.8)	0.8
Special Items	18.3	0.9	38.2
Net Income excluding Special Items	16.9	12.4	14.3
Adjusted Diluted Earnings per Share	\$0.32	\$0.24	\$0.30

* Discrete income tax benefit recorded in Q2-16 as a result of a tax law change. Discrete income tax charge recorded in Q3-16 as a result of sale of equity method investment in India.

Note: Special Items amounts above are shown on an after-tax basis. For the pre-tax impacts, see Slide 19.

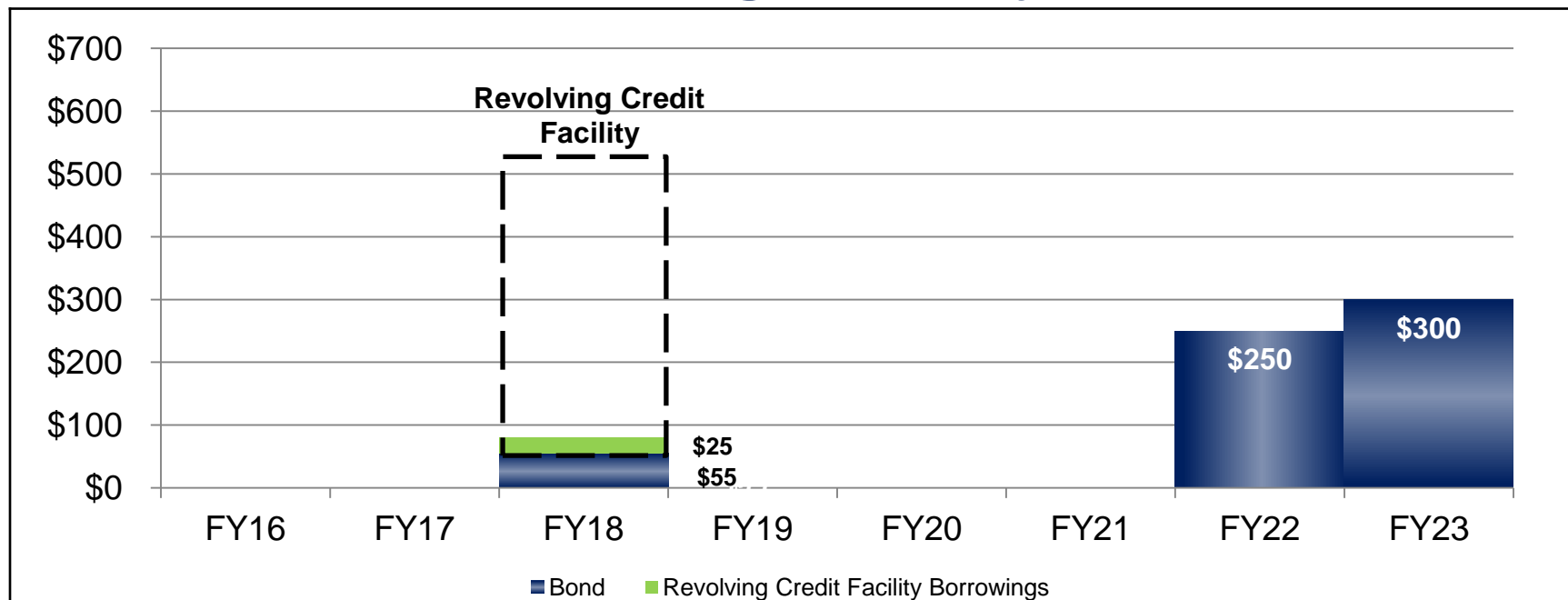
Free Cash Flow Summary

\$ Millions	FY15				FY16
	YTD	Q1	Q2	Q3	YTD
Net Income + Non-cash Items	252	54	61	64	179
Inventory	(18)	(33)	(2)	17	(18)
Other working capital	(80)	21	(29)	(15)	(24)
Total Net Working Capital	(98)	(12)	(31)	2	(42)
Pension Plan Contributions	(6)	0	0	0	0
Net Cash from Operating Activities	148	42	30	66	137
Purchases of property, equipment and software	(152)	(30)	(20)	(17)	(66)
Dividends paid	(29)	(9)	(9)	(8)	(26)
Proceeds from sale of equity method investment	0	0	0	6	6
Other	0	4	1	0	4
Free Cash Flow	(33)	7	2	47	55

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

**Lower capital expenditures and inventory reductions delivering
5th consecutive quarter of positive free cash flow**

Capital Structure – Strong Liquidity Position



- Positive free cash flow in fiscal year 2016
- Solid liquidity of \$491 million (\$23 million of cash and \$468 million of available borrowings under revolving credit facility)
- No significant pension plan contributions expected until fiscal year 2019
- No major debt maturities until fiscal year 2022

Note: Available borrowings under revolving credit facility reduced \$7 million for outstanding letters of credit

Ample liquidity with no meaningful near-term obligations

Share Repurchase Program Update

	FY15	Q1-16	Q2-16	Q3-16	Program to Date
Share Purchase Total (\$ millions)	124.5	45.9	50.4	27.6	248.4
Number of Shares Purchased (millions)	3.0	1.2	1.5	1.0	6.7

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

Repurchased 6.7 million shares (12% of outstanding) since inception for \$248 million

