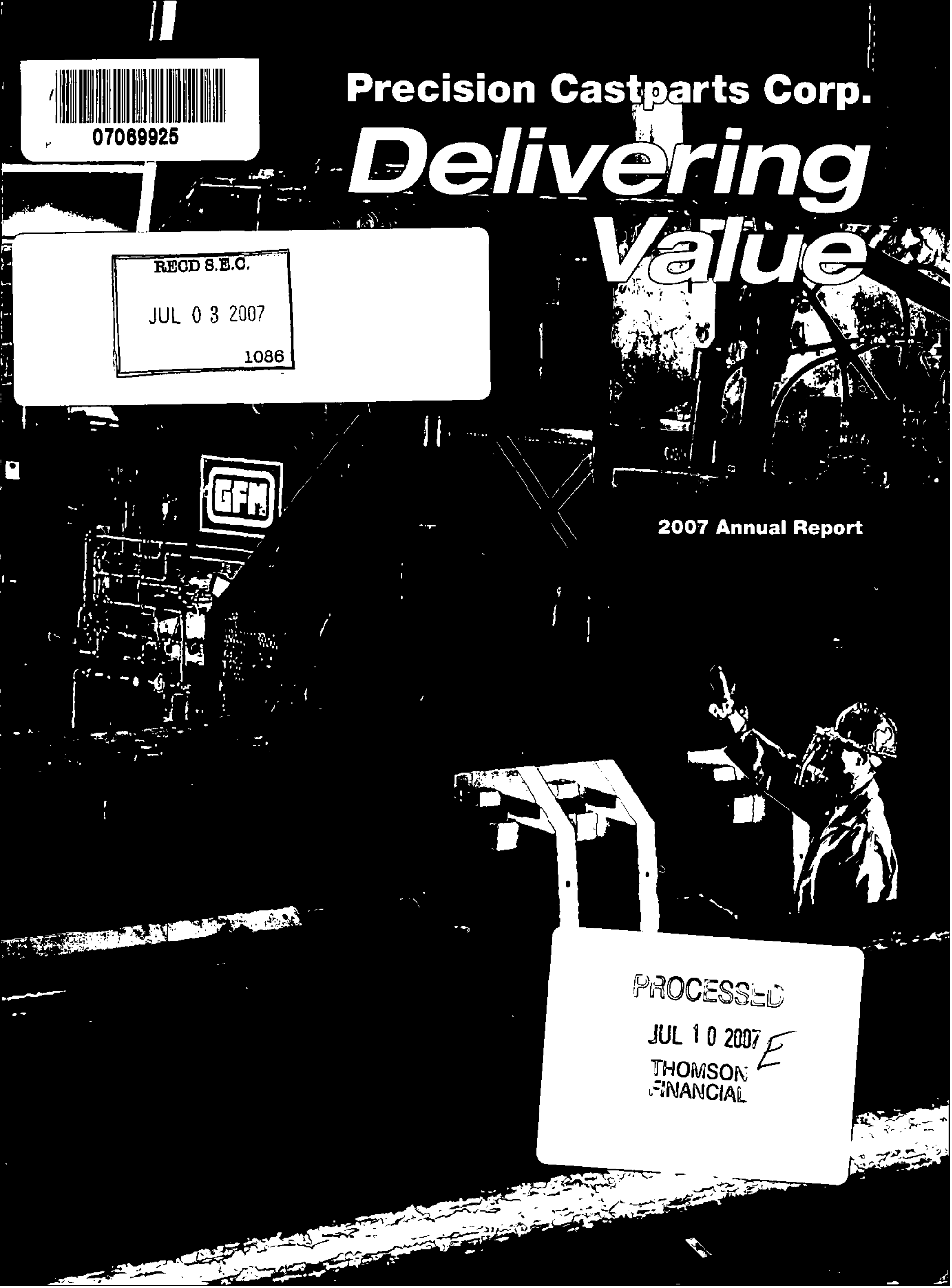
Precision Castparts Corp.

Delivering Value



2007 Annual Report

PRECISION CASTPARTS CORP.

Precision Castparts Corp. (PCC, or the Company), a worldwide manufacturer of complex metal components and products, provides high-quality investment castings, forgings, and fastener/fastener systems for critical aerospace and power generation applications. The Company also provides:

- high-performance, nickel- and cobalt-based alloys engineered for optimum heat resistance, high-temperature corrosion resistance, toughness, and strength, available in a full range of mill forms, including billet, ingot, tubing, sheet, strip, foil, plate, bar, rod, extruded shapes, rod-in-coil, wire, and welding consumables;
- specialty alloys, waxes, and metal processing solutions for the investment casting industry;
- investment castings and forgings for general industrial, automotive, armament, medical, and other applications;
- fasteners for automotive and general industrial markets;
- low-pressure, gravity-independent sewage collection systems for residential installation;
- utility systems for the protection and performance optimization of electric power generation equipment;
- metal-injection-molded and ThixoFormed™ parts for automotive and other markets;
- refiner plates, screen cylinders, and other products for the pulp and paper industry; and
- metalworking tools for the fastener market and other applications.

PCC is distinguished by preeminent leadership in the markets it serves, the high degree of proprietary technology and technical expertise inherent in its product lines, outstanding management of complex manufacturing processes, and close attention to the creation of shareholder value. The Company continues to invest in the growth of its core and derivative businesses by expanding market share and creating new market opportunities, while seeking appropriate acquisitions through which this growth may be enhanced.

Delivering value

to Shareholders, Customers and Employees

In fiscal 2007, positive market forces and your Company's strong market position conver ged to create an outstanding environment for profitable growth. The commercial aerospac cycle continued to be the primary engine for this growth. Our complex investmen castings, forgings, and fasteners are in great demand for critical aircraft engine an airframe applications, and we expanded capacity to meet these heightened requirements A new annex for the Company's titanium structural casting operation, six additiona airfoil casting furnaces, and a second isothermal forge have enabled us to manage steadily growing order book. In addition, Wyman-Gordon's extruded pipe sales to th power generation industry showed continued strength, and the industrial gas turbin market appeared to be regaining strength after several lackluster years.

Fiscal 2007 was also distinguished by several major acquisitions. We closed on Specia Metals in late May 2006, and the progress of this business, both on the sales and th operating income line, has been truly remarkable. The business has certainly performe well beyond our initial projections, and we have solid plans in place for continued upside Special Metals is rapidly increasing its share in non-aerospace markets, such as oil & gas chemical processing, and pollution control, with excellent opportunities to grow marke share even further. Operating margins advanced dramatically quarter after quarter i fiscal 2007. Moving into fiscal 2008, we expect more moderate gains in operating margins but the steady improvement shows no signs of stopping.

Three other acquisitions were announced in fiscal 2007, two of which also closed durin the year. GSC Foundries increases the Company's investment casting capabilities i aluminum and steel, enabling us to expand into different component sizes and to exten the market reach of our castings operations. Cherry Aerospace, a property we have bee pursuing for several years, gives us an entrée into blind bolts and blind rivets, furthe fleshing out the Company's critical aerospace fastener portfolio and opening up som significant cross-selling opportunities. And McWilliams Forge, which closed in the earl days of fiscal 2008, complements our Wyman-Gordon Forgings operations by providin excellent access to the manufacturers of smaller aircraft engines, typically outside th capabilities of Wyman-Gordon's higher-tonnage forges.

All of your PCC businesses continue to push the envelope and achieve higher operatin margins. We are driving performance and achieving solid leverage from increase production volumes, while, at the same time, exploiting a full pipeline of cost-reductio initiatives. There is not a single PCC operation that does not have a clear line of sight t future performance improvement. Fiscal 2008 holds many opportunities for further top and bottom-line improvement, and we plan to capture all the upside available to us.

Mark Donegan

Chairman and Chief Executive Officer
Precision Castparts Corp.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark one)

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Fiscal Year Ended April 1, 2007

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Transition Period From ________ to ________

Commission File No. 1-10348

PRECISION CASTPARTS CORP.

(Exact name of registrant as specified in its charter)

Oregon	**93-0460598**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4650 S.W. Macadam Ave., Suite 440 **Portland, OR 97239**	**97239-4262**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (503) 417-4800

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, without par value	**New York Stock Exchange**
Series A Preferred Stock Purchase Rights	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates of the Registrant as of October 1, 2006, was $8,564,240,202.

As of the close of business on May 21, 2007, the Registrant had 137,590,455 shares of Common Stock, without par value, outstanding.

Portions of the Registrant's Proxy Statement to be filed in connection with the 2007 Annual Meeting of Shareholders are incorporated by reference in Part III.

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

Precision Castparts Corp. ("PCC" or "the Company"), a worldwide manufacturer of complex metal components and products, provides high-quality investment castings, forgings and fasteners/fastener systems for critical aerospace and industrial gas turbine ("IGT") applications. The Company also provides investment castings and forgings for general industrial, automotive, armament, medical and other applications; nickel alloys and product forms, as well as cobalt alloys, for the aerospace, chemical processing, oil and gas, pollution control and other industries; fasteners for automotive and general industrial markets; specialty alloys, waxes and metal processing solutions for the investment casting industry; refiner plates, screen cylinders and other products for the pulp and paper industry; metal-injection-molded and ThixoFormed™ parts for automotive and other markets; sewer systems; utility systems; and metalworking tools for the fastener market and other applications.

Products and Markets

We manufacture complex metal components and products in three principal business segments: Investment Cast Products, Forged Products and Fastener Products. Each of these three business segments is described below.

Investment Cast Products

Our Investment Cast Products segment includes our subsidiaries PCC Structurals, PCC Airfoils and Specialty Materials and Alloys Group ("SMAG"). These operations manufacture investment castings for aircraft engines, industrial gas turbine engines, airframes, medical prostheses and other industrial applications primarily in the aerospace and power generation markets. The segment also provides alloys and waxes to PCC's investment casting operations, as well as to other investment casting companies. The Investment Cast Products segment accounted for approximately 34 percent of our sales in fiscal 2007.

We are the market leader in manufacturing large, complex structural investment castings, and we are the leading manufacturer of airfoil investment castings used in jet aircraft engines. We manufacture investment castings for every jet aircraft engine program in production or under development by our key customers. We are also the market leader in manufacturing structural and airfoil investment castings for industrial gas turbine ("IGT") and aeroderivative engines used for electric power generation, and we have expanded into the structural airframe and armament markets. In addition, we make investment castings for use in the automotive, medical prosthesis, satellite launch vehicle and general industrial markets.

Investment casting technology involves a technical, multi-step process that uses ceramic molds in the manufacture of metal components with more complex shapes, closer tolerances and finer surface finishes than parts manufactured using other casting methods. The investment casting process begins with the creation of a wax pattern of the part to be cast, along with wax gates and risers to create pathways through which molten metal can flow into the ceramic mold. A ceramic shell is then formed around the wax pattern, followed by melting and draining the wax from the ceramic shell. Finally, molten metal is poured into the ceramic shell, the shell is removed after the metal cools, and the part undergoes final processing and inspection.

Because of the complexity of the manufacturing process and the application of proprietary technologies, we believe we are currently one of the few manufacturers that can consistently produce the largest, complex, structural investment castings in quantities sufficient to meet our customers' quality and delivery requirements. Our emphasis on low-cost, high-quality products and timely delivery has enabled us to become the leading supplier of structural and airfoil castings for jet aircraft and IGT engines and to expand into the structural airframe and armament markets.

The commercial aerospace market cycle is a critical determinant of demand for our precision investment casting products. In fiscal 2002, the major economies of the United States and Europe began to slow, and, with the terrorist attacks on September 11, 2001, air travel declined significantly, resulting in several large bankruptcies for some commercial airline companies and weak financial conditions for others. This situation reduced demand for our commercial aerospace products, partially offset by military production, which increased in the aftermath of September 11. At the outset of fiscal 2005, however, the commercial replacement market began a vigorous and sustained recovery, driven by higher production rates of commercial aircraft at Airbus and Boeing that has lasted throughout fiscal 2007 and is anticipated to continue through fiscal 2008 and beyond.

Large jet aircraft engines are manufactured by a small number of suppliers, including General Electric ("GE"), Pratt & Whitney (a division of United Technologies Co.), Rolls-Royce and several joint ventures. As a result, we believe a high level of customer service and strong, long-term customer relationships will continue to be important to achieving our goals. We have been supplying castings for jet engines to GE for more than 40 years, and we have been supplying Pratt & Whitney with castings for more than 30 years for its military and commercial jet engines. In addition, we have supplied small structural investment castings to Rolls-Royce for nearly 25 years and large structural castings for nearly 20 years, most recently for use in its Trent series of jet aircraft engines. As we have been able to cast larger and more complex parts, manufacturers of large jet aircraft engines have made increasing use of our structural castings.

Aerospace Structural Castings

Our structural castings business includes the largest diameter stainless steel, nickel-based superalloy and titanium investment castings in the world, as well as a variety of smaller structural castings. These castings are stationary components that form portions of the fan, compressor, combustor and turbine sections of a jet aircraft engine, where strength and structural integrity are critical. Structural investment castings are sold primarily as original equipment to jet aircraft engine manufacturers.

We believe that trends in the manufacturing of aircraft jet engines will continue to increase our revenue per engine. As the design of new generation aircraft engines has emphasized increased thrust, higher fuel efficiency and reduction of noise and exhaust emissions, engine operating temperatures and pressures have increased. These conditions require the use of engine parts made of alloys that are able to withstand extreme operating conditions and provide an optimum strength-to-weight ratio. Many of these alloys are particularly suited for use in the investment castings we manufacture. In addition, titanium, a metal with a lower melting temperature than stainless steel or superalloys, is used in all but the hottest parts of the engine because of its considerable weight savings. Titanium is an exceptionally difficult metal to cast because of its reaction with other elements. However, we have developed the advanced technology and manufacturing processes to cast large, complex investment castings in titanium alloys. Many new generation engines, which are expected to be built through the next decade and beyond, make significantly greater use of our products than did previous engine designs.

We have also expanded into the structural airframes market through the production of airframe components manufactured primarily from titanium and aluminum alloys. Aircraft manufacturers have shown substantial interest in using investment castings for airframe applications such as titanium aileron and flap hinges, pylons (engine mounts), wing spars and wing ribs, as well as aluminum alloy nacelle segments (thrust reversers), cascades, aircraft access doors, electronic boxes and pump housings for hydraulic and fuel systems.

In February 2007, we completed the acquisition of GSC Foundries, Inc. ("GSC"), a leading manufacturer of aluminum and steel structural investment castings for aerospace, energy, medical, and other end markets. GSC enhances our small structural investment casting portfolio, enabling us both to produce larger aluminum and smaller steel components than those in our current product line and to extend our product reach.

Aerospace Airfoil Castings

We manufacture precision cast airfoils, which include the stationary vanes and rotating blades used in the turbine section of jet aircraft engines. This part of the engine is considered the "hot section", where temperatures may exceed 2,400 degrees Fahrenheit. These conditions require use of special nickel-based superalloys and state-of-the-art casting techniques to manufacture airfoil castings with internal cooling passages that enable the airfoils to operate in an environment with temperatures higher than the melting point of the metal.

We use various casting technologies to produce turbine airfoils. We employ conventional casting processes to produce equiaxed airfoil castings, in which the metal grains are oriented randomly throughout the casting. A more advanced process enables us to produce directionally solidified ("DS") airfoil castings, in which the metal grains are aligned longitudinally. This alignment decreases the internal stress on the weakest portion of a metal part where the various grains adjoin, thereby providing increased strength and improved efficiencies in engine performance over equiaxed parts. An even more advanced process enables us to produce single crystal ("SX") airfoil castings, which consist of one large superalloy crystal without grain boundaries. SX castings provide greater strength and performance characteristics than either equiaxed or DS castings, as well as longer engine life.

As engine sizes grow to generate greater thrust for larger aircraft, the turbine sections of these engines must work harder and burn hotter. As a result, the major aircraft engine manufacturers have increasingly been designing their engines with a greater number of DS and SX blades. The DS and SX cast airfoils we build, with their complex cooling passages, have been instrumental in enabling these engines to operate at higher temperatures. SX cast airfoils are used in both new and redesigned engines where performance requirements are higher.

The demand for aerospace airfoil castings is determined primarily by the number and type of engines required for new jet aircraft; the intervals between hot section maintenance, which are driven by engine cycles (takeoffs and landings); and the inventory levels of replacement parts maintained by the principal jet aircraft engine manufacturers and repair centers. A jet engine's airfoil components have shorter useful lives than structural investment castings and are replaced periodically during engine maintenance. As a result, our sales of aerospace airfoil castings are less affected by the cyclical patterns of the aerospace industry than are our sales of structural investment castings. The timing for replacement of aerospace airfoil castings principally depends on engine cycles and the expected life of the airfoil casting. Based upon information from our major customers, we believe that more than half of our sales of airfoil castings used in aircraft turbine engines are replacement parts.

IGT Castings

In fiscal 1994, we began to manufacture investment castings for IGT engines. Due to contractual gains over the past several years, our market share has increased significantly, and we believe we are the leading supplier of investment castings used in IGT engines. Domestic IGT production began a significant decline in calendar 2001 due to weak economic conditions and falling demand for power generation capacity, mitigated slightly by continued international growth. However, stronger aftermarket activity began to emerge in fiscal 2005, as IGT engines delivered before the decline required overhaul and replacement of critical components. In fiscal 2006, the market started to flatten, and PCC's IGT business benefited from continued market share gains and the beginning stages of a recovery in OEM deliveries. Our IGT products consist of airfoil castings and high-temperature combustion hardware used in large, land-based gas turbines designed for electrical power generation. In addition, we manufacture structural and airfoil castings for aeroderivative gas turbine engines, which are also used for power generation, as well as for other commercial and military land and marine-based applications.

IGT manufacturers have significantly improved the efficiency and reduced the emissions profiles of industrial gas turbines, principally by incorporating advanced components in new engines as well as in refurbished and upgraded turbines in the field. We have leveraged our DS and SX airfoil casting knowledge from the aerospace market into the IGT market to produce blades and vanes that are better able to withstand the extreme heat and stresses of new higher-temperature gas turbines. IGT engines are built with investment castings that are similar, but generally larger, than the blades and vanes we manufacture for the aerospace market. Because of their size, IGT airfoils are generally more difficult to cast than smaller aerospace airfoils with the same properties.

Since industrial gas turbines are primarily used in electrical power generation, castings sales for new IGT engines are tied to the growth of global electricity consumption, while demand for replacement parts depends on the size and utilization rate of the installed base.

Other Investment Casting Products

Our strategy for profitable growth also includes the pursuit of other opportunities for our existing investment casting technology. We have been expanding the application of our investment casting technology in the medical prosthesis, automotive, satellite and general industrial markets by manufacturing such products as artificial hips and knees, turbocharger wheels, parts for satellite launch vehicles, and impellers for pumps and compressors. In addition, we are manufacturing an increasing number of large titanium components for armament systems, including the BAE lightweight howitzer, which entered full-scale production in fiscal 2005.

Specialty Materials and Alloys

Our Specialty Materials and Alloys ("SMAG") operation principally provides alloys and waxes to the Company's investment casting operations, as well as to other companies with investment casting or other foundry operations. SMAG is comprised of Cannon Muskegon, M. Argüeso & Company ("Argüeso"), and Greenville Metals, Inc.

Cannon Muskegon principally produces alloys used by manufacturers of investment castings, which include several patented and trademarked alloys formulated specifically for the casting of directionally solidified and single crystal airfoils that operate in high-temperature, high-stress engine environments. Cannon Muskegon supplies alloys to us, as well as to other companies with investment casting operations. The alloys produced by Cannon Muskegon also serve such diverse markets as medical, recreational and general industrial.

Argüeso manufactures advanced technology investment casting wax blends for us and other companies with investment casting operations. In addition, Argüeso serves the machining industry with Rigidax® tooling compound, a patented product used to prevent part vibration or movement during a machining operation.

Greenville Metals, Inc. provides metallurgical process solutions and services worldwide for us and other companies that require the melting and processing of specialty alloys. Major markets include specialty alloy producers and foundries, permanent magnet and powder metal manufacturers and other industries with special metallurgical requirements.

Forged Products

We are among the leading manufacturers of forged components for the aerospace and power generation markets. Forged Products' aerospace and IGT sales are primarily derived from the same large engine customers served by the Investment Cast Products segment, with additional aerospace sales to manufacturers of landing gear and other airframe structural components. Similarly, the dynamics of the aerospace and power generation markets, as described in the Investment Cast Products section above, are virtually the same for Forged Products. In addition, we manufacture high performance nickel-based alloys used to produce forged components for aerospace and non-aerospace markets which include products for oil and gas, chemical processing, and pollution control applications. The Forged Products segment accounted for approximately 43 percent of our sales in fiscal 2007.

Forged Components

We manufacture forged components from sophisticated titanium and nickel-based alloys for jet engines, including fan discs, compressor discs, turbine discs, seals, spacers, shafts, hubs and cases. Our airframe structural components are used on both commercial and military aircraft and include landing gear beams, bulkheads, wing structures, engine mounts, struts and tail flaps and housings. These parts are made of titanium, steel or other alloys. We also provide forged products for use in power plants worldwide, as well as in oil and gas industry applications. These products include discs, spacers and valve components for land-based steam turbine and industrial gas turbine engines, as well as shafts, cases, and compressor and turbine discs for marine gas engines. We also produce a variety of mechanical and structural tubular forged products, primarily in the form of extruded, seamless pipe, for the domestic and international energy markets, which include coal and nuclear power plants, co-generation projects, and retrofit and life-extension applications. For naval defense applications, we supply forged components for propulsion systems on nuclear submarines and aircraft carriers, as well as forgings for pumps, valves and structural applications.

Our forging business, which employs six different manufacturing processes, involves heating titanium, steel or high-temperature nickel alloys and then shaping them through pressing or extrusion, using hydraulic and mechanical presses with capacities ranging up to 55,000 tons. The process employed is determined based on the raw materials and the product application. The six manufacturing processes are summarized below:

Open-Die Forging—In this process, the metal is pressed between dies that never completely surround the metal, thus allowing it to be observed during the process. This manufacturing method is used to create relatively simple, preliminary shapes to be processed further by closed-die forging.

Closed-Die Forging—Closed-die forging involves pressing heated metal into shapes and sizes determined by machined impressions in specially prepared dies that completely surround the metal. This process allows the metal to flow more easily within the die cavity and, thus, produces forgings with superior surface finish and tighter tolerances, with enhanced repeatability of the part shape.

Hammer Forging—This form of closed-die forging uses multiple impact blows to shape a component between specially contoured dies. Forging hammers can be classified into two main types: single action and counterblow. Our counterblow hammers, which couple upper and lower ram movement to produce the impact forces required for large components, can offer improved near-net-shape capability compared to conventional press forging. Hammer forging is one of the oldest forging processes; however, computer-controlled technology has enabled the process to meet modern manufacturing requirements.

Conventional/Multi-Ram—The closed-die, multi-ram process, which is employed on our 20,000 and 30,000 ton presses, enables us to produce complex forgings with multiple cavities, such as valve bodies, in a single heating and pressing cycle. Dies may be split on either a vertical or a horizontal plane, and shaped punches may be operated by side rams, piercing rams or both. This process also optimizes grain flow and uniformity of deformation and reduces machining requirements.

Isothermal Forging—Isothermal forging is a closed-die process in which the dies are heated to the same temperature as the metal being forged, typically in excess of 1,900 degrees Fahrenheit. Because the dies may oxidize at these elevated temperatures, this process is performed in a vacuum or inert gas atmosphere. Our isothermal press produces near-net shape components, requiring less machining by our customers.

Extrusion—The extrusion process is capable of producing thick-wall, seamless pipe, with outside diameters of up to 48 inches and a wall thickness from 0.5 inches up to 7 inches for applications in the power generation and oil and gas industries, including tension leg platforms, riser systems and production manifolds. Our 35,000-ton vertical extrusion press is one of the largest and most advanced in the world. In addition to solid metals, powdered materials can be compacted and extruded into forging billets with this press.

We believe that we are the world leader in producing forged rotating components for use in jet aircraft engines. These parts are forged from ingots, which are converted to billets in our cogging and extrusion presses and from metal powders (primarily nickel alloys) that are produced, consolidated and extruded into billets entirely in our own facilities. In addition, we purchase billets from outside metal suppliers.

High Performance Forging Alloys

In May 2006, we completed the acquisition of Special Metals Corporation ("SMC"), a world leader in the production of high-performance, nickel-based alloys and super alloys, principally used in the manufacture of forged components designed to operate under extreme conditions in gas turbines and other critical applications. SMC, in conjunction with our existing high performance alloy production facilities in western Australia and the U.S., provides us with an expanded internal supply of nickel-based alloys for our forging operations, which will enable us to better manage our overall value stream now and in the future.

With the acquisition of SMC, we are the world's largest and most diversified producer of high performance nickel-based alloys, supplying over 5,000 customers. Our alloys, which provide high temperature strength and corrosion resistance, aqueous corrosion resistance, and toughness and strength in certain embrittling environments, are principally used to manufacture forged components required in the most technically demanding industries and applications. Although commercial and military aerospace represents the largest market served by SMC, other non-aerospace markets include high performance, nickel-based alloys for oil & gas, chemical & petrochemical processing, power generation, pollution control, automotive, thermal processing, electrical and heating elements, marine and welding applications.

