

Investor Presentation

December 2011



Nasdaq: EDAC

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EDAC Highlights

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- Designer/manufacturer of complex precision parts for top-tier customers
- Supplier to world-class aerospace programs, including all emerging programs:
 - Joint Strike Fighter
 - 787 Dreamliner
 - Boeing 777
 - LEAPX program
 - Geared Turbofan
 - GP 7000
- Well-established industrial tooling and machinery business
- Growth strategy focused on:
 - **Diversification** through expanded range of parts/services
 - **Acquisitions** to add depth, consolidate smaller suppliers per major customer preference



EDAC Today

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PRODUCT LINE	DESCRIPTION	KEY PRODUCTS/SERVICES
Aerospace		
EDAC AERO	<ul style="list-style-type: none"> □ Produces components for all major aircraft engine and ground turbine manufacturers □ Covers both hot and cold sections of the engine □ Includes both rotating and static assemblies □ Supplies military spare parts 	<ul style="list-style-type: none"> □ Low pressure turbine cases, hubs, rings, disks and other complex components □ Precision assembly of jet engine sync rings, aircraft welding/riveting, post-assembly machining □ Precision machining and repair of selected components
Industrial		
Apex Machine Tool	<ul style="list-style-type: none"> □ Designs and manufactures highly sophisticated components for a diverse range of commercial customers 	<ul style="list-style-type: none"> □ Fixtures, precision gauges and complex composite molds □ Provides exacting quality to customers requiring tolerances to +/- .0001 inches
EDAC Machinery	<ul style="list-style-type: none"> □ Gros-Ite Spindles designs, manufactures and repairs a comprehensive line of standard and OEM spindles, including a patented hydrostatic product line □ Service Network International (SNI), with the addition of Accura Technics, manufactures and services precision grinders 	<ul style="list-style-type: none"> □ Custom spindles for manufacturing applications at speeds over 100,000 RPM □ Repair and recondition precision rolling element spindles □ Computer numerical control (CNC) grinding systems used in the manufacture of precisely engineered parts for a wide range of applications

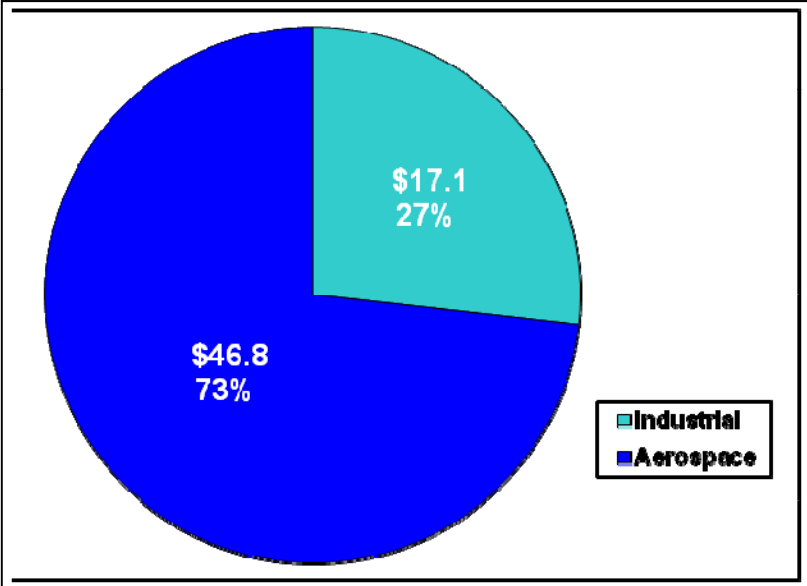
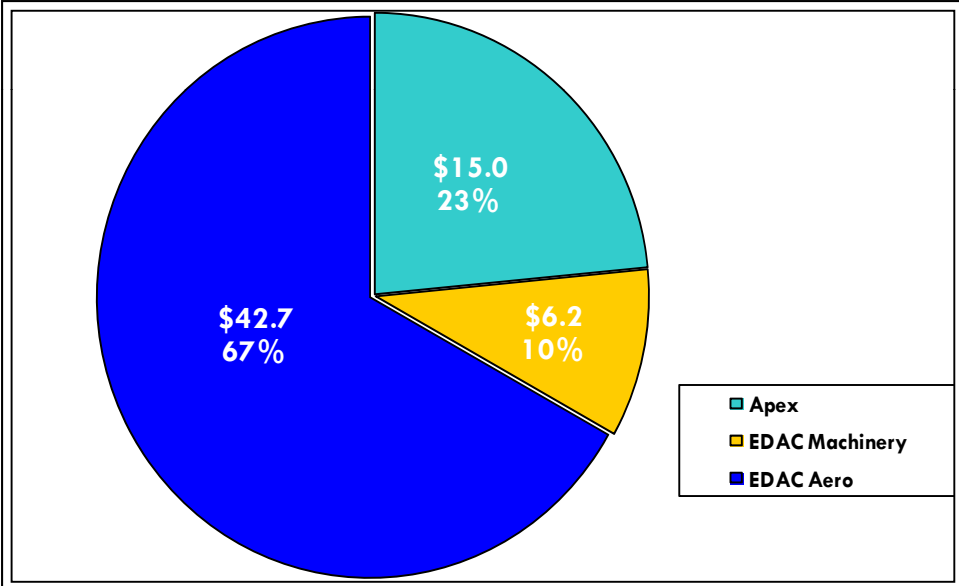