SAO Segment Summary

Q3 Operating Results

	Q3-15	Q2-16	Q3-16	vs PY	vs Q2
Pounds ('000)	67,232	54,794	59,082	(8,150)	4,288
Sales ex. Surcharge (\$M)	360.0	299.2	316.5	(43.5)	17.3
Op Inc ex. EID (\$M)	37.9	41.5	45.6	7.7	4.1
<i>% of Sales ex. Surcharge</i>	10.5%	13.9%	14.4%	3.9%	0.5%

Q3 Business Results

- Continued margin expansion driven by execution of Carpenter operating model and continued cost improvements
- Higher sequential volume related to increased sales in Aerospace and Defense market as well as Power Generation sub-market
- Continued weakness in Energy and related weakness in Industrial and Consumer end-use markets drove lower year-over-year sales volumes

Q4 Outlook

- Overall volumes expected to be similar to Q3, with slightly lower mix given expected sequential decline in Power Generation volume
- Aerospace expected to remain strong
- Continued focus on implementation of Carpenter operating model
- Benefits of cost savings actions executed in Q3

PEP Segment Summary

Q3 Operating Results

	Q3-15	Q2-16	Q3-16	vs PY	vs Q2
Pounds* ('000)	3,806	2,800	2,774	(1,032)	(26)
Sales ex. Surcharge (\$M)	120.1	85.2	91.2	(28.9)	6.0
Op Inc (Loss) ex. EID (\$M)	8.5	(2.9)	(0.9)	(9.4)	2.0
<i>% of Sales ex. Surcharge</i>	<i>7.1%</i>	<i>-3.4%</i>	<i>-1.0%</i>	<i>-8.1%</i>	<i>2.4%</i>

Q3 Business Results

- Sequential sales and operating income in line with expectations
 - Demand for Aerospace titanium products began to recover
- Sales and operating income performance year-over-year primarily driven by weak Oil and Gas demand due to reduced drilling activity

Q4 Outlook

- Outlook expected to be consistent with Q3
 - Stable demand for Aerospace titanium products
 - Increase in demand for powder products
 - Continued weakness in Oil & Gas demand
- Continuing to align cost structure with end-use markets environment and position segment for eventual Oil & Gas recovery

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



3rd Quarter Fiscal Year 2016 Closing Comments

Tony Thene

President and Chief Executive Officer

Investing in the Future

Athens Facility



Achievements to Date

- Facility is fully operational
- 90% of customer site non-VAP certifications complete
- 75% of Oil & Gas completions achieved
- Expanded range of products approved for manufacturing
- Two VAP qualifications completed for nickel superalloy used for aerospace rings

Looking Forward

- CY 2016 - finalize internal development processes and work with customers on VAP qualifications
- CY 2017 - achieve most stringent aerospace engine parts qualifications from customers and their supply chain partners

Powder Products



Powder Products Capabilities

- One of the world's largest suppliers of spherical gas atomized metal powders
- Manufacturing facilities: Pennsylvania, Rhode Island, Alabama and Sweden
- Currently producing superalloy powder in Athens facility
- Titanium powder investments underway

Powder Products Opportunity

- Additive manufacturing represents major growth opportunity across end-use markets
- Expected to be one of the fastest growing segments in overall metals market

Outlook and Closing Comments

***Well Positioned
as Preferred
Solutions
Provider for
High-end
Premium Alloy
Markets;
Initiatives Aimed
at Supporting
Margin Growth
as Volumes
Return***

- Actively managing business to expand revenue profile and reduce costs during challenging macro-economic climate
- Transitioning to more solutions-focused, market-facing company to better leverage technology and deepen customer relationships
- Driving cash flows through execution of cost reduction plan and Carpenter operating model
- Fourth quarter volume expected to be flat sequentially due to declines in Energy and Industrial & Consumer end-use markets
- Committed to driving working capital efficiency and maintaining capital spending discipline
- Building out new technologies and process solutions to fuel long term growth



Appendix of Non-GAAP Schedules

Non-GAAP Schedules (Unaudited)

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

\$ Millions	Q3-15	Q2-16	Q3-16
Net sales	570.6	443.8	456.3
Less: surcharge revenue	107.7	64.4	53.9
Consolidated Net Sales Excluding Surcharge	462.9	379.4	402.4
Operating income (loss)	4.8	21.8	(24.3)
Pension EID	2.4	4.8	4.8
Operating Income (Loss) Excluding Pension EID	7.2	26.6	(19.5)
Excess inventory write-down	-	-	22.5
Restructuring and asset impairment charges	25.3	-	17.6
Goodwill impairment	-	-	12.5
Consulting costs	2.6	2.6	2.1
Special Items	27.9	2.6	54.7
Operating Income Excluding Surcharge, Pension EID and Special Items	35.1	29.2	35.2
Operating Margin Excluding Surcharge, Pension EID and Special Items	7.6%	7.7%	8.7%

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 restructuring and asset impairment charges, goodwill impairment, excess inventory write-down and other special items is helpful in analyzing the operating performance of the Company, as these costs are not indicative of ongoing operating performance.

Non-GAAP Schedules (Unaudited)

Free Cash Flow

\$ Millions	Q3-15	Q3-16	FY15	FY16
Net cash provided from operating activities	120.9	65.5	148.4	137.2
Purchases of property, equipment and software	(24.8)	(16.6)	(152.3)	(66.1)
Proceeds from disposals of property and equipment	0.1	0.1	0.2	0.3
Proceeds from the sale of equity method investment	-	6.3	-	6.3
Dividends paid	(9.5)	(8.5)	(28.8)	(26.3)
Other	-	-	-	4.0
Free Cash Flow	86.7	46.8	(32.5)	55.4

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.