Our alloying processes utilize electric arc, air induction, and vacuum induction melting ("VIM") furnaces, while a few specialized alloys are made using a mechanical alloying process. Refining facilities include furnaces for Argon-Oxygen-Decarburization ("AOD"), vacuum arc remelting (VAR) and electroslag remelting (ESR). Our major hot finishing processes include rotary forging, plate rolling, bar rolling, press forging and extrusion of seamless tubulars and shapes. The latter two processes are extensions of other similar operations within the Forged Products segment. Cold finishing processes include cold rolled sheet and strip, tube and pipe pilgering, and cold drawing of bar and wire. The Company produces nickel alloys in all standard mill forms from large ingots and billets to plate, sheet, strip, tubing, bar and wire, the latter of which includes core and filler wires for welding products. The Company's alloys are classified into unique families recognized worldwide and are sold under such trademarks as INCONEL®, INCOLOY®, MONEL®, NIMONIC®, UDIMET®, BRIGHTRAY®, and NILO®.

Fastener Products

With the acquisition of SPS Technologies, Inc., we have become a leading developer and manufacturer of highly engineered fasteners, fastener systems and precision components, primarily for critical aerospace and automotive applications. Approximately 73 percent of Fastener Products sales come from the same aerospace customer base already served by our Investment Cast Products and Forged Products segments. In this regard, Fastener Products is subject to many of the same market forces as these other two segments. The balance of the segment's sales derives from automotive and general industrial markets, including farm machinery, construction equipment, machine tools, medical equipment, appliances and recreation. The Fastener Products segment accounted for approximately 23 percent of our sales in fiscal 2007.

Fastener manufacturing begins with wire or metal bar of various diameters, which is cut into fastener blanks of prescribed lengths and then heat treated. Using highly engineered tools and thread dies, the fastener blanks are then formed into complex head shapes and thread configurations to meet exacting customer requirements.

Our aerospace fasteners are manufactured from nickel and titanium alloys and are used on airframes, jet engines, aircraft wheels and brakes and landing gear assemblies. They are found in such flight- and safety-critical areas as the wing-to-fuselage, the stabilizers-to-fuselage and the engine-to-wing connections on an aircraft, as well as the airfoil-to-disc and disc-to-shaft connections on a jet engine. These fasteners are not only incorporated in new aircraft builds but are also integrally involved in the replacement cycle, particularly in aircraft engine and wheel and brake applications. The product line includes a variety of bolts, nuts, plate nuts, inserts, washers and other precision components. While the fasteners are produced to demanding customer designs, we continue to be active in developing several trademarked alloys for applications requiring high strength, elevated temperature, corrosion resistance and/or lighter weight. These include MULTIPHASE® and AEREX® nickel-based alloys and the SPS TITAN® family of titanium alloys.

Our engineered fasteners, manufactured from a variety of steel, nickel, and titanium alloys, are used in automotive applications, including power trains; suspensions; steering, airbag, and seating systems; and chassis assemblies. These products have also penetrated other markets requiring proven strength, close dimensional tolerance and high reliability, such as diesel, mining, construction, heavy truck and niche general industrial applications. We have developed a broad range of technically advanced proprietary products under the brand names of UNBRAKO®, FLEXLOC®, DURLOK® and DURLOK II®, TORX®, TRU-FLEX®, TAPTITE® and MAThread™.

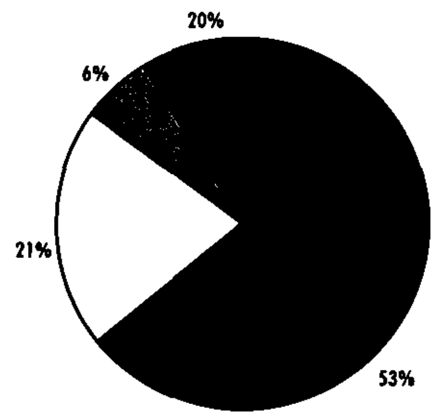
In February 2007 we completed the acquisition of Cherry Aerospace LLC ("Cherry"), one of the leading manufacturers of aerospace blind rivets and blind bolts. Primarily used in structural applications, Cherry brand products are found on all major commercial and military aircraft in production or development today. In addition to enhancing our product portfolio of critical aerospace fasteners, this acquisition continued to grow our presence in Southern California, opening up potential synergies and economies of scale with our other fastener operations.

During the fourth quarter of fiscal 2007, the former Industrial Products segment was renamed the Industrial Products group and was integrated into the Fastener Products segment. The Industrial Products Group includes our subsidiaries J&L Fiber Services, Advanced Forming Technology ("AFT"), Environmental One ("E/One") and the PCC Precision Tool Group ("PTG"). J&L Fiber Services produces refiner plates and screen cylinders for use in the pulp and paper industry. AFT manufactures metal-injection-molded and ThixoFormed™ components for numerous industrial applications. E/One produces low-pressure sewer systems for residential and commercial applications and monitoring units utilized in the power generation industry. PTG manufactures a broad range of thread-rolling dies, trimming dies, punches and pins and steel and carbide forging tools for fastener production, principally for automotive, aerospace and general industrial and other applications.

Sales and Distribution

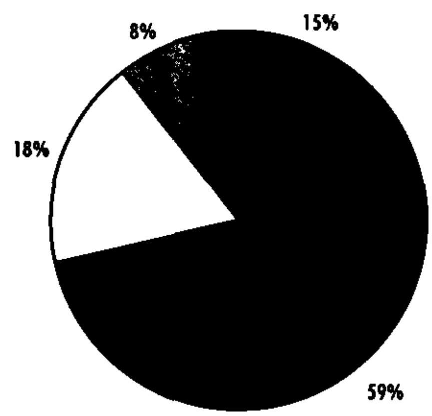
We sell our complex metal components and products into four major market areas: aerospace, power generation, general industrial and automotive. The percentage of sales to these markets is shown below for fiscal 2007, 2006 and 2005.

Fiscal 2007
Sales $5,361.2 million



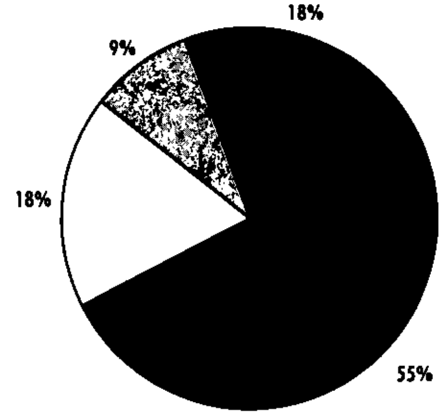
53% Aerospace
21% Power Generation
6% Automotive
20% General Industrial

Fiscal 2006
Sales $3,518.4 million



59% Aerospace
18% Power Generation
8% Automotive
15% General Industrial

Fiscal 2005
Sales $2,900.0 million



55% Aerospace
18% Power Generation
9% Automotive
18% General Industrial

Our sales to the aerospace market of $2,828.4 million in fiscal 2007 increased 37 percent from $2,071.0 million in fiscal 2006. Sales to the aerospace market as a percentage of total net sales decreased from 59 percent in fiscal 2006 to 53 percent in fiscal 2007, principally reflecting the impact of SMC's substantial non-aerospace sales.

Our sales of investment castings products and forged products are made through direct sales personnel located in each business operation and through field sales representatives located at U.S. and international locations near our major customers, as well as through distributors. Our fastener products and services are sold by a direct sales and marketing staff and through a worldwide network of independent sales representatives and distributors. Industrial metalworking tools and machines and other metal products are sold by both internal sales forces and sales representatives in the U.S., Europe, Asia, Australia and Latin America. Due to the sophisticated nature of our products, our sales efforts require technical personnel to work closely with customers to identify and assist in the development of new and modified products and to provide other services that are necessary to obtain new and repeat orders.

For information on revenue to external customers, profit or loss and total assets for each segment, refer to Part II, Item 8. Financial Statements and Supplementary Data.

Major Customers

Sales to General Electric were 11.4 percent, 16.8 percent and 16.6 percent of total sales in fiscal 2007, 2006 and 2005, respectively, as follows:

	Fiscal		
	2007	**2006**	**2005**
Investment Cast Products	**$372.3**	$384.8	$330.3
Forged Products	**212.0**	180.6	126.5
Fastener Products	**27.5**	25.5	25.4
	$611.8	$590.9	$482.2

No other customer accounted for more than 10 percent of total sales; however, United Technologies and Rolls-Royce are also considered key customers, and the loss of their business could have a material adverse effect on the Company's financial results.

Backlog

The backlog of unfilled orders believed to be firm at the end of each of our last three fiscal years was $4,764.8 million as of April 1, 2007, $3,101.0 million as of April 2, 2006, and $2,343.0 million as of April 3, 2005. The majority of the backlog is for sales to aerospace customers in the Investment Cast Products, Forged Products and Fastener Products segments. The growth at the end of fiscal 2007 is due to higher levels of material pass-through pricing related to higher material costs, the Company's overall sales growth and several acquisitions. Approximately 80 percent of the Company's backlog is expected to be filled within the 2008 fiscal year.

The majority of sales to customers is made on individual purchase orders generated from long-term agreements. Most of our orders are subject to termination by the customer upon payment of the cost of work in process, plus a related profit factor. Historically, we have not experienced significant order cancellations.

Competition

We are subject to substantial competition in all of the markets we serve. Components and products similar to those we make can be produced by competitors using either the same types of manufacturing processes or other forms of manufacturing. Although we believe our manufacturing processes, technology and experience provide advantages to our customers, such as high quality, competitive prices and physical properties that often meet more stringent demands, alternative forms of manufacturing can be used to produce many of the components and products we make. Despite intense competition, we believe we are the number one or two supplier in most of our principal markets. Several factors, including long-standing customer relationships, technical expertise, state-of-the-art facilities and dedicated employees, aid us in maintaining our competitive advantages.

In the Investment Cast Products segment, our principal competitor is Howmet, a subsidiary of Alcoa Inc. Howmet produces stainless steel, superalloy, aluminum and titanium investment castings principally for the aerospace and IGT markets. We believe that Howmet is capable of producing investment castings comparable to all but the largest and most complex of our structural investment castings. We also believe Howmet has the financial and technical resources to produce structural castings as large and complex as those produced by us, should they decide to do so. In addition, Pacific Cast Technologies ("PCT"), a subsidiary of Ladish Co., manufactures large titanium investment castings for jet engine and airframe applications. Many other companies throughout the world also produce stainless steel, superalloy, aluminum or titanium investment castings, and some of these companies currently compete with us in the aerospace and other markets. Others are capable of competing with us if they choose to do so.

In the Forged Products segment, our largest competitors are Ladish Co., Fortech, S.A. and Thyssen AG for aerospace turbine products, Alcoa Inc. and Schultz Steel Company for aerospace structural products, Vallourec & Mannesmann Tubes and Sumitomo Corporation for energy products and Allegheny Technologies, Inc., Carpenter Technology Corporation, and Haynes International, Inc. for nickel-based alloys and super-alloys. In the future, we may face increased competition from international companies as customers seek lower cost sources of supply.

International competition in the forging and casting processes may also increase in the future as a result of strategic alliances among aircraft prime contractors and foreign companies, particularly where "offset" or "local content" requirements create purchase obligations with respect to products manufactured in or directed to a particular country. Competition is often intense among the companies currently involved in the industry. We continue to strive to maintain competitive advantages with high-quality products, low-cost manufacturing, excellent customer service, and delivery and expertise in engineering and production.

In the Fastener Products segment, our Fastener operations compete with a large number of companies based primarily on technology, price, service, product quality and performance. Of these companies, we consider Alcoa Inc., LISI, and McKecknie to be our leading competitors. We believe that we maintain our strong market position through our high-quality product performance and service to our customers.

Research and Development

We have departments involved in research and development at all three of our reportable segments. The research and development effort at these operations is directed at the technical aspects of developing new and improved manufacturing processes. Expenditures for research and development activities amounted to $9.1 million in fiscal 2007, $6.6 million in fiscal 2006 and $5.2 million in fiscal 2005. A substantial amount of our technological capability is the result of engineering work and experimentation performed on the shop floor in connection with process development and production of new parts. This engineering work and experimentation is charged to the cost of production and is not included in research and development expenditures.

Employees

At April 1, 2007, we had approximately 19,800 employees within our three segments, including approximately 8,500 employees in the Investment Cast Products segment, 4,700 employees in the Forged Products segment and 6,600 employees in the Fasteners segment. In addition, we had nearly 100 employees in corporate functions and approximately 100 in discontinued operations, for a total of approximately 20,000 employees. Approximately 17 percent of the Company's employees are affiliated with unions or covered by collective bargaining agreements. We expect to negotiate two collective bargaining agreements affecting approximately 2 percent of the workforce during fiscal 2008. Management believes that labor relations in the Company have generally been satisfactory.

Patents and Trademarks

From time to time, we seek U.S. and foreign patent protection on certain of our processes and products. We have also federally registered several of our trademarks in the U.S. We do not view patents or trademarks as materially important to our business as a whole. We also have rights and obligations under various license agreements. We receive no significant royalty income from patents.

Materials & Supplies

We use a number of raw materials in our products, including certain metals such as nickel, titanium, cobalt, tantalum and molybdenum, which are found in only a few parts of the world. These metals are required for the alloys used or manufactured in our investment casting, forged and fastener product segments. The availability and costs of these metals may be influenced by private or governmental cartels, changes in world politics, unstable governments in exporting nations and inflation. Similarly, supplies of the tool-grade steel we use may also be subject to variations in availability and cost. We have escalation clauses for nickel and other metals in certain of our long-term contracts with major customers. Shortages of and price increases for certain raw materials we use have occurred in the past and may occur in the future. Future shortages or price fluctuations in raw materials could have a material adverse effect on us.

Government Regulations

Certain of our products are manufactured and sold under U.S. government contracts or subcontracts. Consequently, we are directly and indirectly subject to various federal rules, regulations and orders applicable to government contractors. Violation of applicable government rules and regulations could result in civil liability, in cancellation or suspension of existing contracts or in ineligibility for future contracts or subcontracts funded in whole or in part with federal funds.

International Operations

We purchase products from and supply products to businesses located outside the U.S. We have also been expanding our international activities during the past several years, primarily through acquisitions and the development of foreign subsidiaries. This expansion is part of our strategy to acquire and develop businesses that complement our core competencies, provide low cost manufacturing, have strong growth prospects and maintain leading positions in their respective market niches. Certain risks are inherent in international operations, including the risk of government-financed competition, changes in trade policies, tariff regulations, the relative stability of certain foreign currencies and difficulties in obtaining U.S. export and import licenses. Information with respect to sales and assets by geographic location is included in "Item 8. Financial Statements and Supplementary Data," Note 20.

Environmental Compliance

The Company is subject to various federal and state environmental laws concerning, among other things, water discharges, air emissions, waste management, toxic use reduction and environmental cleanup. Environmental laws and regulations continue to evolve and it is likely we will be subject to increasingly stringent environmental standards in the future (particularly under air quality and water quality laws) and we will be required to make additional expenditures, which could be significant, relating to environmental matters on an ongoing basis. We also own properties, or conduct or have conducted operations at properties, where hazardous materials have been used for many years, including during periods before careful management of these materials was required or generally believed to be necessary. Consequently, we are subject to environmental laws that impose liability for historical releases of hazardous substances.

Our financial statements include reserves for future costs arising from environmental issues relating to our properties and operations. At April 1, 2007, we had accrued aggregate environmental reserves of approximately $74.3 million. We believe these reserves are adequate to cover the cost of remedial measures that may eventually be required by environmental authorities with respect to known environmental matters. Our reserves represent the Company's best estimate of its probable future obligations for the investigation and remediation of known contaminated sites. The reserves include potential costs associated with asserted and unasserted claims. Our actual future expenditures, however, relating to compliance and cleanup of environmental conditions at our properties cannot be conclusively determined. The estimate of our environmental costs is based on currently available facts, present laws and regulations and current technology and take into consideration the Company's prior experience in site investigation and remediation, the data available for each site, and the professional judgment of our environmental specialists and consultants Although recorded liabilities include the Company's best estimate of all probable costs, our total costs for the final settlement of each site cannot be predicted with certainty due to the variety of factors that make potential costs associated with contaminated sites inherently uncertain, such as: the nature and extent of site contamination, available remediation alternatives, the extent to which remedial actions will be required, the time period over which costs will be incurred, the number and economic viability of other responsible parties, and whether the Company has any opportunity of contribution from third parties, including recovery from insurance policies. Further, sites that are in the early stages of investigation are subject to greater uncertainties than mature sites that are close to completion. Although the sites identified by the Company vary across the spectrum, approximately half of the Company's sites could be considered at an early stage of the investigation and remediation process. Therefore, the Company's cost estimates, and its accruals associated with those sites, are subject to greater uncertainties. Environmental contingent liabilities are often resolved over a long period of time and the timing of expenditures depends on a number of factors that vary by site. The Company expects that it will expend present accruals over many years and that remediation of all currently known sites will be completed within 30 years. While it is possible that a significant portion of the accrued costs as of April 1, 2007, may be paid out over the next ten years, the Company anticipates that no individual site will be considered to be material.

The Company has been named as a potentially responsible party ("PRP") at sites identified by the Environmental Protection Agency ("EPA") and state regulatory agencies for investigation and remediation under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and similar state statutes. Under CERCLA, and under similar state statutes, PRPs are jointly and severally liable, and therefore, the Company is potentially liable to the government or third parties for the full cost of remediating contamination at the Company's facilities or former facilities or at third-party sites where the Company has been designated a PRP. In estimating its current reserves for environmental matters, the Company has assumed that it will not bear the entire cost of remediation of every site to the exclusion of other PRPs, who may be jointly and severally liable. The Company is a party to various cost-sharing arrangements with other PRPs at certain sites. In addition to PRPs, some of these arrangements involve one or more regulatory agencies. These cost-sharing arrangements generally require all PRPs to post financial assurance of the performance of their respective obligations, and as a consequence, although the Company assumes it will not bear the entire cost at these sites, the assumption is based on these cost-sharing arrangements and on an assessment of the likelihood that such parties will fulfill their obligations at such sites. In the unlikely event that the Company is required to fully fund the remediation of a site, the statutory framework would allow the Company to pursue rights of contribution from other PRPs. The Company is identified as a PRP at the following federally designated Superfund sites: Lipari Landfill, Gloucester, New Jersey; Boarhead Farms, Bridgeton, Pennsylvania; Operating Industries, Monterey Park, California; Casmalia Resources Site, Casmalia, California; Pasco Sanitary Landfill, Pasco, Washington; Quanta Resources Corp., Edgewater, New Jersey; and Peterson-Puritan Site, Cumberland, Rhode Island. Generally, these Superfund sites are mature and almost all of the sites are in the remedial implementation phase and, as a consequence, are subject to less uncertainty than newly discovered sites. These Superfund sites constitute approximately $4.8 million, or 6 percent of our current environmental reserves.

The Company has notified its insurers of potential environmental cleanup liabilities at various facilities, including the Superfund sites identified above, and has asserted that it is entitled to recover its defense and indemnity costs incurred, and to be incurred, under certain historic insurance policies. Our accruals include the Company's best estimate of all probable costs, without reduction for anticipated recovery from insurance or third parties unless collection is probable. During 2002, the Company settled its defense and indemnity claims with Wyman-Gordon's primary carrier. The Company did not settle any defense or indemnity claims against Wyman-Gordon's excess carriers. The Company has also asserted indemnity claims against third-parties for certain sites and we expect to recover a portion of our losses with respect to these sites.

In March 2005, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations—an interpretation of FASB Statement No. 143 (FIN 47). FIN 47 clarified the term conditional asset retirement obligation as used in Statement of Financial Accounting Standard ("SFAS") No. 143 and requires a liability to be recorded if the fair value of the obligation can be reasonably estimated. Asset retirement obligations covered by this Interpretation include those for which an entity has a large obligation to perform an asset retirement activity, however the timing or method of settling the obligation are conditional on a future event that may not be within the control of the entity. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation.

In accordance with FAS 143 and FIN 47, PCC will record all known asset retirement obligations for which the liability can be reasonably estimated. Currently, PCC has identified a known asset retirement obligation associated with environmental contamination at one of its manufacturing facilities. The Company, however, has not recognized a liability under FIN 47 for this retirement obligation because the fair value of remediation at this site cannot be reasonably estimated since the settlement date is unknown at this time. The settlement date is unknown because remediation of this site is not required until production ceases, and the Company has no current or future plans to cease production. This asset retirement obligation, when estimable, is not expected to have a material adverse effect on the Company's consolidated financial position, results of operations, cash flows or business.

Forward-Looking Statements

Information included within this Form 10-K describing the 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, general industrial and automotive cycles; the relative success of the Company's entry into new markets; competitive pricing; the financial viability of the Company's significant customers; the availability and cost of energy, raw materials, supplies, and insurance; the cost of pension and postretirement 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; and implementation of new technologies and process improvements. 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.

Available Information

The Company's Annual Report on Form 10-K, quarterly report on Form 10-Q, proxy statement, current reports on Form 8-K, and amendments to these report filed with the Securities and Exchange Commission, as well as the annual report to shareholders, quarterly earnings releases, the Audit Committee Charter, the Nominating and Corporate Governance Charter, the Compensation Committee Charter, Corporate Governance Guidelines and the Code of Business Conduct and Ethics (the code of ethics that applies to the Registrants' principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) may be received free of charge by calling Investor Relations at (503) 417-4850 or sending an email to info@precastcorp.com. This information may also be downloaded from the PCC Corporate Center at www.precast.com.

ITEM 1A. RISK FACTORS

We may encounter difficulties associated with integration of acquired businesses and fail to realize anticipated benefits.

In May 2006, we acquired Special Metals Corporation ("SMC"). In February 2007, we completed the acquisitions of GSC Foundries, Inc. and Cherry Aerospace LLC. In April 2007, we completed the purchase of substantially all of the assets of McWilliams Forge Company, Inc. The success of those and prior transactions will depend on our ability to integrate assets and personnel and to apply our manufacturing processes and controls to the acquired businesses. Although our acquisition strategy generally emphasizes the retention of key management of the acquired businesses and an ability of the acquired business to continue to operate independently, various changes may be required to integrate the acquired businesses into our operations, to assimilate many new employees and to implement reporting, monitoring and forecasting procedures. Our failure to adequately address these acquisition risks could cause us to fail to realize the benefits we anticipated from the transactions.

Recent and future acquisitions could subject us to a number of operational risks.

We have completed many recent acquisitions and expect that we will continue to make acquisitions of, investments in, and strategic alliances with complementary businesses, products and technologies to enable us to add products and services for our core customer base and for related markets, and to expand each of our businesses geographically. Implementation of this strategy entails a number of risks, including:

- inaccurate assessment of undisclosed liabilities;
- entry into markets in which we may have limited or no experience;
- diversion of management's attention from our core businesses;
- potential loss of key employees or customers of the acquired businesses;
- difficulties in realizing projected efficiencies, synergies and cost savings; and
- increase in our indebtedness and a limitation in our ability to access additional capital when needed.

We operate in cyclical markets.

A significant portion of our revenues are derived from the highly cyclical aerospace and power generation markets. Our sales to the aerospace industry constituted 53 percent of our total sales in fiscal 2007, 59 percent of total sales in fiscal 2006 and 55 percent of total sales in fiscal 2005. Our power generation sales constituted 21 percent of our total sales in fiscal 2007, 18 percent of total sales in fiscal 2006 and 18 percent of total sales in fiscal 2005.

The commercial aerospace industry is historically driven by the demand from commercial airlines for new aircraft. The U.S. commercial aviation industry continues to face challenges arising from competitive pressures and increased fuel costs. Demand for commercial aircraft is further influenced by airline industry profitability, trends in airline passenger traffic, by the state of U.S. and world economies and numerous other factors including the effects of terrorism and health and safety concerns. The military aerospace cycle is highly dependent on U.S. and foreign government funding; however, it is also driven by the effects of terrorism, a changing global political environment, U.S. foreign policy and the level of activity in regulatory changes, the retirement of older aircraft and technological improvements to new engines that increase reliability. Accordingly, the timing, duration and severity of cyclical upturns and downturns cannot be forecast with certainty. A future downturn or reduction in demand could have a material adverse effect on the Company's business.

The power generation market is also cyclical in nature. Demand for power generation products is global and is affected by the state of the U.S. and world economies and the political environments of numerous countries. The availability of fuels and related prices also have a large impact on demand. Reductions in demand for the Company's industrial gas turbine products could have a material adverse effect on the Company's business.

In addition to the aerospace and power generation markets, we sell products and services to customers in the automotive, medical, oil and gas, chemical and petrochemical, pulp and paper, and other general industrial markets. Each of these markets is cyclical in nature. Customer demand for the Company's products or services in these markets may fluctuate widely depending upon U.S. and world economic conditions and industry-specific factors. Cyclical declines or sustained weakness in any of these markets could have a material adverse effect on the Company's business.

Our business is dependent on a small number of customers.

A substantial portion of our business is conducted with a relatively small number of large customers, including General Electric Company, United Technologies Corporation and Rolls Royce plc. General Electric accounted for approximately 11 percent, 17 percent and 17 percent of our total sales for fiscal 2007, 2006 and 2005, respectively. No other customer accounted for more than 10 percent of total sales; however, United Technologies and Rolls Royce are also considered our key customers. A financial hardship experienced by any one of these three customers, the loss of any of them, or a further reduction in or substantial delay of orders from any of them, could have a material adverse effect on our business.

Sales to the military sector constituted approximately 13 percent, 18 percent and 19 percent of our fiscal 2007, 2006 and 2005 sales, respectively. U.S. defense spending is subject to U.S. Congressional appropriations and to political pressures that influence which programs are funded and those which are cancelled. Reductions in defense budgets or military aircraft procurement or delays in funding could adversely affect the Company's business.

The competitive nature of our business results in significant price concessions to our customers and increased pressure to reduce our costs.

We are subject to substantial competition in all of the markets we serve, and we expect this competition to continue. As a result, we have made significant long term price concessions to our customers in the aerospace and power generation markets in recent years, and we expect customer pressure for further long term price concessions to continue. Maintenance of our profitability will depend, in part, on our ability to sustain a cost structure that enables us to be cost-competitive. If we are unable to adjust our costs relative to our pricing, or if we are unable to continue to compete effectively, our business will suffer. Our effectiveness in managing our cost structure will be a key determinator of future profitability and competitiveness.