Sales Profile – 9 Months ended 10/1/11

PRODUCT LINE

CUSTOMER CATEGORY

(\$ in millions)



EDAC: Tracking a Turnaround

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- 2002:** Sales drop 42% post-9/11, Enron; Company defaults on loans
- 2003:** Dominick Pagano, Board member and interim President since 2002, named President & CEO; debt restructured; divisions consolidated; Company right-sized
- 2004:** Company returns to operating profitability
- 2005:** Debt refinanced
- 2006:** Plant modernized; machinery and equipment added
- 2007:** Position in aerospace, machine tool markets expanded; Company acquires repair unit of MTU Aero Engines-North America
- 2008:** Backlog reaches \$52 million despite Boeing strike, financial crisis; investment in equipment continues
- 2009:** EDAC acquires manufacturing operations of MTU Aero Engines-NA and Service Network Inc. (SNI) assets; strengthens Board of Directors
- 2010:** EDAC acquires Accura Technics precision grinding and machining business
- 2011:** Backlog at 10/1/11 reaches \$214 million



Focus on Growth: Strategy

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Expand range of higher margin products, increase market penetration, diversify customer base, improve processes

- ❑ Focus on precision engineered, complex parts across all product lines
- ❑ Maintain position on current and legacy aerospace programs and military spare parts, while ensuring continued participation in all emerging programs through new parts development
- ❑ Extend product range in aircraft engines and in rotating components for rotor aircraft
- ❑ Further improve operating efficiency and productivity
- ❑ Make selective, accretive acquisitions



Focus on Growth: Strategic Accomplishments

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EDAC AERO

- ❑ Acquisition of MTU Aero Engines North America broadens aerospace sector presence
- ❑ Aerospace product lines reorganized to better serve customers and align resources with opportunities
- ❑ Continued investment in new parts development for emerging programs leads to major long-term agreements totaling \$92 million year-to-date

APEX Machine Tool

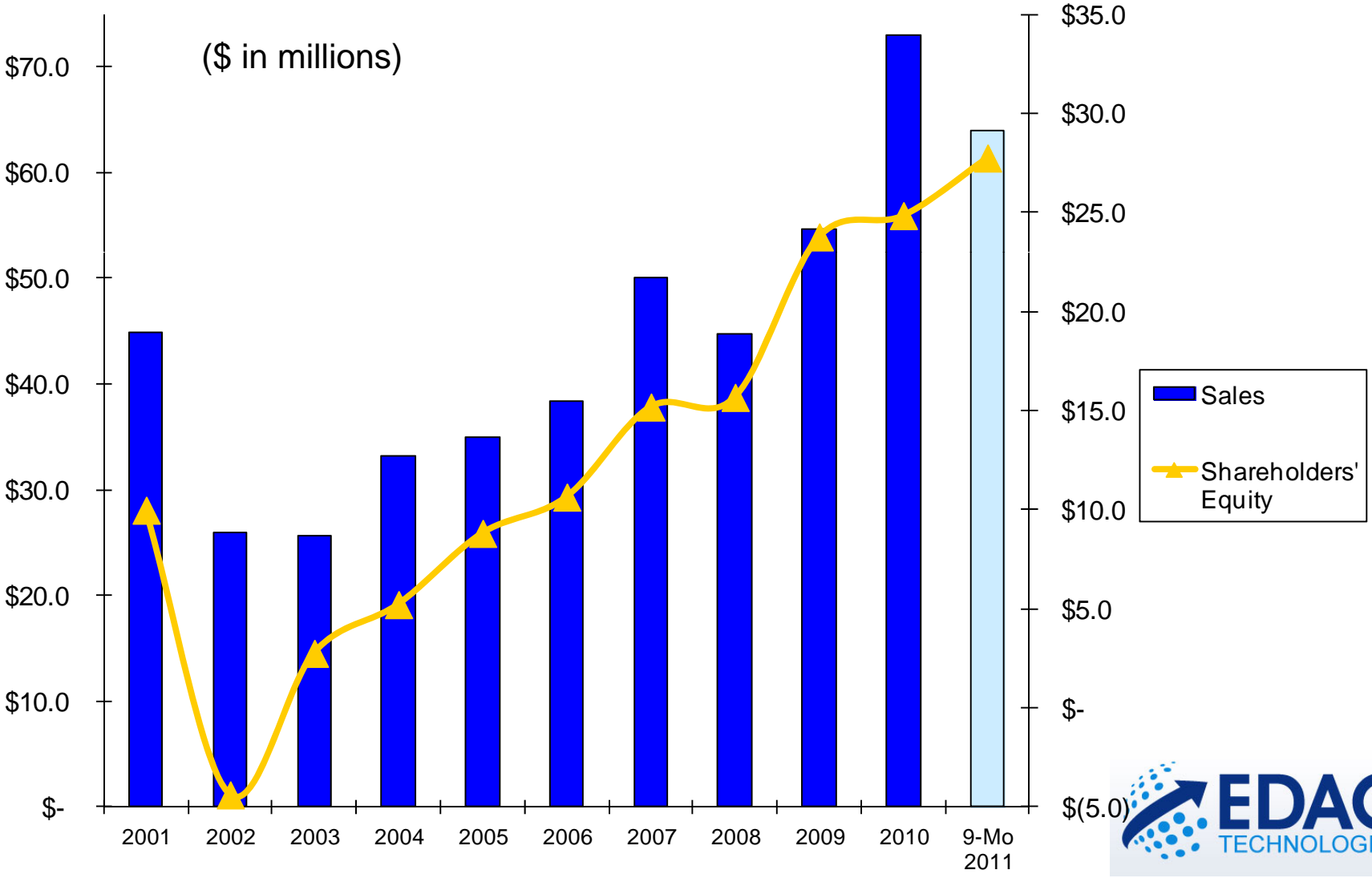
- ❑ New manager successfully focused on increased productivity; larger and more sustainable programs

EDAC Machinery








- ❑ SNI acquisition adds precision grinders to spindle product line
- ❑ Accura Technics acquisition expands grinding systems