Our business is dependent on a number of raw materials that are subject to volatility in price and availability.

We use a number of raw materials in our products, including certain metals such as cobalt, titanium, nickel, tantalum and molybdenum, which are found in only a few parts of the world and are available from a limited number of suppliers. The availability and costs of these metals may be influenced by private or government cartels, changes in world politics, unstable governments in exporting nations and inflation. These metals are required for the alloys used or manufactured in our investment castings, forged products and fasteners segments. In fiscal 2007, we and other industry participants experienced periods of increased delivery times and increased prices for nickel-based and titanium alloys, tool-grade steel and certain other raw materials critical to our business. We have escalation clauses for nickel, titanium and other metals in a number of our long-term contracts with major customers, but we are not usually able to fully offset the effects of changes in raw material costs. The ability of key metal suppliers to meet quality and delivery requirements can also impact our ability to meet commitments to customers. Future shortages or price fluctuations in raw materials could result in decreased margins or otherwise adversely affect our business. The enactment of new or increased import duties on raw materials imported by us could also increase the costs to us of obtaining the raw materials and might adversely affect our business.

Our business is affected by federal rules, regulations and orders applicable to government contractors.

A number of our products are manufactured and sold under U.S. government contracts or subcontracts. Consequently, we are directly and indirectly subject to various federal rules, regulations and orders applicable to government contractors. From time to time, we are also subject to government inquiries and investigations of our business practices due to our participation in government programs. These inquiries and investigations are costly and consuming of internal resources. Violation of applicable government rules and regulations could result in civil liability, in cancellation or suspension of existing contracts or in ineligibility for future contracts or subcontracts funded in whole or in part with federal funds, any of which could have a material adverse effect.

Our business is subject to environmental regulations and related liabilities and liabilities associated with chemicals and substances in the workplace.

We are subject to various federal and state environmental laws and regulations concerning, among other things, water discharges, air emissions, hazardous material and waste management and environmental cleanup. Environmental laws and regulations continue to evolve and we may become subject to increasingly stringent environmental standards in the future (particularly under air quality and water quality laws). We are required to comply with environmental laws and the terms and conditions of multiple environmental permits. Failure to comply with these laws or permits could result in fines and penalties or the need to install pollution control equipment that could be costly. We also may be required to make additional expenditures, which could be significant, relating to environmental matters on an ongoing basis. We also own properties, or conduct or have conducted operations at properties, where hazardous materials have been used for many years, including during periods before careful management of these materials was required or generally believed to be necessary. Consequently, we will continue to be subject to environmental laws that impose liability for historical releases of hazardous substances.

Our financial statements include reserves for future costs arising from environmental issues relating to our properties and operations. The Company's accruals for known environmental liabilities represent our best estimate of the Company's probable future obligations for the investigation and remediation of known contaminated sites. Our accruals include asserted and unasserted claims. Our actual future expenditures, however, relating to compliance and cleanup of environmental conditions at our properties cannot be conclusively determined. The estimate of our environmental costs is based on currently available facts, present laws and regulations and current technology and take into consideration the Company's prior experience in site investigation and remediation, the data available for each site, and the professional judgment of our environmental specialists and consultants Although recorded liabilities include our best estimate of all probable costs, the Company's total costs for the final settlement of each site cannot be predicted with certainty due to the variety of factors that make potential costs associated with contaminated sites inherently uncertain, such as: the nature and extent of site contamination, available remediation alternatives, the extent to which remedial actions will be required, the time period over which costs will be incurred, the number and economic viability of other responsible parties, and whether the Company has any opportunity of contribution from third parties, including recovery from insurance policies. In addition, sites that are in the early stages of investigation are subject to greater uncertainties than mature sites that are close to completion. Although the sites identified by the Company vary across the spectrum, approximately half of the Company's sites could be considered at an early stage of the investigation and remediation process. Therefore, the Company's cost estimates, and its accruals associated with those sites are subject to greater uncertainties. Environmental contingent liabilities are often resolved over a long period of time and the timing of expenditures depends on a number of factors that vary by site. We expect that we will expend present accruals over many years and that remediation of all currently known sites will be completed within 30 years. While it is possible that a significant portion of the accrued costs as of April 1, 2007 may be paid out over the next ten years, the Company anticipates that no individual site will be considered to be material. We cannot ensure that our reserves are adequate to cover the total cost of remedial measures that may eventually be required by environmental authorities with respect to known environmental matters or the cost of claims that may be asserted in the future with respect to environmental matters about which we are not yet aware. Accordingly, the costs of environmental claims may exceed the amounts reserved.

We have been named as a "potentially responsible party" at sites identified by the Environmental Protection Agency and state regulatory agencies for investigation and remediation under the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, and similar state statutes. Under CERCLA, and under similar state statutes, potentially responsible parties are jointly and severally liable, and therefore, the Company will continue to be potentially liable to the government or third parties for the full cost of remediating contamination at our facilities or former facilities or at third-party sites where we have been designated a potentially responsible party. The Company is a party to various cost-sharing arrangements with other PRPs at certain sites. In addition to PRPs, some of these arrangements involve one or more regulatory agencies. These cost-sharing arrangements generally require all PRPs to post financial assurance of the performance of the obligations, and as a consequence, although the Company assumes it will not bear the entire cost at these sites, the assumption is based on these cost sharing arrangements and on an assessment of the likelihood that such parties will fulfill their obligations at such sites. In estimating our current reserves for environmental matters, we have assumed that we will not bear the entire cost of remediation of every site to the exclusion of other PRPs, who may be jointly and severally liable. In the unlikely event that we are required to fully fund the remediation of a site, the statutory framework would allow us to pursue rights of contribution from other potentially responsible parties. It is also possible that we will be designated a potentially responsible party at additional sites in the future.

Like many other industrial companies in recent years, we are defendants in lawsuits alleging personal injury as a result of exposure to chemicals and substances in the workplace, including asbestos. To date, we have been dismissed from a number of these suits and have settled a number of others. The outcome of litigation such as this is difficult to predict and a judicial decision unfavorable to us could be rendered, possibly causing serious harm to our business.

Our business is subject to risks associated with international operations.

We purchase products from and supply products to businesses located outside of the United States. We also have significant operations located outside the United States. In fiscal 2007, approximately 21 percent of our total sales were attributable to our non-U.S. subsidiaries, in 2006, approximately 15 percent and in 2005, approximately 16 percent. A number of risks inherent in international operations could have a material adverse effect on our international operations and, consequently, on our results of operations, including:

- currency fluctuations;
- difficulties in staffing and managing multi-national operations;

- general economic and political uncertainties and potential for social unrest in countries in which we operate;
- limitations on our ability to enforce legal rights and remedies;
- restrictions on the repatriation of funds;
- changes in trade policies;
- tariff regulations;
- difficulties in obtaining export and import licenses; and
- the risk of government financed competition.

Any lower than expected rating of our bank debt and debt securities may adversely affect our business.

Two rating agencies, Moody's and Standard & Poor's (S&P), rate our debt securities. S&P maintained our debt rating and Moody's upgraded our debt rating during fiscal 2007. However, if the rating agencies were to reduce their current ratings, our interest expense would increase and the instruments governing our indebtedness could impose additional restrictions on our ability to make capital expenditures or otherwise limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate or our ability to take advantage of potential business opportunities. These modifications also could require us to meet more stringent financial ratios and tests or could require us to grant a security interest in our assets to secure the indebtedness. Our ability to comply with covenants contained in the instruments governing our existing and future indebtedness may be affected by events and circumstances beyond our control. If we breach any of these covenants, one or more events of default, including cross-defaults between multiple components of our indebtedness, could result. These events of default could permit our creditors to declare all amounts owing to be immediately due and payable, and terminate any commitments to make further extensions of credit.

Our business involves risks associated with complex manufacturing processes.

Our manufacturing processes depend on certain sophisticated and high-value equipment, such as some of our forging presses for which there may be only limited or no production alternatives. Unexpected failures of this equipment could result in production delays, revenue loss and significant repair costs. In addition, equipment failures could result in injuries to our employees. Moreover, the competitive nature of our businesses requires us continuously to implement process changes intended to achieve product improvements and manufacturing efficiencies. These process changes may at times result in production delays, quality concerns and increased costs. Any disruption of operations at our facilities due to equipment failures or process interruptions could have a material adverse effect on our business.

If our relations with our union employees were to deteriorate, we could be faced with labor shortages, disruptions or stoppages, which could adversely affect our business and reduce our operating margins and income.

Our operations rely heavily on maintaining good relations with our employees, and any labor shortage, disruption or stoppage caused by any deterioration in employee relations or difficulties in the renegotiation of labor contracts could reduce our operating margins and income. Approximately 17 percent of our employees are affiliated with unions or covered by collective bargaining agreements. We expect to negotiate two collective bargaining agreements affecting approximately 2 percent of the workforce during fiscal 2008. Failure to negotiate a new labor agreement when required could result in a work stoppage. Although we believe that our labor relations have generally been satisfactory, it is possible that we could become subject to additional work rules imposed by agreements with labor unions, or that work stoppages or other labor disturbances could occur in the future, any of which could reduce our operating margins and income and place us at a disadvantage relative to non-union competitors.

We are subject to litigation including product warranty and product liability risks that could adversely affect our operating results.

We produce many critical parts for commercial and military aircraft. Failure of our parts could give rise to substantial product liability claims. We maintain insurance addressing this risk, but there can be no assurance that the insurance coverage will be adequate or will continue to be available on terms acceptable to us. We manufacture our parts to strict contractually-established standards and tolerances using complex manufacturing processes. If we fail to meet the contractual requirements for a product we may be subject to product warranty costs and claims. These costs are generally not insured. We are parties to legal proceedings and other contingencies, the outcomes of which cannot be predicted with certainty. We estimate material loss contingencies and establish reserves based on our analysis of the contingencies in accordance with GAAP. Developments in the legal proceedings may affect our assessment and estimates recorded as a liability or reserve and could result in an adverse effect on our results of operations in the period in which a liability would be recognized. See Item 3. "Legal Proceedings" in this Form 10-K.

We could be required to make additional contributions to our defined benefit pension plans as a result of adverse changes in interest rates and the capital markets.

Our estimates of liabilities and expenses for pensions and other postretirement benefits incorporate significant assumptions including the rate used to discount the future estimated liability, the long-term rate of return on plan assets and several assumptions relating to the employee workforce (salary increases, medical costs, retirement age and mortality). Our results of operations, liquidity or shareholders' equity in a particular period could be affected by a decline in the rate of return on plan assets, the rate used to discount the future estimated liability or changes in employee workforce assumptions.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our manufacturing plants and administrative offices, along with certain information concerning the products and facilities are as follows:

Division	No. of Facilities	Building Space (sq. ft.) Leased	Owned	Total
Executive & Corporate Offices				
Domestic	2	30,948	—	30,948
Foreign	—	—	—	—
Investment Cast Products				
Domestic	49	714,820	2,839,776	3,554,596
Foreign	7	174,006	372,960	546,966
Forged Products				
Domestic	22	303,496	5,369,260	5,672,756
Foreign	18	291,534	1,318,527	1,610,061
Fastener Products				
Domestic	36	1,130,819	2,120,850	3,251,669
Foreign	21	493,207	820,232	1,313,439
Discontinued Operations				
Domestic	4	38,289	143,532	181,821
Foreign	1	150,000	—	150,000
Total Company				
Domestic	113	2,218,372	10,473,418	12,691,790
Foreign	47	1,108,747	2,511,719	3,620,466
Total	160	3,327,119	12,985,137	16,312,256

We believe our principal properties include facilities suitable and adequate for our present needs for the manufacture of our products. We continue to expand our manufacturing capacity to meet anticipated market demand for our products; see "Item 7. Management's Discussion and Analysis."

ITEM 3. LEGAL PROCEEDINGS

For a description of claims relating to environmental matters, see "Item 1. Business-Environmental Compliance."

Various claims and lawsuits arising during the normal course of business are pending against us. In the opinion of management, the outcome of these lawsuits will have not have a material adverse effect on our consolidated financial position, results of operations, cash flows or business.

Like many other industrial companies in recent years, we are a defendant in lawsuits alleging personal injury as a result of exposure to chemicals and particulates, including asbestos, integrated into our premises and processes and certain historical products. The particulates at issue are no longer incorporated in any currently manufactured products and we have implemented safety protocols to reduce exposure to chemicals and remaining particulates in the workplace. To date, we have been dismissed from a number of these suits and have settled a number of others. Based on the information available to us as of the date of filing of this report, we believe, based on our review of the facts and the law, that the potential exposure from the resolution of any or all of these matters will not have a material adverse effect on the Company's results of operations, financial condition or liquidity.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT(a)

Name	Officer Since	Age	Position Held With the Registrant
Mark Donegan	(b) 1992	50	Chairman and Chief Executive Officer
William D. Larsson	(c) 1980	61	Senior Vice President and Chief Financial Officer and Assistant Secretary
Ross M. Lienhart	(d) 2004	54	Senior Vice President and President-Large Structurals Casting Operations
Steven G. Hackett	(e) 2004	50	Executive Vice President and President-Fastener Products
Dennis L. Konkol	(f) 2004	48	Senior Vice President and President-Industrial Products
Christopher L. Ayers	(g) 2005	40	Executive Vice President and President-Forged Products
Kenneth D. Buck	(h) 2005	47	Senior Vice President and President-PCC Airfoils
Roger A. Cooke	(i) 2000	58	Vice President-Regulatory and Legal Affairs and Secretary
Shawn R. Hagel	(j) 1997	41	Vice President, Corporate Controller and Assistant Secretary
Geoffrey A. Hawkes	(k) 1999	48	Vice President, Treasurer and Assistant Secretary
Mark R. Roskopf	(l) 1999	45	Vice President-Corporate Taxes and Assistant Secretary
Byron J. Gaddis	(m) 2000	50	Vice President and Chief Information Officer
Kirk G. Pulley	(n) 2004	38	Vice President-Strategic Planning and Corporate Development
Joseph I. Snowden	(o) 2006	50	Senior Vice President and President-Special Metals Corporation
Kenneth A. Koncilja	(p) 2006	49	Vice President-Internal Audit
John W. Ericksen	(q) 2006	45	Senior Vice President and President-Small Structurals Casting Operations

(a) *The above information is reported as of April 1, 2007. The officers serve for a term of one year and until their successors are elected. Unless otherwise indicated, all positions have been held for the last five years.*

(b) *Elected Chairman in 2003 and Chief Executive Officer in 2002. Previously was elected Executive Vice President in 1992. Named President-Wyman-Gordon in 1999. Previously served as President-PCC Structurals.*

(c) *Elected Senior Vice President and Assistant Secretary in 2000.*

(d) *Elected Senior Vice President and President-Large Structurals Casting Operations in 2006. Previously served as Senior Vice President and President-PCC Structurals.*

(e) *Elected Senior Vice President and President-Fastener Products Division in 2004. Previously, he was Vice President in charge of PCC Structurals' small structural business operations.*

(f) *Elected Senior Vice President and President-Industrial Products Division in 2004. He was named President of PCC's Industrial Products business in March 2003. Previously, he was President of J&L Fiber Services.*

(g) *Elected Executive Vice President and President-Forged Products in 2006. Previously served as Senior Vice President and President-Wyman-Gordon in 2005. Prior to 2005, he served as the President of Wyman-Gordon Forgings West.*

(h) *Elected Senior Vice President and President-PCC Airfoils in 2005. Previously served as the President of PCC Airfoils and Vice President and General Manager of the Minerva Plant.*

(i) *Elected Vice President-Regulatory and Legal Affairs and Secretary in 2000.*

(j) *Elected Corporate Controller and Assistant Secretary in 1997 and Vice President in 2000.*

(k) *Elected Treasurer and Assistant Secretary in 1999 and Vice President in 2000.*

(l) *Elected Director of Corporate Taxes and Assistant Secretary in 1999 and Vice President-Corporate Taxes in 2000.*

(m) *Elected Chief Information Officer and Vice President in 2000.*

(n) *Elected Vice President-Strategic Planning and Corporate Development in 2004. Prior to joining PCC, he was a Vice President in investment banking with Goldman Sachs & Co.*

(o) *Elected Senior Vice President and President-Special Metals Corporation in 2006. Previously served as President of Specialty Material and Alloys Group.*

(p) *Elected Vice President-Internal Audit in 2006. Prior to joining PCC, he held various executive positions in internal audit and corporate financial reporting at American Axle & Manufacturing.*

(q) *Elected Senior Vice President and President-Small Structurals Casting Operations in 2006. Previously served as Vice President-Corporate Organizational Development since May 2006 and President-Wyman-Gordon Forgings East.*

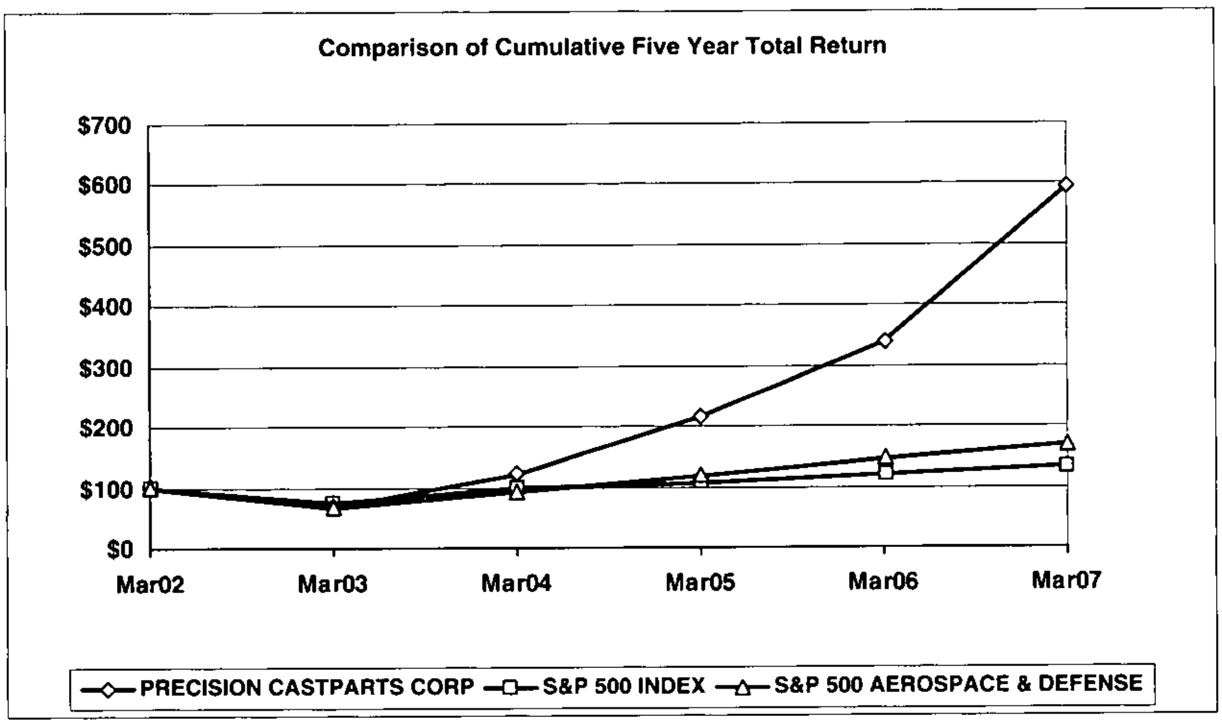
PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

As of April 1, 2007, there were 7,075 shareholders of record of our common stock. Our common stock is listed on the New York Stock Exchange under the symbol PCP. It is also traded on the Chicago Stock Exchange, the Pacific Stock Exchange and the Philadelphia Stock Exchange. For information concerning the quarterly high and low closing prices of PCC common stock and dividend data, refer to the Quarterly Financial Information table in Item 8, Financial Statements and Supplementary Data. We expect to continue to pay quarterly cash dividends, subject to our earnings, financial condition and other factors.

Return to Shareholders Performance Graph

The following line graph provides a comparison of the annual percentage change in the Company's cumulative total shareholder return on its common stock to the cumulative total return of the S&P 500 Index and the S&P 500 Aerospace and Defense Index. The comparison assumes that $100 was invested on March 31, 2002 in the Company's common stock and in each of the foregoing indices and, in each case, assumes the reinvestment of dividends. In addition, information has been adjusted to reflect the two-for-one stock split effective in September 2005.



MEASUREMENT PERIOD
(by fiscal year)

	2002	2003	2004	2005	2006	2007
S&P 500	100.0	75.24	100.03	107.76	121.19	135.53
S&P 500 Aerospace & Defense	100.0	67.03	93.25	119.29	146.89	170.47
Precision Castparts Corp.	100.0	67.62	122.47	216.78	339.60	595.84

ITEM 6. SELECTED FINANCIAL DATA

Five-Year Summary of Selected Financial Data (1)

(Unaudited) *(In millions, except employee, shareholder and per share data)*	**2007**	**2006**	**2005**	**2004**	**2003**
Net sales	**$5,361.2**	$3,518.4	$2,900.0	$1,899.3	$1,796.8
Net income (loss):					
Continuing operations	**$ 614.7**	$ 349.7	$ 243.2	$ 127.1	$ 149.2
Net income (loss)	**$ 633.1**	$ 350.6	$ (1.7)	$ 117.9	$ 124.3
Return on sales from continuing operations	**11.5%**	9.9%	8.4%	6.7%	8.3%
Return on beginning shareholders' equity from continuing operations	**28.7%**	19.6%	14.2%	12.0%	15.7%
Net income (loss) per common share (basic):					
Continuing operations	**$ 4.52**	$ 2.62	$ 1.86	$ 1.13	$ 1.42
Net income (loss)	**$ 4.66**	$ 2.63	$ (0.01)	$ 1.05	$ 1.19
Net income (loss) per common share (diluted):					
Continuing operations	**$ 4.45**	$ 2.58	$ 1.83	$ 1.10	$ 1.41
Net income (loss)	**$ 4.59**	$ 2.58	$ (0.01)	$ 1.02	$ 1.17
Weighted average shares of common stock outstanding					
Basic	**136.0**	133.3	130.6	112.8	104.8
Diluted	**138.0**	135.7	133.0	115.2	106.0
Cash dividends declared per common share (2)	**$ 0.12**	$ 0.105	$ 0.06	$ 0.06	$ 0.06
Working capital	**$ 378.7**	$ 465.4	$ 433.4	$ 274.7	$ 161.1
Total assets	**$5,258.7**	$3,749.8	$3,625.0	$3,755.5	$2,467.6
Total debt	**$ 873.0**	$ 676.6	$ 843.0	$1,077.5	$ 692.1
Total equity	**$2,836.2**	$2,140.5	$1,780.4	$1,714.6	$1,061.7
Total debt as a percent of total debt and equity	**23.5%**	24.0%	32.1%	38.6%	39.5%
Book value per share	**$ 20.67**	$ 15.84	$ 13.45	$ 13.25	$ 10.05
Capital expenditures (3)	**$ 223.1**	$ 99.4	$ 67.6	$ 68.0	$ 71.3
Number of employees (4)	**20,026**	16,040	15,384	16,672	11,866
Number of shareholders of record	**7,075**	6,564	5,633	5,429	5,685

(1) *All share and per share information has been restated to reflect the 2-for-1 stock split effective September 2005*

(2) *Cash dividends declared per common share were $0.015 for the first quarter of fiscal 2006 and $0.03 for the remaining three quarters*

(3) *Includes capital expenditures of discontinued operations*

(4) *Includes employees of discontinued operations*

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(in millions, except per share data)

Business overview

Precision Castparts Corp. ("PCC" or the "Company") completed another very successful year in fiscal 2007, attaining for the third consecutive year record levels of sales, operating income, net income from continuing operations, and earnings per share. These results were principally driven by exceptional performance from Special Metals Corporation ("SMC") following its acquisition, by continuing strong conditions in PCC's core aerospace and power generation markets, and by the Company's never ending focus on cost reduction and operational improvements across all of its businesses. Also, during the year, the Company successfully acquired GSC Foundries, Inc. ("GSC") and Cherry Aerospace ("Cherry"), two strategically important tuck-in acquisitions for the Investment Cast Products and Fastener Products segments, respectively, and the Company added critical production capacity in its investment casting and forging operations to meet the increasing demand for aerospace products.

On the acquisition front, in May 2006 PCC acquired SMC, a world leader in the production of high-performance nickel-based alloys and super alloys. These alloys are principally used to make forged components that operate under extreme conditions in gas turbines and other critical applications. While SMC currently provides our forging operations with a limited quantity of nickel-based alloys for manufacturing aerospace components, it is expected that this internal supply will grow substantially over time, enabling us to manage our overall value stream more cost effectively from raw material to forged components. In addition, SMC supplies nickel-based alloys to companies other than PCC that serve both aerospace and non-aerospace markets. These non-aerospace markets, which represent approximately 73% of SMC's sales, provide diversification and additional growth opportunities for PCC. SMC has performed well beyond our initial projections, making rapid progress in improving yields, increasing production volumes, reducing inventories, and leveraging operational efficiencies.

In the fourth quarter of fiscal 2007, PCC completed the acquisitions of GSC and Cherry, both of which fit strategically into our current framework of companies by expanding our product portfolio and market position. GSC will enhance our portfolio of small structural investment casting products, enabling us to produce larger aluminum and smaller steel components than those in our current product line, thereby extending our product reach. Cherry will fill a significant gap in our line of critical aerospace fasteners with its rivets and blind bolts, and will open up potential synergies and economies of scale with our other fastener operations.

Also, during the year, PCC increased manufacturing capacity to support higher demand for aerospace products by completing key large-scale capital expenditure projects, which included the expansion of the titanium facility at PCC Structurals, additional DS furnaces at PCC Airfoils, a second isothermal forging press at Wyman-Gordon, and a GFM rotary forging machine at SMC. These projects, which required approximately $70 million of capital spending during fiscal 2007, will provide approximately $145 million of incremental sales capacity in fiscal 2008. PCC expects fiscal 2008 capital expenditures to approximate fiscal 2007 spending levels, with approximately 30 percent of spending allocated to capacity expansion projects.

PCC has positioned itself on new and expanding aerospace and IGT platforms, and continues to capitalize on its strong foundation across all of its markets. This robust market position, coupled with the Company's relentless focus on cost reduction and performance improvement, has converged with positive market forces to create an environment for profitable growth. Looking ahead to fiscal 2008 and beyond, we believe the Company will continue to benefit from increases in OEM aircraft build rates, which include new high-content wide-body commercial aircraft models and new military aircraft, and from continuing high aircraft utilization rates. The Company also expects solid growth in demand for

IGT components and extruded pipe products, as well as for other non-aerospace products serving the oil and gas, chemical processing and pollution control industries.

	Fiscal Year		Increase/(Decrease)	
	2007	2006	$	%
Net sales	**$5,361.2**	$3,518.4	$1,842.8	52%
Cost of goods sold	**4,051.0**	2,714.2	1,336.8	49
Selling and administrative expenses	**337.2**	247.3	89.9	36
Restructuring and asset impairment	—	2.3	(2.3)	(100)
Interest expense, net	**52.2**	40.6	11.6	29
Income before income tax and minority interest	**920.8**	514.0	406.8	79
Income tax expense	**304.7**	162.7	142.0	87
Minority interest	**(1.4)**	(1.6)	0.2	(13)
Net income from continuing operations	**614.7**	349.7	265.0	76
Net income from discontinued operations	**18.4**	0.9	17.5	1,944
Net income	**$ 633.1**	$ 350.6	$ 282.5	81%
Net income per share from continuing operations (basic)	**$ 4.52**	$ 2.62	$ 1.90	73%
Net income per share from discontinued operations (basic)	**0.14**	0.01	0.13	1300
Net income per share (basic)	**$ 4.66**	$ 2.63	$ 2.03	77%
Net income per share from continuing operations (diluted)	**$ 4.45**	$ 2.58	$ 1.87	72%
Net income per share from discontinued operations (diluted)	**0.14**	—	0.14	N/A
Net income per share (diluted)	**$ 4.59**	$ 2.58	$ 2.01	78%

	Fiscal Year		Increase/(Decrease)	
Sales by Market	2007	2006	$	%
Aerospace	**$2,828.4**	$2,071.0	$ 757.4	37%
% of total	***53%***	*59%*		
Power Generation	**1,131.7**	641.3	490.4	76
% of total	***21%***	*18%*		
General Industrial	**1,074.6**	525.2	549.4	105
% of total	***20%***	*15%*		
Automotive	**326.5**	280.9	45.6	16
% of total	***6%***	*8%*		
Total Sales	**$5,361.2**	$3,518.4	$1,842.8	52%
% of total	***100%***	*100%*		

Total sales for fiscal 2007 were $5,361.2 million, an increase of $1,842.8 million, or 52 percent, from fiscal 2006 sales of $3,518.4 million. Total aerospace sales increased 37 percent over fiscal 2006 levels, and decreased from 59 percent of total sales in fiscal 2006 to 53 percent of total sales in fiscal 2007. Power generation sales increased 76 percent over fiscal 2006 levels, and increased from 18 percent of total sales in fiscal 2006 to 21 percent of total sales in fiscal 2007. Sales to the general industrial markets increased 105 percent over the prior year, and increased from 15 percent of total sales in fiscal 2006 to 20 percent of total sales in fiscal 2007. Sales to the automotive market grew by 16 percent, decreasing from 8 percent of total sales in fiscal 2006 to 6 percent of total sales in fiscal 2007. The shift in product mix from aerospace to non-aerospace markets during the year was driven by the acquisition of SMC in May 2006. Approximately 73 percent of SMC's sales are to non-aerospace markets, which include oil and gas, chemical processing, and pollution control. The overall increase in sales was principally driven by the addition of 10 months of sales from SMC, and by improving conditions in PCC's core aerospace and power generation markets. In addition, pass-through pricing of higher material costs increased sales by approximately $393 million this year versus approximately $210 million in fiscal 2006. With regard to growth in the commercial aircraft industry, forecasts from JSA Research as of August 2006 indicate aircraft deliveries are expected to increase approximately 6 percent in calendar year 2007 from calendar year 2006 and are forecast to continue to increase approximately 6 percent in calendar year 2008. Because of manufacturing lead times required to support aircraft deliveries, PCC began realizing these forecasted increases during the second half of fiscal 2006.

Cost of goods sold was $4,051.0 million, or 76 percent of sales, in fiscal 2007 as compared to $2,714.2 million, or 77 percent of sales, in fiscal 2006. The improvement in the year-over-year percentage reflects the impact of leverage from higher sales volume and improved operating efficiencies, partially offset by increased raw material costs in fiscal 2007, primarily nickel and titanium, which have increased approximately 103 percent and 11 percent, respectively, on the London Metals Exchange (Bloomberg) and the TI 6-4 Bulk Weldables Index (metalprices.com), respectively, compared to fiscal 2006.

Selling and administrative expenses were $337.2 million, or 6 percent of sales, in fiscal 2007 compared to $247.3 million, or 7 percent of sales, in fiscal 2006. The improved year-over-year percentage was primarily due to leverage from the higher sales volume.

Net income from continuing operations for fiscal 2007 was $614.7 million, or $4.45 per share (diluted). By comparison, net income from continuing operations for fiscal 2006 was $349.7 million, or $2.58 per share (diluted), which included restructuring and impairment charges totaling $0.01 per share (diluted). Fiscal 2007 net income from continuing operations includes a tax benefit of $11.1 million, or $0.08 per share (diluted), associated with tax refund claims recognized and changes in tax reserves resulting from completed and ongoing audits, compared to a tax benefit of $5.3 million, or $0.04 per share (diluted), in the prior year. Fiscal 2007 net income (including discontinued operations) was $633.1 million, or $4.59 per share (diluted), compared with net income of $350.6 million, or $2.58 per share (diluted) in fiscal 2006. Fiscal 2007 net income includes income of $18.4 million, or $0.14 per share (diluted), from discontinued operations, compared to income of $0.9 million, or no per share impact, in the prior year.

Business acquisitions

Fiscal 2007

On February 23, 2007, PCC acquired the LLC membership interests of Cherry from Acument Global Technologies, Inc. ("Acument") for $300.4 million in cash. Founded in 1939, Cherry encompasses the aerospace operations of Acument, formerly Textron Fastening Systems, and is a manufacturer of aerospace rivets and blind bolts. Cherry employs approximately 500 people at its facility in Santa Ana, California. Cherry will fill a gap in our product line of critical aerospace fasteners and will open up potential synergies and economies of scale with our other fastener operations. The Cherry acquisition is an asset acquisition for tax purposes and operates as part of the Fastener Products segment.

On February 2, 2007, PCC acquired the stock of GSC, a manufacturer of aluminum and steel structural investment castings for aerospace, energy, medical, and other end markets for $77.1 million in cash. GSC employs approximately 375 people, primarily at its operations in Ogden, Utah, in addition to a small location in Saltillo, Mexico. GSC will enhance PCC's small structural investment casting portfolio with its ability to produce larger components. The GSC acquisition is an asset acquisition for tax purposes and operates as part of the Investment Cast Products segment.

On May 25, 2006, PCC completed the acquisition of SMC, a manufacturer of high-performance nickel-based alloys and super alloys. SMC currently provides our forging operations with a limited quantity of nickel-based alloys for manufacturing aerospace components, and it is expected that this internal supply will grow substantially over time. The aggregate purchase price was $548.1 million, which principally includes $310.6 million for the purchase of shares and $240.1 million for the repayment of SMC's outstanding debt and related termination costs, partially offset by $22.3 million of cash acquired. The transaction was funded through the Company's credit facilities. The SMC acquisition is a stock purchase for tax purposes and operates as part of the Forged Products segment.

Fiscal 2006

On January 6, 2006, PCC completed the acquisition of the Shur-Lok Group, which includes the Shur-Lok Corporation in Irvine, California, and Shur-Lok International located in Petit-Rechain, Belgium, for approximately $113.0 million in cash. Shur-Lok is a manufacturer of highly engineered, critical aerospace fasteners, including inserts, barrel nuts, adjustable diameter bolts, fluid fittings and lock nuts. The Shur-Lok product line enhances the basket of fastener products the Company can offer to its commercial airframe customers, while increasing market reach into other critical fastener applications. The Shur-Lok acquisition is an asset purchase for tax purposes and operates as part of the Fastener Products segment.

Fiscal 2005

On March 8, 2005, PCC acquired 100 percent of the outstanding shares of common stock of Air Industries Corporation ("AIC") for approximately $198.3 million in cash. AIC is a manufacturer of airframe fasteners, which include bolts, pins, and screws made from titanium and nickel-based alloys. This acquisition enhances PCC's presence in the aerospace fastener market by expanding the range of fastener products offered to PCC's aerospace customers. The AIC acquisition is an asset purchase for tax purposes and operates as part of the Fastener Products segment.

Discontinued operations

The Company's financial statements were impacted by activities relating to the planned divestiture of a number of PCC's businesses. These businesses have been accounted for under SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Accordingly, any operating results of these businesses are presented in the Company's Consolidated Statements of Operations as discontinued operations, net of income tax, and all prior periods have been reclassified.

Fiscal 2007

In the second quarter of fiscal 2007, the Company sold its interest in Wyman-Gordon FRISA to its 50 percent joint venture partner. PCC received $30.0 million in cash for the sale. In addition, the buyer assumed and subsequently paid off $17.4 million of debt upon closing. At the time of the closing, the joint venture entity operated a manufacturing facility located in Mexico that was engaged in the manufacture of forged products using the ring rolling process. FRISA was reclassified from the Forged Products segment to discontinued operations.

In the first quarter of fiscal 2007, the Company decided to sell the refiner rebuild business of J&L Fiber Services and to close its AFT Composites business. These businesses were reclassified from the former Industrial Products segment (now the Fastener Products segment) to discontinued operations. Both transactions were completed during the third quarter of fiscal 2007.

Fiscal 2005

In the second quarter of fiscal 2005, the Company decided to sell all of the pumps and valves businesses of PCC Flow Technologies, with the exception of E/One and PCC Eurovalves. The businesses held for sale were reclassified from the Fluid Management Products segment to discontinued operations.

The E/One business was retained and is now included in the Fastener Products segment. The sale of the pumps and valves businesses of PCC Flow Technologies was completed in the third quarter of fiscal 2005, and PCC Eurovalves, which is located in The Netherlands, was sold in the third quarter of fiscal 2006. PCC's decision to sell the pumps and valves businesses in the second quarter of fiscal 2005 resulted in a charge of $245.0 million, of which $219.1 million was associated with the write-down of goodwill. The remainder of the charge related to the write-down of inventory, other amortizable assets and machinery and equipment to fair value less cost to sell. Approximately $240.0 million of the charge was non-cash.

Restructuring, asset impairment and other non-recurring charges

PCC regularly assesses its cost structure to ensure that operations are properly sized for prevailing market conditions, taking into consideration current and forecasted conditions in markets served by the Company. There were no restructuring or asset impairment charges in fiscal 2007. The following restructuring and asset impairment charges were recorded in fiscal 2006 and 2005.

Fiscal 2006

During the third quarter of fiscal 2006, PCC recorded restructuring and asset impairment charges of $2.3 million, which included $1.7 million primarily due to the write down of a building and equipment to fair value related to consolidation of a machining operation in the Investment Cast Products segment, and $0.6 million for severance costs associated with headcount reductions related to downsizing the Company's tooling operation in Ireland. The tax-effected impact of these charges was $1.9 million, or $0.01 per share (diluted).

Fiscal 2005

During the fourth quarter of fiscal 2005, PCC recorded restructuring and asset impairment charges of $1.6 million, principally related to additional costs associated with a business that was closed several years ago. The tax-effected impact of these charges was $1.1 million, or $0.01 per share (diluted).

Subsequent events

On April 3, 2007, PCC acquired the assets of McWilliams Forge Company, Inc. ("McWilliams"), a privately held company headquartered in Rockaway, New Jersey, for $90.5 million in cash. Founded in 1880, McWilliams is a leading manufacturer of titanium, nickel and steel forgings, primarily for commercial and military aerospace applications. McWilliams, which employs approximately 120 people at its New Jersey facility, operates both hammer and screw presses for open- and closed-die forging. McWilliams will operate as part of the Forged Products segment.

During May 2007, the Company amended its $1.0 billion bank revolving credit facility. The amendment, among other things, reduces the facility fee and borrowing spread under the Credit Agreement, extends the maturity date of the Credit Agreement to May 2012, with an option, exercisable by the Company, to request up to two one-year extensions in the maturity date, subject to the approval of each lender, and permits the Company to request increases in the aggregate principal amount available under the Credit Agreement to a maximum of $1.5 billion, subject to the agreement of each lender to increase their respective commitment.

Outlook

The Company expects that the same factors contributing to the success of fiscal 2007 will continue through fiscal 2008. These drivers include continued strength in the aerospace and power generation markets resulting from increases in OEM build rates, continued aftermarket demand and market share gains.

PCC expects fiscal 2008 sales to grow organically by approximately 10-15 percent, primarily as a result of growth in the commercial aerospace industry, regaining strength in the IGT market, increased manufacturing capacity, and higher prices related to pass through of increased raw material costs. In addition, the Company will benefit from a full year of sales from the businesses acquired in the current year. PCC expects the shift in product mix trend to continue into fiscal 2008, as SMC penetrates further into non-aerospace markets, diversifying the Company's sales profile.

Operating earnings are expected to benefit from the sales volume increases and continued operating improvements. Operating margin as a percent of sales is also expected to show improvement over fiscal 2007 levels principally due to leverage from higher sales volume and improved operating performance, partially offset by the dilutive impact of increased material pass-through pricing.

The Company will remain active on the acquisition front, particularly with tuck-in acquisitions that provide a strong strategic fit, while at the same time continually assessing the fit of its existing businesses in order to maintain the Company's strong financial position and competitive profile.

Financial results by segment

PCC analyzes its operating segments in accordance with Statement of Financial Accounting Standard (SFAS) No. 131, "Disclosure about Segments of an Enterprise and Related Information," and manages its business across three reportable segments: Investment Cast Products, Forged Products and Fastener Products. Effective in the fourth quarter of fiscal 2007, the former Industrial Products segment was integrated into the Fastener Products segment, and all prior periods have been restated to reflect this change in reportable segments. Segment operating income amounts presented below exclude restructuring and asset impairment charges.

	Fiscal Year			% Increase/(Decrease)	
	2007	**2006**	**2005**	**2007 vs. 2006**	**2006 vs. 2005**
Net sales					
Investment Cast Products	**$1,797.9**	$1,609.4	$1,360.6	12%	18%
Forged Products	**2,309.5**	856.4	625.3	170	37
Fastener Products	**1,253.8**	1,052.6	914.1	19	15
Consolidated net sales	**$5,361.2**	$3,518.4	$2,900.0	52%	21%
Segment operating income					
Investment Cast Products	**$ 391.5**	$ 321.9	$ 256.0	22%	26%
% of sales	***21.8%***	*20.0%*	*18.8%*		
Forged Products	**403.0**	107.1	80.2	276	34
% of sales	***17.4%***	*12.5%*	*12.8%*		
Fastener Products	**265.5**	176.9	129.2	50	37
% of sales	***21.2%***	*16.8%*	*14.1%*		
Corporate expense	**(87.0)**	(49.0)	(42.6)	(78)	(15)
Total segment operating income	**973.0**	556.9	422.8	75%	32%
% of sales	***18.1%***	*15.8%*	*14.6%*		
Provision for restructuring and asset impairment	—	2.3	1.6		
Interest expense, net	**52.2**	40.6	56.0		
Consolidated income before income taxes and minority interest	**$ 920.8**	$ 514.0	$ 365.2		

Investment Cast Products

The Investment Cast Products segment includes PCC Structurals, PCC Airfoils and SMAG. These businesses manufacture investment castings, or provide related investment casting materials and alloys, for aircraft engines, IGT engines, airframes, armaments, medical prostheses and other industrial applications.

	Fiscal Year			% Increase/(Decrease)	
	2007	**2006**	**2005**	**2007 vs. 2006**	**2006 vs. 2005**
Sales by Market					
Aerospace	**$1,137.9**	$1,023.4	$ 847.7	11%	21%
% of total	**63%**	*64%*	*62%*		
Power Generation	**409.5**	371.8	333.0	10	12
% of total	**23%**	*23%*	*24%*		
General Industrial	**235.0**	196.1	170.2	20	15
% of total	**13%**	*12%*	*13%*		
Automotive	**15.5**	18.1	9.7	(14)	87
% of total	**1%**	*1%*	*1%*		
Total Sales	**$1,797.9**	$1,609.4	$1,360.6	12%	18%
% of total	***100%***	*100%*	*100%*		
Operating income	**$ 391.5**	$ 321.9	$ 256.0	22%	26%
% of sales	***21.8%***	*20.0%*	*18.8%*		

Fiscal 2007 compared with fiscal 2006

The Investment Cast Products segment reported fiscal 2007 sales of $1,797.9 million, an increase of 12 percent from the prior year's sales of $1,609.4 million. The increase in sales reflects growth in the commercial and military aerospace markets, strengthening demand in the aerospace aftermarket businesses, and approximately $7 million of sales from GSC, which was acquired in the fourth quarter. Sales also include approximately $141 million of higher pricing related to pass-through of increased material costs compared to $76 million last year.

Operating income for the Investment Cast Products segment was $391.5 million, or 21.8 percent of sales in fiscal 2007, compared to $321.9 million, or 20.0 percent of sales, in fiscal 2006. The increase in operating income reflects the impact of higher sales volume and improved performance, partially offset by higher raw material costs, primarily nickel and titanium, which have increased approximately 103 percent and 11 percent, respectively, on the London Metals Exchange (Bloomberg) and the TI 6-4 Bulk Weldables Index (metalprices.com), respectively, compared to fiscal 2006. The continued improvement in operating margins as a percent of sales was driven by leverage from the increased sales volume and improved manufacturing performance, partially offset by the impact of higher raw material costs and pass-through pricing. While the majority of the higher material costs were recovered from favorable contract terms that allow for pass-through pricing and protect operating income, they dilute operating income as a percent of sales. Material pass-through pricing diluted operating margins by 1.9 percentage points in fiscal 2007 compared to 1.0 percentage point last year.

The Investment Cast Products segment anticipates higher sales in fiscal 2008, primarily driven by increased demand from commercial aerospace customers and from a full year of sales from GSC. Additional production capacity has been provided at PCC Structurals and PCC Airfoils to accommodate expected growth in fiscal 2008. Operating margins, as a percent of sales, are expected to improve slightly in fiscal 2008 as a result of leverage from the higher sales volume and continued improvements in operating efficiencies, partially offset by the dilution from pass-through pricing.

Fiscal 2006 compared with fiscal 2005

The Investment Cast Products segment reported fiscal 2006 sales of $1,609.4 million and operating income of $321.9 million, or 20.0 percent of sales. Fiscal 2006 sales increased 18 percent from the prior year's $1,360.6 million, and operating income increased by 26 percent over the prior year's $256.0 million, or 18.8 percent of sales. The increase in sales reflected market share gains, ramped-up commercial aerospace OEM build schedules and strengthening demand in the aerospace and IGT aftermarket businesses. The increase in operating income principally reflected the impact of the higher sales volume and operating improvements, partially offset by lower selling prices from contractual agreements. In addition, material pass-through pricing for fiscal 2006 contributed $76 million to sales, diluting operating margins by 1.0 percentage points, compared to fiscal 2005 pass-through pricing of $42 million, diluting operating margins by 0.6 percentage points.

Forged Products

The Forged Products segment includes the operations of Wyman-Gordon and SMC, which was acquired in the first quarter of fiscal 2007. These businesses manufacture forged components from sophisticated titanium and nickel-based alloys principally for the aerospace and power generation markets, or manufacture nickel and cobalt-based alloys used to produce forged components for aerospace and non-aerospace markets which include products for oil and gas, chemical processing, and pollution control applications. Forged Products' sales to the aerospace and power generation markets are derived primarily from the same large engine customers served by the Investment Cast Products segment, with additional aerospace sales going to manufacturers of landing gear and other airframe components. The Forged Products segment also produces seamless pipe for the power generation and the oil and gas industries.

	Fiscal Year			% Increase/(Decrease)	
	2007	**2006**	**2005**	**2007 vs. 2006**	**2006 vs. 2005**
Sales by Market					
Aerospace	**$1,022.5**	$ 579.7	$ 431.2	76%	34%
% of total	***44%***	*68%*	*69%*		
Power Generation	**703.4**	254.6	166.9	176	53
% of total	***30%***	*30%*	*27%*		
General Industrial	**525.2**	21.6	24.6	n/m	(12)
% of total	***23%***	*2%*	*4%*		
Automotive	**58.4**	0.5	2.6	n/m	(81)
% of total	***3%***	*0%*	*0%*		
Total Sales	**$2,309.5**	$ 856.4	$ 625.3	170%	37%
% of total	***100%***	*100%*	*100%*		
Operating income	**$ 403.0**	$ 107.1	$ 80.2	276%	34%
% of sales	***17.4%***	*12.5%*	*12.8%*		

Fiscal 2007 compared with fiscal 2006

The Forged Products segment reported fiscal 2007 sales of $2,309.5 million, an increase of 170 percent from the prior year's sales of $856.4 million. Approximately 84 percent of the increase in sales compared to the prior year reflects the addition of approximately 10 months of sales from SMC. The remaining increase in year-over-year sales was driven by increased demand for aerospace products, continued penetration into the Asian power generation market, and improving demand in the North American market for extruded pipe. Sales of extruded pipe increased 53 percent year-over-year, from $177.7 million in fiscal 2006 to $272.6 million in fiscal 2007. Fiscal 2007 sales also include approximately $233 million of higher pricing related to pass-through of increased raw material costs, compared to $111 million last year.

Operating income for the Forged Products segment was $403.0 million, or 17.4 percent of sales in fiscal 2007, compared to $107.1 million, or 12.5 percent of sales, in fiscal 2006. Operating income as a percent of sales benefited from increased sales volume of higher margin aircraft turbine components, as well as from the impact of successful cost-reduction initiatives. In addition to continuing improvements from base businesses, SMC exceeded initial projections and rapidly accelerated its progress in improving yields, increasing production volumes and reducing inventories, thereby significantly improving operating margins each quarter in its first 10 months of operation under PCC. As a result of improving margins at SMC, coupled with more modest improvements in the base business, the segment reported operating margins of 14.0 percent in the first quarter, 16.1 percent in the second quarter, 17.4 percent in the third quarter, and 20.3 percent in the fourth quarter. These improvements were partially offset by higher material costs, primarily nickel and titanium, which have increased approximately 103 percent and 11 percent, respectively, on the London Metals Exchange (Bloomberg) and the TI 6-4 Bulk Weldables Index (metalprices.com), respectively, compared to fiscal 2006. The pass-through of higher raw material costs diluted operating margins by 1.9 percentage points for both fiscal 2007 and fiscal 2006.

Sales in fiscal 2008 within this segment are expected to increase principally due to continuing strength in the commercial aerospace cycle and SMC's market share gains in non-aerospace markets. We also expect continued growth in extruded pipe sales and regaining strength in the IGT market. Additional production capacity has been provided at Wyman-Gordon and SMC to accommodate expected growth in fiscal 2008. Operating income as a percent of sales for SMC is expected to show continued improvement, although trending at a more moderate pace than the first three quarters of ownership. The segment's margins will also continue to benefit from the leverage of higher sales volume and further cost reductions, partially offset by the dilution from increased material pass-through pricing.

Fiscal 2006 compared with fiscal 2005

The Forged Products segment reported fiscal 2006 sales of $856.4 million and operating income of $107.1 million, or 12.5 percent of sales. Fiscal 2006 sales increased 37 percent from the prior year's sales of $625.3 million, and operating income increased by 34 percent over the prior year's operating income of $80.2 million, or 12.8 percent of sales. The increase in sales was primarily due to increased demand for aerospace products, market share gains and aftermarket growth, as well as continued penetration into the Asian power generation market with higher sales of extruded pipe. Fiscal 2006 sales also included approximately $111 million of higher pricing related to pass-through of increased raw material costs compared to $19 million in fiscal 2005. Operating income as a percent of sales benefited in fiscal 2006 from higher volume, but overall remained flat year-over-year due to higher material costs.

Fastener Products

The Fastener Products segment includes the Aerospace Fasteners and Engineered Fasteners groups. In addition, the segment includes the integration of the former Industrial Products segment, which was effective in the fourth quarter of fiscal 2007. The businesses that comprise this segment produce fasteners, fastener systems and components for critical applications in the aerospace, automotive and industrial machinery markets.