Focus on Growth: Rebuilding Sales and Shareholders' Equity

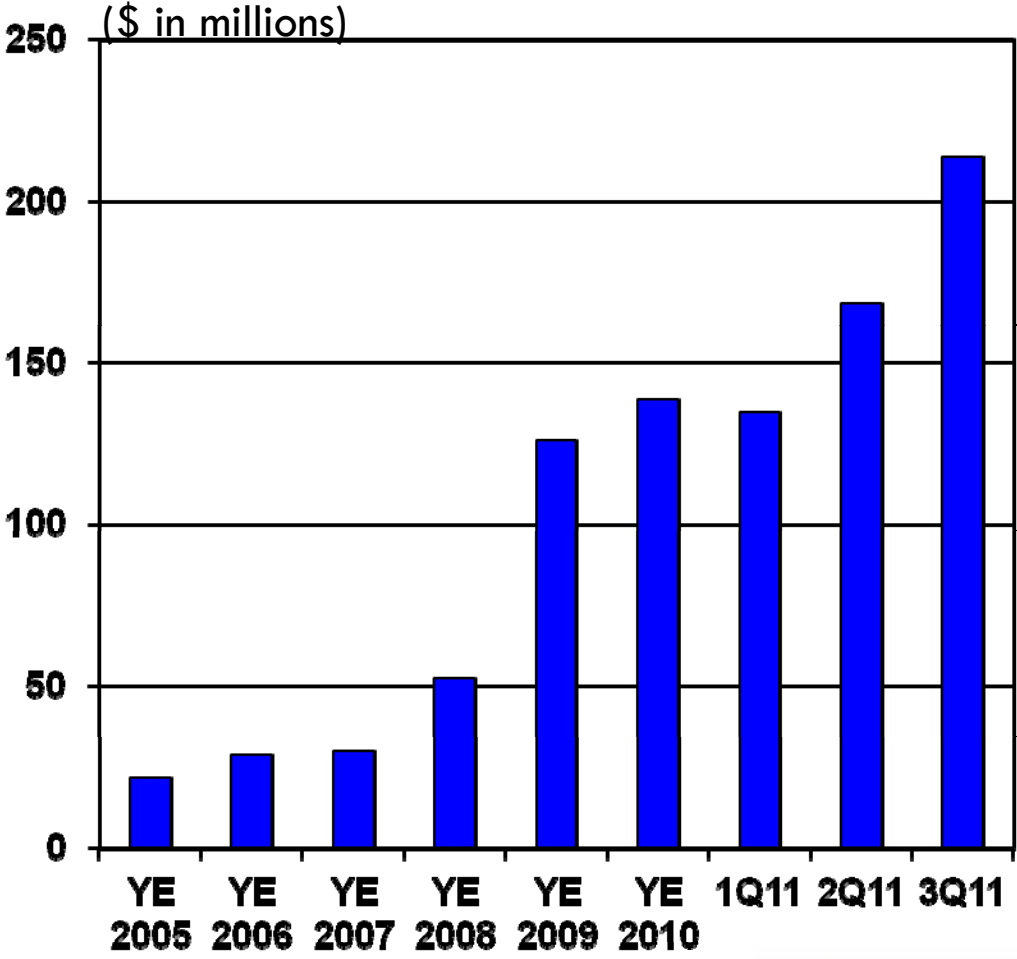


Focus on Growth: Developing Program Activity

PROGRAM		EDAC CONTENT
IAE V2500		<ul style="list-style-type: none"> <input type="checkbox"/> Low pressure turbine disks <input type="checkbox"/> Seals
JOINT STRIKE FIGHTER		<ul style="list-style-type: none"> <input type="checkbox"/> Compressor Integrated Blade Rotors (IBR) <input type="checkbox"/> Compressor Fan Case
GEARED TURBOFAN		<ul style="list-style-type: none"> <input type="checkbox"/> High Pressure Compressor Hubs <input type="checkbox"/> Front Center Body <input type="checkbox"/> Diffuser Cases - Spacers <input type="checkbox"/> Intermediate Fan Case <input type="checkbox"/> Turbine Disks
LEAP-X ENGINE		<ul style="list-style-type: none"> <input type="checkbox"/> High Pressure Compressors Disks, Shaft, Hub <input type="checkbox"/> Seals, Blade Retainer Rings
ADVENT ENGINE		<ul style="list-style-type: none"> <input type="checkbox"/> Fan Blisk