	Fiscal Year			% Increase/(Decrease)	
	2007	**2006**	**2005**	**2007 vs. 2006**	**2006 vs. 2005**
Sales by Market					
Aerospace	**$ 668.0**	$ 467.9	$ 322.2	43%	45%
% of total	***53%***	*45%*	*35%*		
Power Generation	**18.8**	14.9	10.2	26	46
% of total	***2%***	*1%*	*1%*		
General Industrial & Other	**314.4**	307.5	321.4	2	(4)
% of total	***25%***	*29%*	*35%*		
Automotive	**252.6**	262.3	260.3	(4)	1
% of total	***20%***	*25%*	*29%*		
Total Sales	**$1,253.8**	$1,052.6	$ 914.1	19%	15%
% of total	***100%***	*100%*	*100%*		
Operating income	**$ 265.5**	$ 176.9	$ 129.2	50%	37%
% of sales	***21.2%***	*16.8%*	*14.1%*		

Fiscal 2007 compared with fiscal 2006

The Fastener Products segment reported fiscal 2007 sales of $1,253.8 million, a 19 percent increase from fiscal 2006 sales of $1,052.6 million. The increase in sales resulted from higher sales from the Aerospace Fastener operations, of which approximately $15 million was from the acquisition of Cherry Aerospace in the fourth quarter of fiscal 2007 and approximately $51 million from the acquisition of Shur-Lok in the fourth quarter of fiscal 2006. Sales from the Engineered Fastener and IPG operations demonstrated a slower growth rate at 6 percent year-over-year, principally due to weaker demand from the automotive industry.

Operating income for the Fasteners segment was $265.5 million, or 21.2 percent of sales in fiscal 2007, compared to $176.9 million, or 16.8 percent of sales, in fiscal 2006. The improvement in operating margins reflected leverage from the increased sales volume and higher margin aerospace business, as well as the impact of continued efforts to reduce costs and improve manufacturing processes.

Sales and operating income within the Fastener Products segment are expected to grow during fiscal 2008 as a result of increased sales volume to the aerospace market and a full year of operations from Cherry. Operating income as a percent of sales is also expected to improve due to continuing cost take-outs and leverage from higher sales.

Fiscal 2006 compared with fiscal 2005

The Fastener Products segment reported fiscal 2006 sales of $1,052.6 million and operating income of $176.9 million, or 16.8 percent of sales. Fiscal 2006 sales increased 15 percent from the prior year's sales of $914.1 million, and operating income increased by 37 percent over the prior year's operating income of $129.2 million, or 14.1 percent of sales. The increase in sales was due to the addition of AIC, which was acquired in March 2005, and the Shur-Lok Group, which was acquired in January 2006, and the favorable impact of strong aerospace sales, partially offset by weaker demand from the automotive industry. Operating margins, as a percent of sales, benefited from cost take-outs and improved manufacturing processes, as well as increased higher margin aerospace aftermarket business.

Interest and taxes

Net interest expense in fiscal 2007 was $52.2 million, as compared with $40.6 million in fiscal 2006. The higher interest expense is primarily due to higher borrowing levels in fiscal 2007, partially offset by a lower effective interest rate resulting from lower borrowing costs associated with the Company's commercial paper program.

The effective tax rate for fiscal 2007 was 33.1 percent, compared with 31.7 percent in fiscal 2006. The increase in the fiscal 2007 tax rate was driven by the phase-out of U.S. export incentives, taxes on incremental domestic earnings that are taxed at a higher rate, and decreased tax holiday benefits in foreign jurisdictions (as a percentage of pretax income). The fiscal 2007 effective rate reflects a 1.2 percentage point ($11.1 million) tax benefit from tax audit settlements compared to a 1.0 percentage point ($5.3 million) tax benefit in fiscal 2006.

Liquidity and capital resources

Total assets of $5,258.7 million at April 1, 2007 represented a $1,508.9 million increase from the $3,749.8 million balance at April 2, 2006. This increase was driven by the addition of SMC, GSC and Cherry assets totaling $1,294.7 million and by increased inventories and receivables to support expected revenue growth in the base businesses. Total capitalization at April 1, 2007, was $3,709.2 million, consisting of $873.0 million of debt and $2,836.2 million of equity. The debt-to-capitalization ratio improved to 23.5 percent at April 1, 2007 from 24.0 percent at the end of fiscal 2006.

Cash as of April 1, 2007 was $150.4 million, up $90.5 million from the end of fiscal 2006, and total debt increased from $676.6 million (including $14.0 million related to discontinued operations) at April 2, 2006 to $873.0 million at April 1, 2007, for a total increase of $196.4 million. Debt net of cash, which includes borrowings to finance the acquisitions of SMC, GSC and Cherry, increased to $722.6 million at the end of fiscal 2007 from $616.7 million at the end of fiscal 2006, reflecting an increase of $105.9 million. Adjusting this increase in net debt for the $919.2 million of cash paid to acquire SMC, GSC and Cherry, along with FRISA debt that was sold ($17.4 million) and debt that was assumed with the SMC acquisition ($2.8 million), the Company generated $798.7 million of positive net cash flow for the year. This positive net cash flow consisted primarily of $865.5 million from operating activities, $71.7 million from various asset dispositions and business divestitures, $78.2 million from the issuance of common stock and related tax benefit, and $21.6 million related to the effect of exchange rate changes on foreign cash balances, partially offset by capital expenditures of $221.5 million and dividend payments of $16.3 million.

Capital spending of $221.5 million in fiscal 2007 principally provided for equipment maintenance and upgrades, capacity expansion, cost reduction and safety projects. The capital spending plan for fiscal 2008, which is anticipated to approximate spending in fiscal 2007, provides for additional capacity expansion, cost reduction, and equipment maintenance and upgrades throughout the company.

During May 2007, the Company amended its $1.0 billion bank revolving credit facility. The amendment, among other things, reduces the facility fee and borrowing spread under the Credit Agreement, extends the maturity date of the Credit Agreement to May 2012, with an option, exercisable by the Company, to request up to two one-year extensions in the maturity date, subject to the approval of each lender, and permits the Company to request increases in the aggregate principal amount available under the Credit Agreement to a maximum of $1.5 billion, subject to the agreement of each lender to increase their respective commitment.

Management believes that the Company can fund requirements for at least the next 12 months for working capital, pension and other postretirement benefit obligations, capital spending, cash dividends, scheduled repayment of debt and potential acquisitions from cash generated from operations, borrowing from existing or new bank credit facilities, issuance of public or privately placed debt securities, or the issuance of equity instruments.

Contractual obligations and commercial commitments

The Company is obligated to make future payments under various contracts such as debt agreements and lease agreements. The following table represents the Company's contractual cash obligations as of April 1, 2007 (in millions) and the estimated timing of future cash payments:

Contractual Cash Obligations	Total	2008	2009	2010	2011	2012	Thereafter
Long-term debt	$489.9	$170.7	$20.2	$ 54.9	$15.1	$14.7	$214.3
Operating leases	78.4	18.8	16.5	12.2	7.3	4.9	18.7
Interest on fixed-rate debt	103.4	25.3	16.7	15.3	13.5	12.1	20.5
Interest on variable-rate debt(1)	73.7	21.2	21.1	21.0	10.4	—	—
Total	$745.4	$236.0	$74.5	$103.4	$46.3	$31.7	$253.5

(1) Interest on variable-rate debt is based on current prevailing interest rates.

The table above excludes estimated required cash contributions to the Company's qualified pension plans totaling approximately $170.5 million over the next five years: $30.2 million in fiscal 2008, $31.0 million in fiscal 2009, $32.0 million in fiscal 2010, $36.8 million in fiscal 2011 and $40.5 million in fiscal 2012. The Company also has benefit payments due under its non-qualified pension and other post-retirement benefit plans that are not required to be funded in advance, but are pay-as-you-go. See Note 14 to the Consolidated Financial Statements for additional information.

Critical accounting policies

The Company has identified the policies below as critical to PCC's business operations and the understanding of its results of operations. The impact and any associated risks related to these policies on PCC's business operations are discussed throughout the Management's Discussion and Analysis where such policies affect reported and expected financial results. For a detailed discussion on the application of these and other significant accounting policies, see the Notes to the Consolidated Financial Statements of this Annual Report. Note that the preparation of this Annual Report requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Revenue recognition

The Company recognizes revenue when the earnings process is complete. This generally occurs when products are shipped to the customer in accordance with the contract or purchase order, ownership and risk of loss have passed to the customer, collectibility is reasonably assured, and pricing is fixed and determinable. In instances where title does not pass to the customer upon shipment, the Company recognizes revenue upon delivery or customer acceptance, depending on terms of the sales agreement. Service sales, representing aftermarket repair and maintenance and engineering activities, are recognized as services are performed. Shipping and handling costs billed to customers are included in revenue.

Accounts receivable reserve

The Company evaluates the collectibility of its accounts receivable based on a combination of factors. In circumstances where PCC is aware of a customer's inability to meet its financial obligations (e.g., bankruptcy filings), a specific reserve for bad debts against amounts due is recorded to reduce the receivable to the amount the Company reasonably expects will be collected. In addition, the Company records reserves for bad debts based on other quantitative measures, which include the analysis of historical write-offs and the age of outstanding receivables. The establishment of reserves requires the use of judgment and assumptions regarding the potential for losses on receivable balances. Although the Company considers these balances adequate and proper, changes in economic conditions in the markets in which the Company operates could have a material effect on the required reserve balances.

Valuation of inventories

All inventories are stated at the lower of the cost to purchase or manufacture the inventory or the current estimated market value of the inventory. Cost for work in process and metal inventories at a significant number of the Company's operations is determined on a last-in, first-out ("LIFO") basis. The average inventory cost method is utilized for most other inventories. The Company regularly reviews inventory quantities on hand and records a provision for excess or obsolete inventory equal to the difference between the cost of the inventory and the estimated market value based on the age, historical usage or assumptions about future demand for the inventory. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required, which could have a significant impact on the value of PCC's inventories and reported operating results.

Goodwill and acquired intangibles

From time to time, the Company acquires businesses in purchase transactions that typically result in the recognition of goodwill and other intangible assets, which may affect the amount of future period amortization expense and possible impairment charges. The determination of the value of such intangible assets requires management to make estimates and assumptions that affect the consolidated financial statements.

Environmental costs

The estimated future costs for known environmental remediation requirements are accrued on an undiscounted basis when it is probable that a liability has been incurred and the amount of remediation costs can be reasonably estimated. When only a range of amounts is established, and no amount within the range is better than another, the minimum amount of the range is recorded. Recoveries of environmental remediation costs from other parties are recorded as assets when collection is probable. Adjustments to the Company's accruals may be necessary to reflect new information as investigation and remediation efforts proceed. The amounts of any such adjustments could have a material adverse effect on the Company's results of operations in a given period, but any amounts, and the possible range of any amounts in excess of those already accrued, are not reasonably estimable at this time. Total environmental reserves accrued at April 1, 2007 and April 2, 2006 were $74.3 million and $35.5 million, respectively. Generally, the increase in environmental reserves over the last year reflects existing liabilities associated with the Company's acquisitions, as discussed in Note 3 to the Consolidated Financial Statements, and is not the result of newly discovered environmental liabilities.

In March 2005, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations—an interpretation of FASB Statement No. 143 (FIN 47). FIN 47 clarified the term conditional asset retirement obligation as used in Statement of Financial Accounting Standard ("SFAS") No. 143 and requires a liability to be recorded if the fair value of the obligation can be reasonably estimated. Asset retirement obligations covered by this Interpretation include those for which an entity has a large obligation to perform an asset retirement activity, however the timing or method of settling the obligation are conditional on a future event that may not be within the control of the entity. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation.

In accordance with FAS 143 and FIN 47, PCC will record all known asset retirement obligations for which the liability can be reasonably estimated. Currently, PCC has identified a known asset retirement obligation associated with environmental contamination at one of its manufacturing facilities. The Company, however, has not recognized a liability under FIN 47 for this retirement obligation because the fair value of remediation at this site cannot be reasonably estimated since the settlement date is unknown at this time. The settlement date is unknown because remediation of this site is not required until production ceases, and the Company has no current or future plans to cease production. This asset retirement obligation, when estimable, is not expected to have a material adverse effect on the Company's consolidated financial position, results of operations, cash flows or business.

Income taxes

Provisions for federal, state and foreign income taxes are calculated on reported pre-tax earnings based on current tax law and also include, in the current period, the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provisions differ from the amounts currently receivable or payable because certain items of income and expense are recognized in different time periods for financial reporting purposes than for income tax purposes. Significant judgment is required in determining income tax provisions and evaluating tax positions. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

Recently issued accounting standards

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement 109" ("FIN 48"). FIN 48 establishes a single model to address accounting for uncertainty in tax positions. This interpretation clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. Additionally, FIN 48 provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition of uncertain tax positions. The provisions of FIN 48 are effective for our fiscal 2008 beginning April 2, 2007. The Company does not expect that the adoption will have a material impact on its consolidated financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and also expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of the adoption of SFAS No. 157 on its consolidated financial position, results of operations and cash flows.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("SFAS No. 158"). SFAS No. 158 requires an employer to recognize an asset or liability for the overfunded or underfunded status of a defined benefit postretirement plan measured as the difference between the fair value of plan assets and the benefit obligation. For a pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement benefit plan, such as a retiree health care plan, the benefit obligation is the accumulated postretirement benefit obligation. SFAS No. 158 also requires the Company to recognize in accumulated other comprehensive income (loss), apart from expenses, the actuarial gains and losses and the prior service costs and credits that arise during the period, but that were not recognized as components of net periodic benefit cost of the period pursuant to SFAS No 87, "Employers' Accounting for Pensions," and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". SFAS No. 158 does not impact the calculation of net periodic benefit cost. This portion of SFAS No. 158 is effective for the Company for the year ending April 1, 2007. The adoption of SFAS No. 158 resulted in the following impacts: a reduction of $112.4 million in existing prepaid pension costs and intangible assets, the recognition of $64.6 million in accrued pension and postretirement liabilities, and a charge of $177 million ($115.3 million after-tax) to accumulated other comprehensive loss. See Note 14—"Pension and other postretirement benefit plans" for additional information. SFAS No. 158 also requires that an employer measure plan assets and obligations as of the end of the employer's fiscal year, eliminating the option in SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions," to measure up to three months prior to the financial statement date. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end is effective for PCC's fiscal year ending March 29, 2009.

In February, 2007, the FASB issued SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of the adoption of SFAS No. 159 on its consolidated financial position, results of operations and cash flows.

Forward-looking statements

Information included within this Form 10-K describing the 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, general industrial and automotive cycles; the relative success of the Company's entry into new markets; competitive pricing; the financial viability of the Company's significant customers; the availability and cost of energy, materials, supplies, and insurance, the cost of pension and postretirement 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; and implementation of new technologies and process improvements. 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.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At various times, the Company uses derivative financial instruments to limit exposure to changes in foreign currency exchange rates, interest rates and prices of strategic raw materials. Fluctuations in the market values of such derivative instruments are generally offset by reciprocal changes in the underlying economic exposures that the instruments are intended to hedge. Because derivative instruments are used solely as hedges and not for speculative trading purposes, they do not represent incremental risk to the Company. For further discussion of derivative financial instruments, refer to the "Summary of Significant Accounting Policies," "Fair Value of Financial Instruments" and "Financing Arrangements" sections in "Item 8. Financial Statements and Supplementary Data."

Interest Rate Risk

The Company has variable rate debt obligations that expose the Company to interest rate risk. If market interest rates had averaged 10 percent higher than actual levels in fiscal 2007 or 2006, the effect on the Company's interest expense and net income would not have been material.

Foreign Currency Risk

The majority of the Company's revenue, expense and capital purchasing activities are transacted in U.S. dollars; however, the Company is exposed to fluctuations in foreign currencies for transactions denominated in other currencies. As discussed in the "Summary of Significant Accounting Policies" in the Financial Statements and Supplementary Data, the Company had foreign currency hedges in place at April 1, 2007 and April 2, 2006 to reduce such exposure. The estimated loss in fair value on foreign currency hedges outstanding as of April 1, 2007, from a hypothetical 10 percent adverse change in exchange rates relative to USD, would not have been material.

Material Cost Risk

As discussed in the "Summary of Significant Accounting Policies" in the Financial Statements and Supplementary Data, the Company had entered into long-term supply agreements to fix the purchase price of strategic raw materials at April 1, 2007 and April 2, 2006. In addition, PCC had escalation clauses related to raw material pricing in certain of the Company's contracts at April 1, 2007 and April 2, 2006. If market rates had averaged 10 percent higher than actual levels in either fiscal 2007 or 2006, the effect on the Company's cost of sales and net earnings, after considering the effects of these agreements and contracts, would not have been material.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated Statements of Operations

(In millions, except per share data)	Fiscal Years Ended April 1, 2007	April 2, 2006	April 3, 2005
Net sales	**$5,361.2**	$3,518.4	$2,900.0
Cost of goods sold	**4,051.0**	2,714.2	2,246.4
Selling and administrative expenses	**337.2**	247.3	230.8
Restructuring and asset impairment	**—**	2.3	1.6
Interest expense, net	**52.2**	40.6	56.0
Income before income tax and minority interest	**920.8**	514.0	365.2
Income tax expense	**304.7**	162.7	120.7
Minority interest	**(1.4)**	(1.6)	(1.3)
Net income from continuing operations	**614.7**	349.7	243.2
Net income (loss) from discontinued operations	**18.4**	0.9	(244.9)
Net income (loss)	**$ 633.1**	$ 350.6	$ (1.7)
Net income per share from continuing operations (basic)	**$ 4.52**	$ 2.62	$ 1.86
Net income (loss) per share from discontinued operations (basic)	**0.14**	0.01	(1.87)
Net income (loss) per share (basic)	**$ 4.66**	$ 2.63	$ (0.01)
Net income per share from continuing operations (diluted)	**$ 4.45**	$ 2.58	$ 1.83
Net income (loss) per share from discontinued operations (diluted)	**0.14**	—	(1.84)
Net income (loss) per share (diluted)	**$ 4.59**	$ 2.58	$ (0.01)
Average common shares outstanding:			
Basic	**136.0**	133.3	130.6
Diluted	**138.0**	135.7	133.0

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

(In millions, except share data)	April 1, 2007	April 2, 2006
Assets		
Current assets:		
Cash and cash equivalents	**$ 150.4**	$ 59.9
Receivables, net of reserves of $7.4 in 2007 and $6.1 in 2006	**847.7**	495.4
Inventories	**876.2**	557.0
Prepaid expenses	**22.9**	28.6
Deferred income taxes	**109.0**	65.2
Discontinued operations	**30.7**	27.7
Total current assets	**2,036.9**	1,233.8
Property, plant and equipment:		
Land	**60.0**	34.5
Buildings and improvements	**297.0**	234.7
Machinery and equipment	**1,272.5**	1,001.5
Construction in progress	**131.6**	46.6
	1,761.1	1,317.3
Accumulated depreciation	**(759.9)**	(645.7)
Net property, plant and equipment	**1,001.2**	671.6
Goodwill	**2,088.8**	1,655.3
Acquired intangible assets, net	**10.8**	4.5
Other assets	**117.1**	152.2
Discontinued operations	**3.9**	32.4
	$5,258.7	$3,749.8
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term borrowings	**$ 383.1**	$ 47.5
Long-term debt currently due	**170.7**	21.3
Accounts payable	**580.5**	365.3
Accrued liabilities	**435.9**	283.4
Income taxes payable	**67.1**	33.1
Discontinued operations	**20.9**	17.8
Total current liabilities	**1,658.2**	768.4
Long-term debt	**319.2**	593.8
Deferred income taxes	**26.7**	4.2
Pension and other postretirement benefit obligations	**320.5**	174.9
Other long-term liabilities	**94.5**	49.8
Discontinued operations	**3.4**	18.2
Commitments and contingencies (See Notes)	**—**	—
Shareholders' equity:		
Common stock, $1 stated value, authorized: 450,000,000 shares; issued and outstanding: 137,208,948 and 135,133,263 shares in 2007 and 2006	**137.2**	135.1
Paid-in capital	**878.5**	780.2
Retained earnings	**1,903.2**	1,290.5
Accumulated other comprehensive loss	**(82.7)**	(65.3)
Total shareholders' equity	**2,836.2**	2,140.5
	$5,258.7	$3,749.8

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(In millions)	Fiscal Years Ended April 1, 2007	April 2, 2006	April 3, 2005
Operating Activities			
Net income (loss)	**$ 633.1**	$ 350.6	$ (1.7)
Net (income) loss from discontinued operations	**(18.4)**	(0.9)	244.9
Non-cash items included in net income (loss):			
Depreciation and amortization	**112.5**	96.4	94.0
Deferred income taxes	**17.3**	31.3	6.5
Stock-based compensation expense	**26.8**	—	—
Excess tax benefits on equity instruments issued under share-based payment arrangements	**(28.9)**	—	—
Tax benefit from stock option exercises	**—**	27.8	16.0
Impairment of long-lived assets	**—**	1.7	—
Other non-cash adjustments	**—**	1.3	—
Changes in assets and liabilities, excluding effects of acquisitions and dispositions of businesses:			
Receivables	**(147.3)**	(81.9)	(31.3)
Inventories	**105.3**	(27.4)	(48.0)
Other current assets	**(2.3)**	(1.9)	18.5
Payables, accruals and current taxes	**201.8**	(21.0)	125.6
Retirement benefit obligations	**16.4**	(132.4)	(32.7)
Other non-current assets and liabilities	**(48.4)**	(14.3)	(27.1)
Net cash (used) provided by operating activities of discontinued operations	**(2.4)**	1.5	(8.2)
Net cash provided by operating activities	**865.5**	230.8	356.5
Investing Activities			
Acquisitions of businesses	**(919.2)**	(115.5)	(192.1)
Capital expenditures	**(221.5)**	(97.5)	(60.8)
Dispositions of businesses and other	**71.7**	30.7	174.2
Net cash used by investing activities of discontinued operations	**(1.6)**	(1.9)	(6.8)
Net cash used by investing activities	**(1,070.6)**	(184.2)	(85.5)
Financing Activities			
Net change in short-term borrowings	**335.4**	47.5	(5.8)
Net change in long-term debt	**(127.1)**	(212.4)	(223.9)
Common stock issued	**49.3**	47.9	41.2
Excess tax benefits on equity instruments issued under share-based payment arrangements	**28.9**	—	—
Cash dividends	**(16.3)**	(11.9)	(7.7)
Other	**1.1**	(1.4)	0.6
Net cash provided (used) by financing activities of discontinued operations	**2.7**	(1.5)	(4.9)
Net cash provided (used) by financing activities	**274.0**	(131.8)	(200.5)
Effect of exchange rate changes on cash and cash equivalents	**21.6**	(8.8)	3.1
Net increase (decrease) in cash and cash equivalents	**90.5**	(94.0)	73.6
Cash and cash equivalents at beginning of year	**59.9**	153.9	80.3
Cash and cash equivalents at end of year	**$ 150.4**	$ 59.9	$ 153.9
Supplemental Disclosures			
Cash paid during the year for:			
Interest	**$ 59.2**	$ 43.5	$ 59.4
Income taxes, net of refunds received	**$ 203.2**	$ 151.1	$ 35.5
Non-cash investing and financing activity:			
Debt assumed in connection with business acquisition	**$ 2.8**	$ —	$ —
Dividends declared but not paid	**$ 4.1**	$ 4.1	$ 2.0

See Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

(In millions)	Common Stock Outstanding Shares	Common Stock Outstanding Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (Loss)	Comprehensive Income/(Loss)
Balance at March 28, 2004	64.7	$ 64.7	$ 717.7	$ 961.2	$ (29.0)	
Common stock issued pursuant to stock plans	1.5	1.5	55.7	—	—	
Cash dividends ($0.12 per share, pre-split)	—	—	—	(7.7)	—	
Net loss	—	—	—	(1.7)	—	$ (1.7)
Unrealized translation adjustments	—	—	—	—	23.9	23.9
Unrecognized gains (losses) on derivatives, net of $0.4 tax:						
Periodic revaluations	—	—	—	—	1.0	1.0
Reclassified to income	—	—	—	—	(0.3)	(0.3)
Minimum pension liability adjustment, net of $4.2 tax	—	—	—	—	(6.6)	(6.6)
Balance at April 3, 2005	66.2	66.2	773.4	951.8	(11.0)	$ 16.3
Common stock issued pursuant to stock plans	2.4	2.4	73.4	—	—	
2-for-1 common stock split	66.5	66.5	(66.6)			
Cash dividends ($0.12 per share, pre-split) (1)	—	—	—	(11.9)	—	
Net income	—	—	—	350.6	—	$ 350.6
Unrealized translation adjustments	—	—	—	—	(33.5)	(33.5)
Unrecognized losses on derivatives, net of $0.4 tax:						
Periodic revaluations	—	—	—	—	(0.6)	(0.6)
Reclassified to income	—	—	—	—	(0.8)	(0.8)
Minimum pension liability adjustment, net of $10.9 tax benefit	—	—	—	—	(19.4)	(19.4)
Balance at April 2, 2006	135.1	135.1	780.2	1,290.5	(65.3)	$ 296.3
Common stock issued pursuant to stock plans	**2.1**	**2.1**	**47.2**	—	—	
Stock-based compensation expense	—	—	**22.2**	—	—	
Tax benefit from stock-based compensation	—	—	**28.9**	—	—	
Cash dividends ($0.12 per share)	—	—	—	**(20.4)**	—	
Net income	—	—	—	**633.1**	—	**$633.1**
Unrealized translation adjustments	—	—	—	—	**68.2**	**68.2**
Unrecognized gains on derivatives, net of $0.3 tax:						
Reclassified to income	—	—	—	—	**1.2**	**1.2**
Pension and postretirement obligations	—	—	—	—	**28.5**	**28.5**
Cumulative effect adjustment due to the adoption of SFAS No. 158, net of tax	—	—	—	—	**(115.3)**	
Balance at April 1, 2007	**137.2**	**$137.2**	**$878.5**	**$1,903.2**	**$ (82.7)**	**$731.0**

(1) Cash dividends declared per common share were $0.015 for the first quarter of fiscal 2006 and $0.03 for the remaining three quarters of fiscal 2006.