BOEING DREAMLINER		<ul style="list-style-type: none"> <input type="checkbox"/> Fan Cowl <input type="checkbox"/> Fan Blisk
GE 38 ENGINE		<ul style="list-style-type: none"> <input type="checkbox"/> Combustor Case <input type="checkbox"/> Impeller- Turbine Disks

Focus on Growth: Backlog

- Recent 5-year Long-Term Agreements:
- \$42 million LTA - commercial airliner engine components for European manufacturer
 - \$22 million LTA - commercial airliner rotating components for European manufacturer
 - \$28 million LTA - engine components on JSF for US manufacturer



Focus on Growth: Margin Drivers

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Sales Profile

- ❑ Mix
- ❑ Development parts vs. production programs

Efficiency

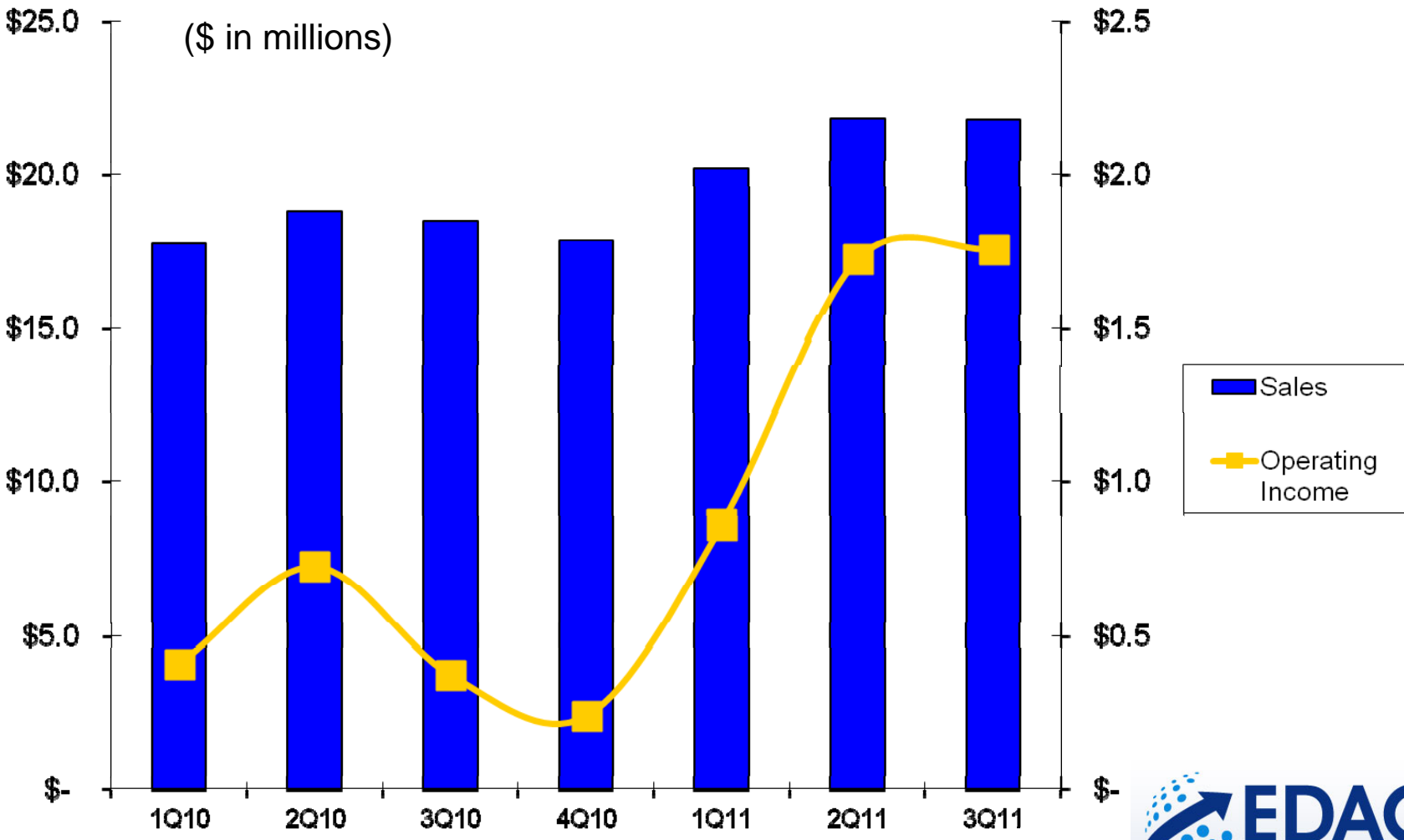
- ❑ High revenues per employee
- ❑ Precision engineering know-how
- ❑ Production quality
- ❑ Advanced equipment capabilities
- ❑ Lean manufacturing best practices, including cellular manufacturing
- ❑ Longer production runs

Value Added Machining vs. Material Content

- ❑ Fact of life: Primes limit mark-up on material content



Focus on Growth: Improving Operating Profitability



Financial Summary

(\$ in thousands)

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	<u>9-Mo 2011</u>	<u>9-Mo 2010</u>	<u>FY 2010</u>	<u>FY 2009</u>
Sales	\$63,920	\$55,156	\$73,058	\$54,643
Cost of Sales	<u>53,603</u>	<u>48,989</u>	<u>65,080</u>	<u>48,716</u>
Gross Profit	10,317	6,167	7,978	5,927
Gross Margin %	16.1%	11.2%	10.9%	10.8%
SG&A	<u>5,964</u>	<u>4,653</u>	<u>6,222</u>	<u>4,850</u>
Income from Operations	4,353	1,514	1,756	1,076
Non-Operating Income (Expense)	<u>(785)</u>	<u>(349)</u>	<u>(593)</u>	<u>11,112</u>
Pre-Tax Income	3,576	1,165	1,163	12,188
Provision for Taxes	<u>1,179</u>	<u>377</u>	<u>318</u>	<u>4,562</u>
Net Income	<u>\$ 2,397</u>	<u>\$ 788</u>	<u>\$ 845</u>	<u>\$ 7,626</u>
Diluted EPS	<u>\$ 0.46</u>	<u>\$ 0.16</u>	<u>\$ 0.17</u>	<u>\$ 1.54</u>



Balance Sheet Highlights

(\$ in millions)

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	<u>10/1/11</u>	<u>1/1/11</u>	<u>1/2/10</u>
Current assets	\$41.6	\$38.0	\$33.5
Total assets	65.1	61.4	56.1
Current liabilities	18.7	20.7	14.3
Working capital	23.0	17.3	19.2
Long-term debt (net)	12.7	9.9	12.2
Shareholders' equity	27.8	24.8	23.8



EDAC Future Performance Drivers

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Industry Trends

- ❑ Strong aircraft order flow (Airbus A320 neo, Boeing 737 Next Generation, 787 Dreamliner, Bombardier C-series, MRJ)
- ❑ New aircraft platforms require higher efficiency, more cost-effective engines (e.g. Geared Turbo Fan)
- ❑ Primes' demands driving consolidation of small suppliers

EDAC Initiatives

- ❑ Continued investment in a wider range of higher margin products
- ❑ Diversification of customer base
- ❑ Further adoption of more efficient, productive processes, lean techniques
- ❑ Opportunities for selective, accretive acquisitions