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED STATEMENTS

(In millions, except option share and per share data)

1. Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of Precision Castparts Corp. ("PCC" or the "Company") and affiliates after elimination of intercompany accounts and transactions. Affiliates include majority-owned subsidiaries and companies which are fully consolidated based on PCC having a controlling financial interest or an obligation to consolidate under Accounting Principles Generally Accepted in the United States ("GAAP"); subsidiaries and companies are accounted for using the equity method when PCC has a non-controlling ownership interest between twenty and fifty percent; and subsidiaries and companies are accounted for using the cost method when PCC has a non-controlling ownership interest of less than 20 percent. Unless otherwise noted, disclosures herein pertain to the Company's continuing operations. PCC's fiscal year is based on a 52-53 week year ending the Sunday closest to March 31.

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. Such reclassifications had no effect on previously reported shareholders' equity or net income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid short-term investments with maturities of three months or less at the time of purchase. These investments are available for sale with market values approximating cost.

Inventories

All inventories are stated at the lower of cost or current market values. Cost for inventories at the majority of the Company's operations is determined on a last-in, first-out ("LIFO") basis. The average inventory cost method is utilized for most other inventories. Costs utilized for inventory valuation purposes include material, labor and manufacturing overhead.

Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of plant and equipment is computed using the straight-line method based on the estimated service lives of the assets. Estimated service lives are 20-40 years for buildings and improvements, 5-15 years for machinery and equipment and 3-5 years for computer hardware and software. Depreciation expense was $108.6 million, $92.5 million and $89.8 million in fiscal 2007, 2006 and 2005, respectively. Gains and losses from the disposal of property, plant and equipment are included in the consolidated statements of operations and were not material. Expenditures for routine maintenance, repairs and minor improvements are charged to expense as incurred.

Goodwill and acquired intangible assets

Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses, and acquired intangible assets represent items such as patents, proprietary technology, tradenames, backlog and long term customer agreements that are assigned a fair value at the date of acquisition. Goodwill and other intangible assets deemed to have indefinite lives are not subject to amortization in accordance with Statement of Financial Accounting Standard ("SFAS") No. 142, "Goodwill and Other Intangible Assets." Goodwill and intangible assets with indefinite lives are tested for impairment at a minimum each fiscal year in the second quarter, or when impairment indicators exist, using the guidance and criteria described in the standard. This testing compares carrying values to fair values, and if the carrying value of these assets is in excess of fair value, the carrying value is reduced to fair value.

Acquired intangible assets with finite lives are amortized using the straight-line method and include the following: patents, 1-15 years; proprietary technology, 15 years; tradenames, 15 years; long-term customer agreements, 1-2 years; and backlog, 0-1 year.

Long-lived assets

Long-lived assets held for use are subject to an impairment assessment upon certain triggering events. If the carrying value is no longer recoverable based upon the undiscounted future cash flows, an impairment is recorded for the difference between the carrying amount and the fair value of the asset. Long-lived assets deemed held for sale are stated at the fair value less the cost to sell.

Revenue recognition

The Company recognizes revenue when the earnings process is complete. This generally occurs when products are shipped to the customer in accordance with the contract or purchase order, ownership and risk of loss have passed to the customer, collectibility is reasonably assured, and pricing is fixed and determinable. In instances where title does not pass to the customer upon shipment, the Company recognizes revenue upon delivery or customer acceptance, depending on terms of the sales agreement. Service sales, representing aftermarket repair and maintenance and engineering activities, are recognized as services are performed.

Shipping and Handling Fees and Costs

Shipping and handling fees and costs are reflected in net revenues and cost of goods sold as appropriate.

Environmental costs

The estimated future costs for known environmental remediation requirements are accrued on an undiscounted basis when it is probable that a liability has been incurred and the amount of remediation costs can be reasonably estimated. When only a range of amounts is established, and no amount within the range is better than another, the minimum amount of the range is recorded. Recoveries of environmental remediation costs from other parties are recorded as assets when collection is probable. Adjustments to the Company's accruals may be necessary to reflect new information as investigation and remediation efforts proceed. The amounts of any such adjustments could have a material adverse effect on the Company's results of operations in a given period, but any amounts, and the possible range of any amounts in excess of those already accrued, are not reasonably estimable at this time. Total environmental reserves accrued at April 1, 2007 and April 2, 2006 were $74.3 million and $35.5 million, respectively. Generally, the increase in environmental reserves over the last year reflects existing liabilities associated with the Company's acquisitions, as discussed in Note 3 to the Consolidated Financial Statements, and is not the result of newly discovered environmental liabilities.

Foreign currency translation

Assets and liabilities of the Company's foreign affiliates are translated at current foreign currency exchange rates, while income and expenses are translated at average rates for the period. Translation gains and losses are reported as a component of shareholders' equity.

Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, except those transactions that have been designated as hedges of identifiable foreign currency commitments or investment positions, are included in the results of operations as incurred. Transaction gains and losses had no material impact on the Company's results of operations.

Financial instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, foreign currency forward contracts, accounts payable and debt. Because of their short maturity, the carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and short-term bank debt approximate fair value. Fair value of long-term debt is based on quoted market prices or estimated using the Company's borrowing rate at year-end for similar types of borrowing arrangements.

At various times, the Company uses derivative financial instruments to limit exposure to changes in foreign currency exchange rates, interest rates and prices of natural gas and strategic raw materials. The Company has controls in place that limit the use of derivative financial instruments and ensure that all such transactions receive appropriate management attention.

The Company accounts for derivatives pursuant to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. This standard requires that all derivative financial instruments be recorded in the financial statements and measured at fair value. Changes in the fair value of derivative financial instruments are either recognized periodically in income or shareholders' equity (as a component of accumulated other comprehensive income or loss) depending on whether the derivative is being used to hedge designated changes in fair value or cash flows.

Derivative financial instruments in place at year end included hedges to cover exposures related to changes in foreign currency exchange rates in certain of the Company's operations. At April 1, 2007, and April 2, 2006, there was no material off-balance-sheet risk from financial instruments. The Company does not hold or issue financial instruments for trading purposes.

Stock-based compensation

Prior to April 3, 2006, the Company followed the provisions of Accounting Principles Board ("APB") No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock-based employee compensation plans, which are described more fully in Note 17—Stock-based compensation plans. On April 3, 2006, the Company adopted the provisions of SFAS No. 123(R), "Share-Based Payment," requiring the Company to recognize expense related to the fair value of its stock-based compensation awards. The Company has elected to use the modified prospective transition method as permitted by SFAS No. 123(R) and therefore has not restated the financial results for prior periods.

The following table sets forth total stock-based compensation expense and related tax benefit recognized in the Consolidated Statement of Operations for fiscal 2007:

	April 1, 2007
Cost of good sold	**$ 7.9**
Selling, general and administrative	**18.9**
Stock-based compensation before income taxes	**26.8**
Income tax benefit	**(8.4)**
Total stock-based compensation expense after income taxes	**$18.4**

No stock-based compensation expense was capitalized as of April 1, 2007 as it was not material. As of April 1, 2007, the Company had $44.7 million of total unrecognized stock-based compensation expense, net of estimated forfeitures, to be recognized over a weighted average period of 3.5 years.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation for fiscal 2006 and 2005:

	2006	2005
Net income (loss) as reported	**$350.6**	$ (1.7)
Stock-based compensation, net of tax, included in net income as reported	**0.1**	—
Stock-based compensation, net of tax, as determined under fair value based method for all awards	**(12.8)**	(9.2)
Pro forma net income (loss)	**$337.9**	$(10.9)
Net income (loss) per share-basic:		
Reported	**$ 2.63**	$(0.01)
Pro forma	**$ 2.53**	$(0.08)
Net income (loss) per share-diluted:		
Reported	**$ 2.58**	$(0.01)
Pro forma	**$ 2.49**	$(0.08)

The fair value of the stock-based awards, as determined under the Black-Scholes valuation model, was estimated using the weighted-average assumptions outlined below:

Fiscal	2007	2006	2005
Stock option plans:			
Risk-free interest rate	**4.5%**	4.9%	4.0%
Expected dividend yield	**0.1%**	0.2%	0.2%
Expected volatility	**35.8%**	35.4%	38.8%
Expected life (in years)	**2.7 – 4.4**	2.7 – 4.4	5
Employee Stock Purchase Plan:			
Risk-free interest rate	**4.9%**	4.9%	4.0%
Expected dividend yield	**0.1%**	0.2%	0.2%
Expected volatility	**35.8%**	35.4%	38.8%
Expected life (in years)	**1.0**	0.9	0.9

The Company uses the U.S. Treasury (constant maturity) interest rate as the risk-free interest rate and uses 10-year historical volatility as the expected volatility. The Company's determination of expected terms and estimated pre-vesting forfeitures is based on an analysis of historical and expected patterns.

The weighted-average fair value of stock-based compensation awards granted and the intrinsic value of options exercised during the period were:

Fiscal	2007	2006	2005
Stock option plans:			
Grant date fair value per share	**$24.47**	$15.96	$11.95
Total fair value of awards granted	**$ 38.6**	$ 22.8	$ 24.0
Total intrinsic value of options exercised	**$ 94.9**	$ 83.1	$ 45.3
Employee Stock Purchase Plan:			
Grant date fair value per share	**$13.97**	$ 8.54	$ 5.99
Total fair value	**$ 4.6**	$ 3.7	$ 2.5

Income Taxes

Provisions for federal, state and foreign income taxes are calculated on reported pre-tax earnings based on current tax law and also include, in the current period, the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provisions differ from the amounts currently receivable or payable because certain items of income and expense are recognized in different time periods for financial reporting purposes than for income tax purposes. Significant judgment is required in determining income tax provisions and evaluating tax positions. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

Pension and Other Postretirement Benefit Plans

The Company sponsors various pension plans covering substantially all employees. The Company also provides postretirement benefit plans other than pensions, consisting principally of health care coverage to eligible retirees and qualifying dependents. The liabilities and net periodic cost of our pension and other post-retirement plans are determined using methodologies that involve several actuarial assumptions, the most significant of which are the discount rate, the rate of return on plan assets, and medical trend (rate of growth for medical costs). For the U.S. plans, the discount rate was determined based on the results of a bond matching model that constructed a portfolio of bonds with credit ratings of AA or higher that match the Company's pension benefit cash flows. The discount rate was determined on the basis of the internal rate of return on the bond portfolio. For the non-U.S. plans, the iBoxx long-term bond index was used as the basis for determining discount rates. A portion of net periodic pension cost is included in production costs, which are included in inventories and subsequently recognized in net earnings as inventories are liquidated and charged to cost of sales. We amortize gains and losses, which occur when actual experience differs from actuarial assumptions, over the average future service period of employees. Our funding policy for pension plans is to contribute, at a minimum, the amounts required by applicable laws. During fiscal year 2007, 2006 and 2005, the Company made voluntary contributions to pension plans totaling \$19.6 million, \$151.9 million and \$60.0 million, respectively.

Effective April 1, 2007, PCC adopted SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106 and 132(R)" ("SFAS No. 158"), which requires that our Consolidated Balance Sheets reflect the funded status of the pension and postretirement plans. In future reporting periods, the difference between actual amounts and estimates based on actuarial assumptions will be recognized in other comprehensive income (loss) in the period in which they occur. See Note 14—"Pension and other postretirement benefit plans," for more information.

Earnings per share

Earnings per share is computed in accordance with SFAS No.128, "Earnings Per Share."

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Recently issued accounting standards

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement 109" ("FIN 48"). FIN 48 establishes a single model to address accounting for uncertainty in tax positions. This interpretation clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. Additionally, FIN 48 provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition of uncertain tax positions. The provisions of FIN 48 are effective for our fiscal 2008 beginning April 2, 2007. The Company does not expect that the adoption will have a material impact on its consolidated financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and also expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of the adoption of SFAS No. 157 on its consolidated financial position, results of operations and cash flows.

In September 2006, the FASB issued SFAS No. 158, which requires an employer to recognize an asset or liability for the overfunded or underfunded status of a defined benefit postretirement plan measured as the difference between the fair value of plan assets and the benefit obligation. For a pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement benefit plan, such as a retiree health care plan, the benefit obligation is the accumulated postretirement benefit obligation. SFAS No. 158 also requires the Company to recognize in accumulated other comprehensive income (loss), apart from expenses, the actuarial gains and losses and the prior service costs and credits that arise during the period, but that were not recognized as components of net periodic benefit cost of the period pursuant to SFAS No 87, "Employers' Accounting for Pensions," and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". SFAS No. 158 does not impact the calculation of net periodic benefit cost. This portion of SFAS No. 158 is effective for the Company for the year ended April 1, 2007. The adoption of SFAS No. 158 resulted in the following impacts: a reduction of $112.4 million in existing prepaid pension costs and intangible assets, the recognition of $64.6 million in accrued pension and postretirement liabilities, and a charge of $177 million ($115.3 million after-tax) to accumulated other comprehensive loss. See Note 14—"Pension and other postretirement benefit plans" for additional information. SFAS No. 158 also requires that an employer measure plan assets and obligations as of the end of the employer's fiscal year, eliminating the option in SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions," to measure up to three months prior to the financial statement date. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end is effective for PCC's fiscal year ending March 29, 2009.

In February 2007, the FASB issued SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS No. 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of the adoption of SFAS No. 159 on its consolidated financial position, results of operations and cash flows.

3. Business acquisitions

The following acquisitions were accounted for by the purchase method of accounting and, accordingly, the results of operations have been included in the Consolidated Statements of Operations since the acquisition dates.

Fiscal 2007

On February 23, 2007, PCC acquired the LLC membership interests of Cherry Aerospace LLC ("Cherry") from Acument Global Technologies, Inc. ("Acument") for $300.4 million in cash. Founded in 1939, Cherry encompasses the aerospace operations of Acument, formerly Textron Fastening Systems, and is a manufacturer of aerospace rivets and blind bolts. Cherry employs approximately 500 people at its facility in Santa Ana, California. Cherry will fill a gap in our product line of critical aerospace fasteners and will open up potential synergies and economies of scale with our other fastener operations. The Cherry acquisition is an asset acquisition for tax purposes and operates as part of the Fastener Products segment. This transaction resulted in $249.8 million of goodwill, which is deductible for tax purposes.

On February 2, 2007, PCC acquired the stock of GSC Foundries, Inc. ("GSC"), a manufacturer of aluminum and steel structural investment castings for aerospace, energy, medical, and other end markets for $77.1 million in cash. GSC employs approximately 375 people at its operations in Ogden, Utah, and Saltillo, Mexico. GSC will enhance PCC's small structural investment casting portfolio with its ability to produce larger components. The GSC acquisition is an asset acquisition for tax purposes and operates as part of the Investment Cast Products segment. This transaction resulted in $53.8 million of goodwill, which is deductible for tax purposes.

On May 25, 2006, PCC completed the acquisition of Special Metals Corporation ("SMC"), a manufacturer of high-performance nickel-based alloys and super alloys. SMC currently provides our forging operations with a limited quantity of nickel-based alloys for manufacturing aerospace components, and it is expected that this internal supply will grow substantially over time. The aggregate purchase price was $548.1 million, which principally includes $310.6 million for the purchase of shares and $240.1 million for the repayment of SMC's outstanding debt and related termination costs, partially offset by $22.3 million of cash acquired. The transaction was funded through the Company's credit facilities. The SMC acquisition is a stock purchase for tax purposes and operates as part of the Forged Products segment.

PCC is in the process of finalizing the allocation of the purchase price to certain contingent liabilities as of April 1, 2007; thus, the allocation shown below is preliminary and subject to further refinement as analyses are completed.

	May 25, 2006
Current assets	$620.9
Property, plant and equipment	166.1
Goodwill	112.5
Intangible assets	5.5
Other assets	14.3
Total assets acquired	919.3
Notes payable and current portion long-term debt	1.2
Accounts payable and other current liabilities	227.5
Long-term debt	1.6
Other long-term liabilities	140.9
Total liabilities assumed	371.2
Net assets acquired	$548.1

The operating results for SMC, GSC and Cherry have been included in the Company's consolidated statement of operations since the closing date of each acquisition. The following pro forma information presents a summary of the results of operations of the Company assuming the fiscal 2007 acquisitions had occurred at the beginning of the periods presented. The unaudited pro forma information is not necessarily indicative of the results that would have occurred had the acquisition been completed at the beginning of the periods presented, nor is it necessarily indicative of future results.

Fiscal	2007	2006
Net sales	**$5,631.6**	$4,640.2
Net income	**$ 650.3**	$ 392.9
Net income per share—basic	**$ 4.78**	$ 2.95
Net income per share—diluted	**$ 4.71**	$ 2.90

Fiscal 2006

On January 6, 2006, PCC completed the acquisition of the Shur-Lok Group ("Shur-Lok"), which includes the Shur-Lok Corporation in Irvine, California, and Shur-Lok International located in Petit-Rechain, Belgium, for approximately $113.0 million in cash. Shur-Lok is a manufacturer of highly engineered, critical aerospace fasteners, including inserts, barrel nuts, adjustable diameter bolts, fluid fittings and lock nuts. The Shur-Lok product line significantly enhances the basket of fastener products the Company can offer to its commercial airframe customers, while increasing market reach into other critical fastener applications. The Shur-Lok acquisition is an asset purchase for tax purposes and operates as part of the Fastener Products segment. This transaction resulted in $82.4 million of goodwill, of which $79.4 million is deductible for tax purposes.

Fiscal 2005

In March 2005, PCC acquired 100 percent of the outstanding shares of common stock of Air Industries Corporation ("AIC"), a manufacturer of airframe fasteners, which include bolts, pins, and screws made from titanium and nickel-based alloys. The acquisition of AIC, which was funded with $198.3 million of cash on hand, expands PCC's manufacturing capabilities and the range of fastener product families the Company can offer to its customers. The AIC acquisition is an asset purchase for stock purposes and operates as part of the Fastener Products segment. Goodwill relating to this transaction of $150.0 million is assigned to the Fastener Product segment and is deductible for tax purposes.

4. Discontinued operations

Fiscal 2007

In the second quarter of fiscal 2007, the Company sold its interest in Wyman-Gordon FRISA to its 50 percent joint venture partner. PCC received $30.0 million in cash for the sale. In addition, the buyer assumed and subsequently paid off $17.4 million of debt upon closing. At the time of the closing, the joint venture entity operated a manufacturing facility located in Mexico that was engaged in the manufacture of forged products using the ring rolling process. FRISA has been reclassified from the Forged Products segment to discontinued operations.

In the first quarter of fiscal 2007, the Company decided to sell the refiner rebuild business of J&L Fiber Services and to close its AFT Composites business. These businesses have been reclassified from the former Industrial Products segment to discontinued operations. Both transactions were completed by the third quarter of fiscal 2007.

Fiscal 2005

In the second quarter of fiscal 2005, the Company entered into agreements to sell all of the pumps and valves businesses of PCC Flow Technologies, with the exception of E/One and PCC Eurovalves. The businesses held for sale were reclassified to discontinued operations. The sale of the pumps and valves businesses of PCC Flow Technologies was completed in the third quarter of fiscal 2005, and PCC Eurovalves, which is located in The Netherlands, was sold in the third quarter of fiscal 2006. PCC's decision to sell the pumps and valves businesses in the second quarter of fiscal 2005 resulted in a charge of $245.0 million, of which $219.1 million was associated with the write-down of goodwill. The remainder of the charge related to the write-down of inventory, other amortizable assets and machinery and equipment to fair value less costs to sell. Approximately $240.0 million of the charge was non-cash.

These businesses each meet the criteria as a component of an entity under SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Accordingly, any operating results of these businesses are presented in the Company's Consolidated Statements of Operations as discontinued operations, net of income tax, and all prior periods have been reclassified. The components of discontinued operations for the periods presented are as follows:

Fiscal	2007	2006	2005
Net sales	**$52.9**	$61.8	$ 312.5
Cost of goods sold	**41.5**	51.9	248.2
Selling and administrative expenses	**4.9**	7.8	49.8
Interest expense	**0.5**	0.8	1.1
Net income from operations before income taxes	**6.0**	1.3	13.4
Income tax (benefit) expense	**(5.5)**	(3.1)	10.8
Minority interest	**—**	—	(0.3)
Net income from operations	**11.5**	4.4	2.3
Gain (loss) on disposal, net of tax expense (benefit) of $1.4, $(0.7), and $1.7	**6.9**	(3.5)	(247.2)
Net income (loss) from discontinued operations	**$18.4**	$ 0.9	$(244.9)

Included in the Consolidated Balance Sheets are the following major classes of assets and liabilities associated with the discontinued operations after adjustment for write-downs to fair value less cost to sell:

	April 1, 2007	April 2, 2006
Assets of discontinued operations:		
Current assets	**$30.7**	$27.7
Net property, plant and equipment	**3.9**	30.3
Other assets	**—**	2.1
	$34.6	$60.1
Liabilities of discontinued operations:		
Short-term borrowings	**$ —**	$ 6.0
Long-term debt currently due	**—**	2.0
Other current liabilities	**20.9**	9.8
Long-term debt	**—**	6.0
Other liabilities	**3.4**	12.2
	$24.3	$36.0

5. Restructuring, asset impairment and other non-recurring charges

As of April 1, 2007 and April 2, 2006, accrued amounts remaining related to the Company's restructuring plans amounted to $0.4 million and $2.1 million, respectively.

Fiscal 2006

During the third quarter of fiscal 2006, PCC recorded restructuring and asset impairment charges of $2.3 million, which included $1.7 million primarily due to the write down of a building and equipment to fair value related to consolidation of a machining operation in the Investment Cast Products segment and $0.6 million for severance costs associated with headcount reductions related to downsizing the Company's tooling operation in Ireland.

Fiscal 2005

During the fourth quarter of fiscal 2005, PCC recorded provisions for restructuring and impairment of long-lived assets totaling $1.6 million, principally related to additional costs associated with a business within the Investment Cast Products segment that was closed several years prior.

6. Fair value of financial instruments

The fair value of the Company's long-term fixed rate debt instruments is $474.2 million compared to a book value of $479.5 million at April 1, 2007. At April 2, 2006, the fair value of PCC's long-term debt instruments was $495.7 million compared to a book value of $499.4 million. The fair value of long-term debt was estimated using the Company's borrowing rate at year-end for similar types of borrowing arrangements.

7. Concentration of credit risk

Approximately 53 percent, 59 percent and 55 percent of PCC's business activity was with companies in the aerospace industry in fiscal 2007, 2006 and 2005, respectively, and approximately 11.4 percent, 16.8 percent and 16.6 percent of total sales were to General Electric in fiscal 2007, 2006 and 2005, respectively. Accordingly, PCC is exposed to a concentration of credit risk for this portion of receivables. The Company has long-standing relationships with its aerospace customers and management considers the credit risk to be low.

8. Inventories

Inventories consisted of the following:

	April 1, 2007	April 2, 2006
Finished goods	**$178.2**	$125.7
Work-in-process	**509.9**	269.8
Raw materials and supplies	**253.0**	129.5
	941.1	525.0
LIFO provision	**(64.9)**	32.0
	$876.2	$557.0

Approximately 93 percent and 90 percent of total inventories were valued on a LIFO basis at April 1, 2007 and April 2, 2006, respectively. The change in the LIFO provision from fiscal 2006 to fiscal 2007 was primarily due to the acquisition of SMC and the significant increase in nickel and other alloy costs during fiscal 2007.

9. Goodwill and acquired intangibles

The Company performs its annual goodwill assessment test during the second quarter of each fiscal year. For fiscal 2007, it was determined that the fair value of the related operations was greater than book value and that there was no impairment of goodwill.

The changes in the carrying amount of goodwill by reportable segment for the fiscal year ended April 1, 2007, were as follows:

	April 2, 2006	Acquired	Currency translation and other	April 1, 2007
Investment Cast Products	$ 298.2	$ 53.8	$ 2.6	**$ 354.6**
Forged Products	507.7	112.5	15.7	**635.9**
Fastener Products	849.4	249.8	(0.9)	**1,098.3**
Total	$1,655.3	$416.1	$17.4	**$2,088.8**

The gross carrying amount and accumulated amortization of the Company's acquired intangible assets were as follows:

	April 1, 2007		April 2, 2006	
	Gross carrying Amount	Accumulated Amortization	Gross carrying Amount	Accumulated Amortization
Patents	**$ 9.0**	**$2.2**	$3.0	$1.2
Proprietary technology	**2.3**	**0.5**	2.4	0.4
Tradenames	**1.2**	**0.3**	0.8	0.1
Long-term customer agreements	**0.2**	**0.2**	0.2	0.2
Backlog	**1.5**	**0.2**	—	—
	$14.2	**$3.4**	$6.4	$1.9

Amortization expense for acquired intangible assets was $1.5 million, $0.7 million and $0.9 million for fiscal 2007, 2006 and 2005, respectively. All of the Company's acquired intangible assets are subject to amortization. Projected amortization expense for the succeeding five fiscal years is as follows:

Fiscal Year	Estimated Amortization Expense
2008	$2.8
2009	$1.3
2010	$1.2
2011	$0.9
2012	$0.8

10. Accrued liabilities

Accrued liabilities consisted of the following:

	April 1, 2007	April 2, 2006
Salaries and wages payable	**$162.3**	$120.0
Other accrued liabilities	**273.6**	163.4
	$435.9	$283.4

11. Financing arrangements

Long-term debt is summarized as follows:

	April 1, 2007	April 2, 2006
5.60% Public notes due fiscal 2014	**$200.0**	$200.0
6.75% Public notes due fiscal 2008	**150.0**	150.0
Private notes payable annually through fiscal 2015, 4.04% at April 1, 2007	**129.5**	149.4
Revolving credit facility due fiscal 2013, 5.38% at April 2, 2006	**—**	105.5
Other	**10.4**	10.2
	489.9	615.1
Less: Long-term debt currently due	**170.7**	21.3
	$319.2	$593.8

Long-term debt maturing in each of the next five fiscal years is as follows:

Fiscal Year	Debt
2008	$170.7
2009	$ 20.2
2010	$ 54.9
2011	$ 15.1
2012	$ 14.7
Thereafter	$214.3

Fiscal 2007

During the third quarter of fiscal 2007, the Company began issuing unsecured, short-term Commercial Paper notes ("CP"). Outstanding balances under the CP program totaled $382.9 million as of April 1, 2007, with a weighted average interest rate of approximately 5.4%. The Company may issue CP in an amount not to exceed the amount available to be drawn under its Amended and Restated Credit Agreement, currently $1.0 billion. CP obligations are guaranteed by certain U.S. subsidiaries of the Company, as disclosed in Note 22—Condensed Consolidating Financial Statements.

In connection with the acquisition of SMC in the first quarter of fiscal 2007, the Company increased borrowings under its $1.0 billion revolving credit facility which matures in fiscal 2013. As the Company has the option to pay down and borrow debt under this facility through fiscal 2013, it has classified amounts outstanding as long-term. Outstanding amounts under this facility totaled $105.5 million at April 2, 2006. There were no amounts outstanding as of April 1, 2007, as the CP notes were used to repay outstanding balances under the revolving credit facility during the current period. In May 2007, PCC amended its revolving credit facility, see Note 21, "Subsequent Events" for more information.

Fiscal 2006

In October 2005, the Company entered into an amended and restated bank credit facility with Bank of America, N.A., as administrative agent, lender, swing line lender and letter of credit issuer, and the other lenders from time to time party thereto. The amended facility consists of a five-year, $1.0 billion revolving loan (with a $250 million increase option) maturing in October 2010 and includes a swing line facility and a letter of credit facility. Borrowings under the amended facility bear interest at either LIBOR plus applicable spreads, which range from 0.30% to 1.00% depending on credit ratings received from Moody's and S&P, or the Base Rate (as defined in the amended facility) at the Company's option. The amended facility also has a facility fee, which ranges from 0.10% to 0.325% of the aggregate commitments under the facility depending on the Company's credit ratings, and a utilization fee of 0.125 percent on all outstanding loans if the aggregate outstanding loans equal or exceed 50 percent of the aggregate commitments under the facility. The amended facility contains various standard representations and warranties, events of default and financial and other covenants which are substantially the same, but no less favorable to the Company, as the events of default and covenants contained in the Company's previous facility, including maintenance of minimum net worth, interest coverage ratio and leverage ratio. The amended facility is guaranteed by the Company's material domestic subsidiaries.

Also available to the Company is a 364-day Credit and Security Agreement ("Receivable Facility"), under which allowable borrowings are a function of the level of eligible trade accounts receivable, which cannot exceed $150.0 million. As of April 2, 2006, $47.0 million was outstanding under the Receivable Facility and included in short-term borrowings. There was no amount outstanding under this facility at April 1, 2007.

The Credit Facility and Private Notes contain various standard financial covenants, including maintenance of minimum net worth, interest coverage ratio and leverage ratio. The Public Notes also contain various standard financial covenants. The Company's debt agreements also contain cross default provisions. At April 1, 2007, the Company was in compliance with all restrictive provisions of its loan agreements.

12. Income taxes

Total pre-tax income before minority interest was:

Fiscal	2007	2006	2005
Domestic	**$763.4**	$452.4	$318.6
Foreign	**157.4**	61.6	46.6
Total pretax income	**$920.8**	$514.0	$365.2

The provision for income taxes consisted of the following:

Fiscal	2007	2006	2005
Current taxes:			
Federal	**$223.2**	$129.2	$ 85.5
Foreign	**39.2**	14.7	9.9
State	**20.5**	9.6	7.9
	282.9	153.5	103.3
Change in deferred income taxes	**21.8**	9.2	17.4
Provision for income taxes	**$304.7**	$162.7	$120.7

U.S. income taxes have not been provided on undistributed earnings of international subsidiaries. The Company's intention is to reinvest these earnings and repatriate the earnings only when it is tax efficient to do so. Accordingly, the Company believes that any United States tax on repatriated earnings would be substantially offset by foreign tax credits. As of April 1, 2007, undistributed earnings of international subsidiaries were $597.1 million.

A reconciliation of the U.S. federal statutory rate to the effective income tax rate follows:

Fiscal	**2007**	**2006**	**2005**
Statutory federal rate	**35.0%**	35.0%	35.0%
Effect of:			
State taxes, net of federal benefit	**1.8**	1.6	1.8
Export sales benefit	**(0.7)**	(1.4)	(1.4)
Domestic manufacturing deduction	**(0.7)**	(0.8)	—
Valuation allowance	**—**	—	0.5
Earnings taxed at different rates	**(1.0)**	(0.9)	(1.3)
Tax benefit from write-off of intercompany loans	**—**	—	(1.1)
Reversal of foreign and federal tax reserves no longer required	**(1.2)**	(1.0)	—
Other	**(0.1)**	(0.8)	(0.4)
Effective rate	**33.1%**	31.7%	33.1%

Deferred income taxes result from temporary differences in the recognition of income and expenses for financial and income tax reporting purposes, and differences between the fair value of assets acquired in business combinations accounted for as purchases for financial reporting purposes and their corresponding tax bases. Deferred income taxes represent future tax benefits or costs to be recognized when those temporary differences reverse.

Significant components of the Company's deferred tax assets and liabilities were as follows:

	April 1, 2007	**April 2, 2006**
Deferred tax assets arising from:		
Expense accruals	**$ 136.7**	$ 66.0
Customer deposits	**11.1**	6.2
Post-retirement benefits other than pensions	**22.7**	14.8
Pension accruals	**86.9**	66.1
Tax loss carryforwards	**20.1**	27.3
Tax credit carryforwards	**2.3**	1.1
Inventory reserves	**—**	19.2
Valuation allowances	**(16.0)**	(9.2)
Gross deferred tax assets	**263.8**	191.5
Deferred tax liabilities arising from:		
Depreciation/amortization	**(125.2)**	(101.4)
Goodwill	**(48.0)**	—
Inventory basis differences	**(2.4)**	(22.6)
Inventory reserves	**(1.5)**	—
Foreign operations	**(0.3)**	(0.3)
Other	**(4.1)**	(6.2)
Gross deferred tax liabilities	**(181.5)**	(130.5)
Net deferred tax asset	**$ 82.3**	$ 61.0

At April 1, 2007, the Company had net operating loss and tax credit carryforward benefits of approximately $1.8 million that expire in the fiscal years ending March 2008 through March 2017. For financial reporting purposes, a valuation allowance of $1.8 million was recognized to offset the deferred tax asset relating to those carryforward benefits.

13. Earnings per share

The weighted average number of shares outstanding used to compute earnings per share is as follows:

	2007	2006	2005
Weighted average shares outstanding-basic	**136.0**	133.3	130.6
Effect of dilutive stock options and stock purchases under the employee stock purchase plan	**2.0**	2.4	2.4
Weighted average shares outstanding-diluted	**138.0**	135.7	133.0

Basic earnings per share are calculated based on the weighted average number of shares outstanding. Diluted earnings per share are computed based on that same number of shares plus additional dilutive shares representing stock distributable under stock option and employee stock purchase plans computed using the treasury stock method.

Options to purchase 0.6 million, 0.6 million and 0.8 million shares of common stock were outstanding during fiscal 2007, fiscal 2006 and fiscal 2005, respectively, and not included in the computation of diluted earnings per share because to do so would have been antidilutive. These options could be dilutive in the future.

14. Pension and other postretirement benefit plans

The Company and its subsidiaries sponsor many domestic and foreign defined benefit pension plans. Benefits provided by these plans generally are based on years of service and compensation. PCC's general funding policy for qualified pension plans is to contribute amounts at least sufficient to satisfy regulatory funding standards. PCC also provides postretirement medical benefits for certain eligible employees who have satisfied plan eligibility provisions, which include age and/or service requirements.

PCC uses a December 31 measurement date for its pension and postretirement plans.

The adoption of SFAS No. 158 resulted in the following impacts: a reduction of $112.4 million in existing prepaid pension costs and intangible assets, the recognition of $64.6 million in accrued pension and postretirement liabilities, and a charge of $177 million ($115.3 million after-tax) to accumulated other comprehensive loss. See table "Change due to SFAS 158 at April 1, 2007" for details of these impacts.

In connection with the Cherry acquisition, the Company will establish a new defined benefit plan for Cherry employees. Such plan had not yet been established at year end as the former owners of Cherry are still determining the amount of assets and projected benefit obligation associated with Cherry employees who will continue employment with the Company. As outlined under the terms of the acquisition agreement, the Company will receive plan assets equal to the projected benefit obligation for Cherry employees continuing with the Company, determined as of the closing date, adjusted for investment earnings and benefit payments between the closing date and the date of transfer.

Pension and postretirement benefit obligations and funded status

Fiscal	Pension Benefits 2007	Pension Benefits 2006	Other Postretirement Benefits 2007	Other Postretirement Benefits 2006
Change in plan assets:				
Beginning fair value of plan assets	**$1,018.7**	$ 869.7	**$ 0.4**	$ 0.4
Actual return on plan assets	**102.5**	56.4	**—**	—
Business acquisition	**165.7**	—	**—**	—
Business disposition	**—**	(9.1)	**—**	—
Company contributions	**39.0**	171.5	**15.9**	8.4
Plan participants' contributions	**3.9**	3.1	**—**	—
Benefits paid	**(59.1)**	(50.5)	**(13.4)**	(8.4)
Exchange rate and other	**48.0**	(22.4)	**—**	—
Ending fair value of plan assets	**$1,318.7**	$1,018.7	**$ 2.9**	$ 0.4
Change in projected benefit obligations:				
Beginning projected benefit obligations	**$1,198.8**	$1,118.1	**$ 65.2**	$ 71.0
Service cost	**34.8**	27.9	**1.0**	0.3
Interest cost	**70.8**	59.0	**6.4**	3.9
Plan participants' contributions	**3.9**	3.1	**—**	—
Amendments	**8.1**	—	**—**	—
Business acquisition	**180.3**	0.4	**82.1**	—
Business disposition	**—**	(11.5)	**—**	—
Actuarial (gains) losses	**(25.1)**	82.2	**(6.3)**	(1.6)
Benefits paid	**(59.1)**	(50.5)	**(13.4)**	(8.4)
Exchange rate and other	**53.9**	(29.9)	**—**	—
Ending projected pension and postretirement benefit obligations	**$1,466.4**	$1,198.8	**$ 135.0**	$ 65.2
Funded Status				
Fair value of plan assets less than projected pension and postretirement benefit obligations	**$ (147.6)**	$ (180.1)	**$(132.1)**	$(64.8)
Unrecognized net loss	**262.3**	308.2	**7.1**	14.6
Unrecognized prior service cost	**22.8**	16.9	**(2.5)**	(2.9)
Unrecognized net transition obligation	**1.5**	1.5	**—**	—
Net amount recognized	**$ 139.0**	$ 146.5	**$(127.5)**	$(53.1)
Amounts recognized in the balance sheets:				
Before the adoption of SFAS 158				
Intangible assets	**$ 20.3**	$ 15.1	**$ —**	$ —
Prepaid pension costs	**94.6**	44.9	**—**	—
Accrued benefit liability—long term	**(90.1)**	(74.7)	**(127.5)**	(53.1)
Accumulated other comprehensive loss	**114.2**	161.2	**—**	—
Net amount recognized	**$ 139.0**	$ 146.5	**$(127.5)**	$(53.1)
After the adoption of SFAS 158				
Intangible assets	**$ 2.5**	$ —	**$ —**	$ —
Accrued benefit liability—current	**(14.7)**	—	**(6.8)**	—
Accrued benefit liability—long term	**(135.4)**	—	**(125.3)**	—
Net amount recognized	**$ (147.6)**	$ —	**$(132.1)**	$ —
Amounts recognized in accumulated other comprehensive loss consist of:				
Net actuarial loss	**$ 262.3**	$ —	**$ 7.1**	$ —
Prior service cost (benefit)	**24.3**	—	**(2.5)**	—
Net amount recognized, before tax effect	**$ 286.6**	$ —	**$ 4.6**	$ —

The incremental effect of adopting SFAS 158 on individual line items in the Consolidated Statements of Financial Position at April 1, 2007 is shown below:

	Balance Prior to SFAS 158 Adjustments	SFAS 158 Adjustments	Balance After AML & SFAS 158 Adjustments
Change due to SFAS 158 at April 1, 2007			
Pension:			
Intangible assets	$ 20.3	$(20.3)	$ —
Prepaid pension costs	$ 94.6	$(92.1)	$ 2.5
Accrued benefit liability—current	$ —	$(14.7)	$ (14.7)
Accrued benefit liability—long term	$ (90.1)	$(45.3)	$(135.4)
Accumulated other comprehensive loss (before tax)	$ 114.2	$172.4	$ 286.6
Deferred tax assets	39.4	60.0	99.4
Accumulated other comprehensive loss (after tax)	$ 74.8	$112.4	$ 187.2
Postretirement benefits:			
Accrued benefit liability—current	$ —	$ (6.8)	$ (6.8)
Accrued benefit liability—long-term	$(127.5)	$ 2.2	$(125.3)
Accumulated other comprehensive loss (before tax)	$ —	$ 4.6	$ 4.6
Deferred tax assets	—	1.7	1.7
Accumulated other comprehensive loss (after tax)	$ —	$ 2.9	$ 2.9

Components of net periodic pension expense

The net periodic pension cost for the Company's pension plans consisted of the following components:

Fiscal	**2007**	**2006**	**2005**
Service cost	**$ 35.5**	$ 28.5	$ 29.7
Interest cost	**70.8**	59.0	60.1
Expected return on plan assets	**(86.1)**	(64.8)	(59.7)
Amortization of prior service cost/curtailment gain	**2.1**	2.1	1.3
Amortization of transition asset	**0.2**	0.3	0.2
Business acquisition	—	0.1	(3.1)
Unrecognized net actuarial loss	**17.7**	12.4	11.0
Net periodic pension cost	**$ 40.2**	$ 37.6	$ 39.5

The net postretirement benefit cost of the Company's postretirement benefit plans consisted of the following components:

Fiscal	**2007**	**2006**	**2005**
Service cost	**$ 1.0**	$ 0.3	$ 0.2
Interest cost	**6.4**	3.9	4.0
Amortization of prior service cost/curtailment gain	**(0.4)**	(0.4)	(0.1)
Amortization of transition asset	—	1.3	(0.1)
Unrecognized net actuarial loss	**1.3**	—	—
Net postretirement benefit cost	**$ 8.3**	$ 5.1	$ 4.0

The expense related to employer contributions to the Company's 401(k) savings plans was $11.0 million, $8.9 million and $7.5 million in 2007, 2006 and 2005, respectively.

Weighted-average assumptions

The weighted-average assumptions used in determining the pension and postretirement benefit obligations in the Company's U.S. pension and postretirement plans in fiscal 2007 and 2006 were as follows:

Fiscal	Pension Benefits		Other Postretirement Benefits	
	2007	2006	2007	2006
Discount rate	**6.00%**	5.75%	**6.00%**	5.75%
Rate of compensation increase	**3.25%**	3.00%	**3.25%**	—

As of April 1, 2007, the U.S. pension benefit obligation was $792.6 million.

The weighted-average assumptions used in determining the benefit obligations in the Company's non-U.S. pension plans in 2007 and 2006 were as follows:

Fiscal	Pension Benefits	
	2007	2006
Discount rate	**5.22%**	4.68%
Return on plan assets	**3.22%**	2.97%

As of April 1, 2007, the non-U.S. pension benefit obligation was $673.8 million.

The weighted-average assumptions used in determining the net periodic pension and postretirement benefit cost in the Company's U.S. pension and postretirement plans in fiscal 2007, 2006 and 2005 were as follows:

Fiscal	Pension Benefits			Other Postretirement Benefits		
	2007	2006	2005	2007	2006	2005
Discount rate	**5.75%**	5.75%	6.25%	**5.75%**	5.75%	6.25%
Expected return on plan assets	**8.00%**	8.00%	8.00%	**2.00%**	—	—
Rate of compensation increase	**3.00%**	3.00%	3.25%	—	—	—

For the year ended April 1, 2007, the Company's U.S. net periodic pension cost was $30.9 million.

The weighted-average assumptions used in determining the net periodic benefit cost in the Company's non-U.S. pension plans in fiscal 2007, 2006 and 2005 were as follows:

Fiscal	Pension Benefits		
	2007	2006	2005
Discount rate	**5.22%**	5.33%	5.50%
Expected return on plan assets	**7.50%**	7.50%	7.50%
Rate of compensation increase	**3.22%**	2.96%	3.00%

For the year ended April 1, 2007, the Company's non-U.S. net periodic benefit cost was $9.3 million.

A reduction of ¼ of 1 percent in the discount rate would increase net periodic benefit cost by approximately $2.6 million for the next year.

A reduction of ¼ of 1 percent in the expected return on assets of would increase net periodic benefit cost by approximately $1.7 million for the next year.

Health care trend rates

The health care cost trend rates used in 2007 and 2006 were as follows:

	Other Postretirement Benefits	
Fiscal	**2007**	**2006**
Health care cost trend assumed for next year	**9.32%**	9.06%
Ultimate trend rate	**4.50%**	4.50%
Year ultimate rate is reached	**2015**	2014

A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1 percentage point increase	1 percentage point decrease
Effect on total of service and interest cost components	$0.2	$(0.1)
Effect on postretirement benefit obligation	$2.1	$(2.0)

Plan Asset Allocations

The Company's asset allocation strategy is designed to balance the objectives of achieving the expected return on plan assets assumption consistently over the long-term while minimizing the volatility of the plans' funded status and the Company's net periodic pension cost. Asset classes with differing expected rates of return, return volatility and correlations are utilized to control risk and provide diversification.

The table below sets forth the Company's target asset allocation for 2007 and the actual allocations at December 31, 2006 and 2005:

	Target Allocation 2007	Actual Allocation 12/31/2006	Actual Allocation 12/31/2005
Equity	**30-50%**	39%	44%
Fixed Income	**20-40%**	30%	25%
Real Estate	**0-2%**	0%	1%
Other	**15-35%**	26%	25%
Cash	**3-5%**	5%	5%
Total		100%	100%

The Company expects to contribute approximately $74.7 million to the defined benefit pension plans during fiscal year 2008, of which approximately $58.0 million is voluntary. The Company expects to contribute approximately $11.2 million to the other postretirement benefit plans during fiscal year 2008.

Estimated future benefit payments for our pension and other postretirement benefit plans are expected to be:

Fiscal year	Pension Benefits	Other Postretirement Benefits
2008	$ 71.2	$ 11.2
2009	62.5	11.0
2010	72.1	10.8
2011	72.6	10.7
2012	69.8	10.2
2013-2016	394.8	47.4
	$743.0	$101.3

15. Commitments and contingencies

The Company leases certain facilities, office space and equipment under operating leases for varying periods. Future minimum rental payments under non-cancelable operating leases with initial or remaining terms of one year or more at April 1, 2007 are as follows:

Fiscal year	
2008	$18.8
2009	16.5
2010	12.2
2011	7.3
2012	4.9
Thereafter	18.7
	$78.4

Total rent expense for all operating leases was $21.3 million, $21.0 million and $21.4 million for fiscal 2007, 2006 and 2005, respectively.

Various lawsuits arising during the normal course of business are pending against PCC. In the opinion of management, the outcome of these lawsuits, either individually or in the aggregate, will not have a material effect on PCC's consolidated financial position, results of operations, cash flows or business.

In the ordinary course of business, the Company warrants its products against defects in design, materials and workmanship over various time periods. The warranty accrual as of April 1, 2007 and April 2, 2006, and the change in the accrual for fiscal 2007, is not material to the Company's consolidated financial position, results of operations or cash flows.

In connection with certain transactions, primarily divestitures, the Company may provide routine indemnifications (e.g., retention of previously existing environmental and tax liabilities) with terms that range in duration and often are not explicitly defined. Where appropriate, an obligation for such indemnifications is recorded as a liability. Because the obligated amounts of these types of indemnifications often are not explicitly stated, the overall maximum amount of the obligation under such indemnifications cannot be reasonably estimated. Other than obligations recorded as liabilities at the time of divestiture, the Company has not historically made significant payments for these indemnifications.

16. Shareholders' equity

Authorized shares of common stock without par value consisted of 450.0 million shares at April 1, 2007 and 300.0 million shares at April 2, 2006 and April 3, 2005. Authorized and unissued no par serial preferred stock consisted of 1.0 million shares at April 1, 2007, April 2, 2006 and April 3, 2005.

17. Stock-based compensation plans

On April 2, 2006, PCC adopted SFAS No. 123 (revised 2004), "Share-Based Payment," which requires that the compensation cost relating to share-based payment transactions be recognized in financial statements, with the cost measured based on the estimated fair value of the equity or liability instruments issued. PCC has elected the modified prospective transition method as permitted by SFAS No. 123(R) and therefore has not restated the financial statements for prior periods. The Company also adopted FASB Staff Position No. FAS 123(R)-3, "Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards" ("FSP 123(R)-3"). Under FSP 123(R)-3, the Company elected not to use the short-cut method for determining the historical pool of excess tax benefits ("APIC Pool") available to absorb tax deficiencies recognized subsequent to the adoption of SFAS No. 123(R).

Stock option plans

PCC has stock incentive plans for certain officers, key salaried employees and directors under three plans: the 1994 Stock Incentive Plan, the 1999 Nonqualified Stock Option Plan, and the 2001 Stock Incentive Plan. Shares authorized under these plans totaled approximately 25,192,000 shares. The plans allow for the grant of stock options, stock bonuses, stock appreciation rights, cash bonus rights and sale of restricted stock. The Compensation Committee of the Board of Directors determines awards under the officer and employee stock incentive plans. To date, all awards under the stock incentive plans have been nonqualified stock option grants. The Compensation Committee fixes the time limit within which options may be exercised and other exercise terms. To date, option grant prices under the three stock incentive plans have been at the fair market value on the date of grant. Options become exercisable at a rate of 25% each year over four years from the date of grant and expire ten years from the date of grant. Total expense recognized for fiscal year 2007 was approximately $17.3 million.

Employee stock purchase plan

PCC has an Employee Stock Purchase Plan ("ESPP") whereby the Company is authorized to issue shares of common stock to its full-time employees, nearly all of whom are eligible to participate. Under the terms of the plan, employees can choose to have up to 10 percent of their annual base earnings withheld to purchase the Company's common stock subject to limitations established in the Internal Revenue Code. Employees then have the option to use the withheld funds to purchase shares of the Company's common stock at the lower of 85 percent of the fair market value of the stock on the date of grant or on the date of purchase. Total expense recognized for fiscal year 2007 was approximately $4.6 million.

Deferred compensation plan

The Company has a deferred compensation plan whereby eligible executives may elect to defer up to 100 percent of their regular cash compensation and cash incentive awards, and non-employee Board members may elect to defer up to 100 percent of their cash compensation for Board service. The compensation deferred under this plan is credited with earnings and losses as determined by the rate of return on investments selected by the plan participants. Each participant is fully vested in all deferred compensation and those earnings that have been credited to their individual accounts. The Company's promise to pay amounts deferred under this plan is an unsecured obligation. Balances at April 1, 2007 and April 2, 2006 of approximately $59.1 million and $49.4 million, respectively, are reflected in pension and other postretirement benefit obligations in the Consolidated Balance Sheets.

One investment election of the deferred compensation plan is Phantom Stock Units, an investment that tracks the value of PCC common stock. Investments in Phantom Stock Units are permanent for the remaining period of employment at PCC. Payment of investments in Phantom Stock Units following retirement or termination of employment is made in either cash or shares of PCC common stock, at the individual's election. PCC accounts for the Phantom Stock Units as a liability award. The expense is calculated based on the current fair value and the liability associated with the deferred compensation is adjusted accordingly. Total expense recognized for fiscal year 2007 was approximately $4.6 million.

Deferred stock unit award

The Deferred Stock Unit Award Program provides for the grant of deferred stock units ("DSUs") to non-employee directors pursuant to the 2001 Stock Incentive Plan. At a date immediately following the Annual Meeting of Shareholders, each director is granted DSUs in an amount equal to $100,000 divided by the closing price of the Company's common stock on that date. Under the terms of the program, the units vest over three years, with provisions for accelerated vesting in certain circumstances. The DSUs are settled in shares of common stock equal to the number of units in a director's account at the time of settlement, which is no earlier than upon cessation of board service. On each dividend payment date, the director will receive additional whole or fractional DSUs in an amount equal to the value of the dividends that would have been paid on the stock underlying the DSUs divided by the closing stock price on the dividend payment date. The cost of these awards is determined as the market value of the shares at the date of grant. Total expense recognized for the year ended April 1, 2007 was approximately $0.3 million.

Shareholder rights plan

Effective December 3, 1998, PCC declared a dividend of one preferred stock purchase right for each outstanding share of common stock of the Company to shareholders of record at the close of business on December 16, 1998. Under certain conditions, each right may be exercised to purchase 1/100 of a share of series A no par serial preferred stock at a purchase price of $200 per share, subject to adjustment. The rights will be exercisable only (i) if a person or group has acquired, or obtained the right to acquire, 15 percent or more of the outstanding shares of common stock, (ii) following the commencement of a tender or exchange offer that would result in a person or group beneficially owning 15 percent or more of the outstanding shares of common stock, or (iii) after the Board of Directors of PCC declares any person who owns more than 10 percent of the outstanding common stock to be an Adverse Person. Each right will entitle its holder to receive, upon exercise, common stock of the Company (or, in certain circumstances, cash, property or other securities of PCC) having a value equal to two times the exercise price of the right. If the rights become exercisable, and (i) PCC is acquired in a merger or other business combination in which PCC does not survive or in which its common stock is exchanged for stock or other securities or property, or (ii) 50 percent or more of the Company's assets or earning power is sold or transferred, each right will entitle its holder to receive, upon exercise, common stock of the acquiring company having a value equal to two times the exercise price of the right. The rights expire on December 16, 2008, and may be redeemed by PCC for $0.001 per right at any time until a determination is made that any person is an Adverse Person, or 10 days following the time that a person has acquired 15 percent or more of the outstanding common stock, or in connection with certain transactions approved by the Board of Directors. The rights do not have voting or dividend rights and, until they become exercisable, have no dilutive effect on the earnings of PCC.

The total amount of cash received from the exercise of stock options in the year ended April 1, 2007 was $31.6 million and the related tax benefit was $31.5 million.

The outstanding options for stock incentive plan shares have expiration dates ranging from fiscal 2008 to fiscal 2017. At April 1, 2007, approximately 4,198,000 stock incentive plan shares were available for future grants.

There were approximately 345,000 shares issued under the ESPP during the year ended April 1, 2007. There were approximately 2,022,000 shares available for future issuances at April 1, 2007.

Additional information with respect to stock option activity is as follows:

	Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
Outstanding at April 2, 2006	6,223,000	$26.29		
Granted	1,593,000	70.49		
Exercised	(1,731,000)	18.20		
Forfeited or expired	(158,000)	43.02		
Outstanding at April 1, 2007	5,927,000	$40.05	7.67	$181.6
Vested or expected to vest [1]	5,054,000	$37.71	7.48	$166.3
Exercisable at April 1, 2007	2,132,000	$21.25	6.03	$104.8

(1) Represents outstanding options reduced by expected forfeitures

18. Accumulated comprehensive income (loss)

Comprehensive income (loss) is the sum of net income and all other non-owner changes in equity. The components of the non-owner changes in equity, or accumulated other comprehensive income (loss) were as follows (net of tax):

Fiscal	April 1, 2007	April 2, 2006
Cumulative unrealized foreign currency translation gains	**$ 107.0**	$ 38.8
Pension and postretirement obligations	**(190.1)**	(103.3)
Unrecognized gain (loss) on derivatives	**0.4**	(0.8)
Accumulated comprehensive loss	**$ (82.7)**	$ (65.3)

19. Derivatives and hedging activities

Derivative financial instruments are to be recorded in the financial statements and measured at fair value. Changes in the fair value of derivative financial instruments are either recognized periodically in income or shareholders' equity (as a component of accumulated other comprehensive income/(loss)) depending on whether the derivative is being used to hedge changes in fair value or cash flows.

The $0.4 million gain relating to derivative activity in accumulated comprehensive income/(loss) at April 1, 2007, is expected to be transferred to net earnings over the period when the forecasted transactions actually occur. As of April 1, 2007, the maximum term over which the Company is hedging exposures to the variability of cash flows for all forecasted and recorded transactions is eighteen months. No material gains or losses due to ineffectiveness were recognized in fiscal 2007.

The Company holds and issues derivative financial instruments for the purpose of hedging the risks of certain identifiable and anticipated transactions. In general, the types of risks hedged are those relating to the variability of future earnings and cash flows caused by movements in foreign currency exchange rates and changes in commodity prices and interest rates. The Company documents its risk management strategy and hedge effectiveness at the inception of and during the term of each hedge. In the normal course of business, the Company executes the following types of hedge transactions:

Fair value hedges

The Company has sales and purchase commitments denominated in foreign currencies. Foreign currency forward contracts are used to hedge against the risk of change in the fair value of these commitments attributable to fluctuations in exchange rates. Changes in the fair value of the derivative instrument are generally offset in the income statement by changes in the fair value of the item being hedged.

Cash flow hedges

The Company has variable rate debt obligations that expose the Company to interest rate risk. The Company has exposure from fluctuations in foreign currency exchange rates. Foreign currency forward contracts are used to hedge the variability in cash flows from forecast receipts or expenditures denominated in currencies other than the functional currency. For these cash-flow hedge transactions, changes in the fair value of the derivative instruments are reported in other comprehensive income/(loss). The gains and losses on cash flow hedge transactions that are reported in other comprehensive income/(loss) are reclassified to earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item. The ineffective portions of all hedges, which were not material for fiscal 2007, are recognized in current period earnings.

The Company has metal and commodity obligations which subject the Company to risk from fluctuations of commodity prices. Prior to the acquisition, SMC had entered into cash flow hedges to fix the price of nickel through fiscal 2007. As of April 1, 2007, no nickel hedges remained.

The Company believes that there is no significant credit risk associated with the potential failure of any counterparty to perform under the terms of any derivative financial instrument.

The Company formally assesses both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. When it is determined that a derivative is not, or has ceased to be, highly effective as a hedge, the Company discontinues hedge accounting prospectively.

20. Segment information

Information regarding segments is presented in accordance with SFAS 131, "Disclosure about Segments of an Enterprise and Related Information." Based on the criteria outlined in SFAS 131, the Company's operations are classified into three reportable business segments: Investment Cast Products, Forged Products and Fastener Products. Effective in the fourth quarter of fiscal 2007, the former Industrial Products segment was integrated into the Fastener Products segment, and all prior periods have been restated to reflect the change in reportable segments. This integration will help drive operating synergies, provide for potential plant consolidations and establish a better overall cost platform.

Investment Cast Products

The Investment Cast Products segment includes PCC Structurals, PCC Airfoils and the Specialty Materials and Alloys Group ("SMAG"), which was acquired with SPS in the third quarter of fiscal 2004. These businesses manufacture investment castings, or provide related investment casting materials and alloys, for aircraft engines, industrial gas turbine ("IGT") engines, airframes, armaments, medical prostheses and other industrial applications.

Forged Products

The Forged Products segment consists of the forging operations of Wyman-Gordon and the nickel-based alloys and super alloy production operations of SMC, acquired in the first quarter of fiscal 2007. The Forged Products segment manufactures forged components from sophisticated titanium and nickel-based alloys principally for the aerospace and power generation markets, or manufactures metal alloys used to produce forged components for aerospace and non-aerospace markets which include products for oil and gas, chemical processing, and pollution control applications. Forged Products' sales to the aerospace and power generation markets are derived primarily from the same large engine customers served by the Investment Cast Products segment, with additional aerospace sales going to manufacturers of landing gear and other airframe components. The Forged Products segment also produces seamless pipe for the power generation and the oil and gas industries.

Fastener Products

The Fastener Products segment includes the Aerospace Fasteners, Engineered Fasteners, and Industrial Products operations. The businesses that comprise this segment primarily produce fasteners, fastener systems and components for critical applications in the aerospace, automotive and industrial machinery markets.

The Company's chief operating decision maker evaluates performance and allocates resources based on revenues, operating income and net assets employed. Operating income amounts discussed below exclude restructuring and asset impairment charges and other (income) expense. The accounting policies of the reportable segments are the same as those described in Note 1—Summary of Significant Accounting Policies. There are no material intersegment sales. Segment results are as follows:

Fiscal	2007	2006	2005
Net sales:			
Investment Cast Products	**$1,797.9**	$1,609.4	$1,360.6
Forged Products	**2,309.5**	856.4	625.3
Fastener Products	**1,253.8**	1,052.6	914.1
Consolidated net sales	**$5,361.2**	$3,518.4	$2,900.0
Segment operating income (loss):			
Investment Cast Products	**$ 391.5**	$ 321.9	$ 256.0
Forged Products	**403.0**	107.1	80.2
Fastener Products	**265.5**	176.9	129.2
Corporate expense	**(87.0)**	(49.0)	(42.6)
Total segment operating income:	**973.0**	556.9	422.8
Restructuring and impairment	**—**	2.3	1.6
Interest expense, net	**52.2**	40.6	56.0
Consolidated income before income taxes and minority interest	**$ 920.8**	$ 514.0	$ 365.2
Total assets:			
Investment Cast Products	**$ 993.6**	$ 866.2	$ 815.8
Forged Products	**1,866.3**	905.6	902.8
Fastener Products	**1,861.2**	1,485.6	1,347.3
Corporate (1)	**503.0**	432.3	455.5
Discontinued operations	**34.6**	60.1	103.6
Consolidated total assets	**$5,258.7**	$3,749.8	$3,625.0
Depreciation and amortization expense:			
Investment Cast Products	**$ 31.1**	$ 31.5	$ 34.6
Forged Products	**42.0**	29.8	28.4
Fastener Products	**35.5**	31.8	28.5
Corporate	**3.9**	3.3	2.5
Consolidated depreciation and amortization expense	**$ 112.5**	$ 96.4	$ 94.0
Capital expenditures:			
Investment Cast Products	**$ 35.7**	$ 28.6	$ 19.5
Forged Products	**116.3**	31.3	19.6
Fastener Products	**39.8**	31.4	19.9
Corporate	**29.7**	6.2	1.8
Consolidated capital expenditures	**$ 221.5**	$ 97.5	$ 60.8

(1) Corporate assets consist principally of accounts receivable, cash and cash equivalents, deferred income taxes and other assets.

Sales to General Electric were 11.4 percent, 16.8 percent and 16.6 percent of total sales in fiscal 2007, 2006 and 2005, respectively, as follows:

Fiscal	2007	2006	2005
Investment Cast Products	**$372.3**	$384.8	$330.3
Forged Products	**212.0**	180.6	126.5
Fastener Products	**27.5**	25.5	25.4
	$611.8	$590.9	$482.2

No other customer accounted for more than 10 percent of net sales.

The Company's business is conducted on a global basis with manufacturing, service and sales undertaken in various locations throughout the world. Net sales are attributed to geographic areas based on the location of the assets producing the revenues. Long-lived assets consist of net property, plant and equipment and certain other tangible long-term assets of the continuing operations. Geographic information regarding the Company's net sales and long-lived assets is as follows:

Fiscal	2007	2006	2005
United States	**$4,249.0**	$2,978.8	$2,426.7
United Kingdom	**746.1**	364.5	312.3
Other countries	**366.1**	175.1	161.0
Net sales	**$5,361.2**	$3,518.4	$2,900.0
United States	**$ 719.1**	$ 576.5	$ 571.9
United Kingdom	**147.0**	92.7	91.8
Other countries	**123.5**	83.9	70.1
Assets of discontinued operations	**3.9**	30.4	40.9
Total tangible long-lived assets	**$ 993.5**	$ 783.5	$ 774.7

21. Subsequent events

On April 3, 2007, PCC acquired the assets of McWilliams Forge Company, Inc. ("McWilliams"), a privately held company headquartered in Rockaway, New Jersey, for $90.5 million in cash. Founded in 1880, McWilliams is a manufacturer of titanium, nickel and steel forgings, primarily for commercial and military aerospace applications. McWilliams, which employs approximately 120 people at its New Jersey facility, operates both hammer and screw presses for open- and closed-die forging. McWilliams will operate as part of the Forged Products segment.

During May 2007, the Company amended its $1.0 billion bank revolving credit facility. The amendment, among other things, reduces the facility fee and borrowing spread under the Credit Agreement, extends the maturity date of the Credit Agreement to May 2012, with an option, exercisable by the Company, to request up to two one-year extensions in the maturity date, subject to the approval of each lender, and permits the Company to request increases in the aggregate principal amount available under the Credit Agreement to a maximum of $1.5 billion, subject to the agreement of each lender to increase their respective commitment.

22. Condensed Consolidating Financial Statements

Certain of the Company's subsidiaries guarantee the Company's registered securities consisting of $200 million 5.6 percent Senior Notes due 2013 and $150 million 6.75 percent Senior Notes due fiscal 2008, as well as the Company's private notes, bank credit facilities and CP. The following condensed consolidating financial statements present, in separate columns, financial information for (i) Precision Castparts Corp. (on a parent only basis) with its investment in its subsidiaries recorded under the equity method, (ii) guarantor subsidiaries that guarantee the Company's public and private notes, bank credit facilities and CP on a combined basis, with any investments in non-guarantor subsidiaries recorded under the equity method, (iii) direct and indirect non-guarantor subsidiaries on a combined basis, (iv) the eliminations necessary to arrive at the information for the Company and its subsidiaries on a consolidated basis, and (v) the Company on a consolidated basis, in each case for balance sheets as of April 1, 2007 and April 2, 2006, and income statements and cash flows for the twelve months ended April 1, 2007, April 2, 2006 and April 3, 2005. The Notes, bank facility and CP are fully and unconditionally guaranteed on a joint and several basis by each guarantor subsidiary. The guarantor subsidiaries include the Company's domestic subsidiaries within the Investment Cast Products, Forged Products and Fastener Products segments that are 100% owned, directly or indirectly, by the Company within the meaning of Rule 3-10(h)(1) of Regulation S-X. There are no contractual restrictions limiting transfers of cash from guarantor and non-guarantor subsidiaries to the Company. The condensed consolidating financial statements are presented herein, rather than separate financial statements for each of the guarantor subsidiaries, because guarantors are wholly-owned and the guarantees are full and unconditional, joint and several.

Condensed Consolidating Statements of Operations

Year Ended April 1, 2007	Precision Castparts Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$ —	$4,269.5	$1,264.0	$(172.3)	$5,361.2
Cost of goods sold	7.9	3,218.8	996.6	(172.3)	4,051.0
Selling and administrative expenses	78.8	182.7	75.7	—	337.2
Other (income) expense	(2.4)	—	2.4	—	—
Interest (income) expense, net	(27.2)	101.8	(22.4)	—	52.2
Equity in earnings of subsidiaries	(649.0)	(26.6)	—	675.6	—
Income (loss) before income tax and minority interest	591.9	792.8	211.7	(675.6)	920.8
Provision for income taxes	(41.2)	299.3	46.6	—	304.7
Minority interest	—	—	(1.4)	—	(1.4)
Net income (loss) from continuing operations	633.1	493.5	163.7	(675.6)	614.7
Net (loss) income from discontinued operations	—	(4.1)	22.5	—	18.4
Net income (loss)	$ 633.1	$ 489.4	$ 186.2	$(675.6)	$ 633.1

Condensed Consolidating Statements of Operations

Year Ended April 2, 2006	Precision Castparts Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$ —	$2,867.1	$744.2	$ (92.9)	$3,518.4
Cost of goods sold	—	2,204.2	602.9	(92.9)	2,714.2
Selling and administrative expenses	48.8	145.3	53.2	—	247.3
Restructuring and impairment	—	1.5	0.8	—	2.3
Other (income) expense	(1.6)	—	1.6	—	—
Interest (income) expense, net	(7.2)	67.0	(19.2)	—	40.6
Equity in earnings of subsidiaries	(378.9)	4.0	—	374.9	—
Income (loss) before income tax and minority interest	338.9	445.1	104.9	(374.9)	514.0
Provision for income taxes	(11.7)	146.6	27.8	—	162.7
Minority interest	—	—	(1.6)	—	(1.6)
Net income (loss) from continuing operations	350.6	298.5	75.5	(374.9)	349.7
Net income from discontinued operations	—	(0.8)	1.7	—	0.9
Net income (loss)	$ 350.6	$ 297.7	$ 77.2	$(374.9)	$ 350.6

Condensed Consolidating Statements of Operations

Year Ended April 3, 2005	Precision Castparts Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$ —	$2,306.1	$ 656.1	$(62.2)	$2,900.0
Cost of goods sold	—	1,775.9	532.7	(62.2)	2,246.4
Selling and administrative expenses	42.7	138.5	49.6	—	230.8
Restructuring and impairment	—	1.7	(0.1)	—	1.6
Other (income) expense	(12.1)	—	12.1	—	—
Interest expense (income), net	16.1	50.1	(10.2)	—	56.0
Equity in earnings of subsidiaries	(22.0)	(57.7)	—	79.7	—
(Loss) income before income tax and minority interest	(24.7)	397.6	72.0	(79.7)	365.2
Income tax (benefit) expense	(23.0)	127.8	15.9	—	120.7
Minority interest	—	(0.1)	(1.2)	—	(1.3)
Net (loss) income from continuing operations	(1.7)	269.7	54.9	(79.7)	243.2
Net income (loss) from discontinued operations	—	0.8	(245.7)	—	(244.9)
Net (loss) income	$ (1.7)	$ 270.5	$(190.8)	$(79.7)	$ (1.7)

Condensed Consolidating Balance Sheets

April 1, 2007	Precision Castparts Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 18.1	$ 7.6	$ 124.7	$ —	$ 150.4
Receivables, net	35.5	686.0	576.6	(450.4)	847.7
Inventories	—	665.7	210.5	—	876.2
Prepaid expenses	4.7	6.9	11.3	—	22.9
Deferred income taxes	7.0	75.8	26.2	—	109.0
Discontinued operations	—	10.8	71.1	(51.2)	30.7
Total current assets	65.3	1,452.8	1,020.4	(501.6)	2,036.9
Property, plant and equipment, net	32.5	695.6	273.1	—	1,001.2
Goodwill	—	1,651.7	437.1	—	2,088.8
Deferred income taxes	47.7	—	10.8	(58.5)	—
Investments in subsidiaries	4,144.6	320.5	—	(4,465.1)	—
Other assets	7.4	16.1	92.8	11.6	127.9
Discontinued operations	—	0.3	3.6	—	3.9
	$4,297.5	$4,137.0	$1,837.8	$(5,013.6)	$5,258.7
Liabilities and Shareholder's Equity					
Current liabilities:					
Short-term borrowings	$ 382.9	$ —	$ 0.2	$ —	$ 383.1
Long-term debt currently due	169.4	1.1	0.2	—	170.7
Accounts payable	374.9	414.0	293.2	(501.6)	580.5
Accrued liabilities	33.6	318.0	85.4	(1.1)	435.9
Income taxes payable	47.5	—	19.6	—	67.1
Deferred income tax	—	—	—	—	—
Discontinued operations	—	—	20.9	—	20.9
Total current liabilities	1,008.3	733.1	419.5	(502.7)	1,658.2
Long-term debt	310.1	9.0	0.1	—	319.2
Deferred income taxes	—	85.2	—	(58.5)	26.7
Pension and other postretirement benefit obligations	142.9	164.2	13.4	—	320.5
Other long-term liabilities	—	83.4	11.1	—	94.5
Discontinued operations	—	—	3.4	—	3.4
Shareholders' equity:					
Common stock and paid-in capital	1,015.7	2,194.3	1,145.2	(3,339.5)	1,015.7
Retained earnings	1,903.2	934.0	215.5	(1,149.5)	1,903.2
Accumulated other comprehensive income (loss)	(82.7)	(66.2)	29.6	36.6	(82.7)
Total shareholders' equity	2,836.2	3,062.1	1,390.3	(4,452.4)	2,836.2
	$4,297.5	$4,137.0	$1,837.8	$(5,013.6)	$5,258.7

Condensed Consolidating Balance Sheets

April 2, 2006	Precision Castparts Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 10.6	$ —	$ 49.3	$ —	$ 59.9
Receivables, net	0.7	584.8	348.0	(438.1)	495.4
Inventories	—	429.4	127.6	—	557.0
Prepaid expenses	14.4	3.8	10.4	—	28.6
Deferred income taxes	—	49.2	16.2	(0.2)	65.2
Discontinued operations	—	16.1	51.9	(40.3)	27.7
Total current assets	25.7	1,083.3	603.4	(478.6)	1,233.8
Property, plant and equipment, net	7.8	465.6	198.2	—	671.6
Goodwill	—	1,235.6	419.7	—	1,655.3
Deferred income taxes	20.6	—	20.4	(41.0)	—
Investments in subsidiaries	3,050.6	284.3	—	(3,334.9)	—
Other assets	125.6	16.6	13.6	0.9	156.7
Discontinued operations	—	1.9	31.9	(1.4)	32.4
	$3,230.3	$3,087.3	$1,287.2	$(3,855.0)	$3,749.8
Liabilities and Shareholder's Equity					
Current liabilities:					
Short-term borrowings	$ —	$ —	$ 47.5	$ —	$ 47.5
Long-term debt currently due	19.9	1.2	0.2	—	21.3
Accounts payable	349.8	384.6	109.3	(478.4)	365.3
Accrued liabilities	21.4	202.8	60.3	(1.1)	283.4
Income taxes payable	22.9	—	10.2	—	33.1
Deferred income tax	0.2	—	—	(0.2)	—
Discontinued operations	—	0.2	17.6	—	17.8
Total current liabilities	414.2	588.8	245.1	(479.7)	768.4
Long-term debt	585.0	8.7	0.1	—	593.8
Deferred income taxes	—	46.6	—	(42.4)	4.2
Pension and other postretirement benefit obligations	90.6	83.0	1.3	—	174.9
Other long-term liabilities	—	34.1	15.7	—	49.8
Discontinued operations	—	—	18.2	—	18.2
Shareholders' equity:					
Common stock and paid-in capital	915.3	1,941.4	977.4	(2,918.8)	915.3
Retained earnings	1,290.5	444.6	29.3	(473.9)	1,290.5
Accumulated other comprehensive income (loss)	(65.3)	(59.9)	0.1	59.8	(65.3)
Total shareholders' equity	2,140.5	2,326.1	1,006.8	(3,332.9)	2,140.5
	$3,230.3	$3,087.3	$1,287.2	$(3,855.0)	$3,749.8

Condensed Consolidating Statements of Cash Flows

Year Ended April 1, 2007	Precision Castparts Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net cash provided by operating activities	$ 319.0	$ 423.2	$123.3	$—	$ 865.5
Acquisitions of businesses	(641.6)	(287.0)	9.4	—	(919.2)
Capital expenditures	(29.6)	(155.6)	(36.3)	—	(221.5)
Dispositions of business and other	37.4	28.8	5.5	—	71.7
Net cash used by investing activities of discontinued operations	—	—	(1.6)	—	(1.6)
Net cash used by investing activities	(633.8)	(413.8)	(23.0)	—	(1,070.6)
Net change in long-term debt	(125.4)	(1.8)	0.1	—	(127.1)
Net change in short-term borrowings	382.9	—	(47.5)	—	335.4
Common stock issued	49.3	—	—	—	49.3
Cash dividends	(16.3)	—	—	—	(16.3)
Excess tax benefits on equity instruments issues under					
share-based payment arrangements	28.9	—	—	—	28.9
Other	2.9	—	(1.8)	—	1.1
Net cash provided by investing activities of discontinued operations	—	—	2.7	—	2.7
Net cash provided (used) provided by financing activities	322.3	(1.8)	(46.5)	—	274.0
Effect of exchange rate changes on cash and cash equivalents	—	—	21.6	—	21.6
Net increase in cash and cash equivalents	7.5	7.6	75.4	—	90.5
Cash and cash equivalents at beginning of year	10.6	—	49.3	—	59.9
Cash and cash equivalents at end of year	$ 18.1	$ 7.6	$124.7	$—	$ 150.4

Condensed Consolidating Statements of Cash Flows

Year Ended April 2, 2006	Precision Castparts Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net cash provided (used) by operating activities	$ 187.9	$ 52.8	$ (7.9)	$(2.0)	$ 230.8
Acquisitions of businesses	(105.2)	—	(10.3)	—	(115.5)
Capital expenditures	(6.2)	(60.6)	(30.7)	—	(97.5)
Dispositions of business and other	26.1	6.5	(1.9)	—	30.7
Net cash used by investing activities of discontinued operations	—	—	(1.9)	—	(1.9)
Net cash used by investing activities	(85.3)	(54.1)	(44.8)	—	(184.2)
Net change in long-term debt	(211.0)	(1.2)	(0.2)	—	(212.4)
Net change in short-term borrowings	—	—	47.5	—	47.5
Common stock issued	47.9	—	—	—	47.9
Cash dividends	(11.9)	—	(2.0)	2.0	(11.9)
Other	(1.4)	—	—	—	(1.4)
Net cash used by financing activities of discontinued operations	—	—	(1.5)	—	(1.5)
Net cash (used) provided by financing activities	(176.4)	(1.2)	43.8	2.0	(131.8)
Effect of exchange rate changes on cash and cash equivalents	—	—	(8.8)	—	(8.8)
Net decrease in cash and cash equivalents	(73.8)	(2.5)	(17.7)	—	(94.0)
Cash and cash equivalents at beginning of year	84.4	2.5	67.0	—	153.9
Cash and cash equivalents at end of year	$ 10.6	$ —	$ 49.3	$ —	$ 59.9

Condensed Consolidating Statements of Cash Flows

Year Ended April 3, 2005	Precision Castparts Corp.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net cash provided (used) by operating activities	$ 247.7	$ (7.2)	$ 93.6	$ 22.4	$ 356.5
Acquisitions of businesses	—	(190.7)	(1.4)	—	(192.1)
Capital expenditures	(1.8)	(41.7)	(17.3)	—	(60.8)
Investments in subsidiaries	(174.1)	247.0	—	(72.9)	—
Dispositions of business and other	164.2	5.8	4.2	—	174.2
Net cash used by investing activities of discontinued operations	—	(0.4)	(6.4)	—	(6.8)
Net cash (used) provided by investing activities	(11.7)	20.0	(20.9)	(72.9)	(85.5)
Repayment of long-term debt	(221.0)	(0.8)	(2.1)	—	(223.9)
Net change in short-term borrowings	—	—	(5.8)	—	(5.8)
Common stock issued	41.2	—	—	—	41.2
Cash dividends	(7.7)	—	—	—	(7.7)
Other	2.7	(9.5)	(43.1)	50.5	0.6
Net cash used by financing activities of discontinued operations	—	—	(4.9)	—	(4.9)
Net cash (used) provided by financing activities	(184.8)	(10.3)	(55.9)	50.5	(200.5)
Effect of exchange rate changes on cash and cash equivalents	—	—	3.1	—	3.1
Net increase in cash and cash equivalents	51.2	2.5	19.9	—	73.6
Cash and cash equivalents at beginning of year	33.2	—	47.1	—	80.3
Cash and cash equivalents at end of year	$ 84.4	$ 2.5	$ 67.0	$ —	$ 153.9

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Precision Castparts Corp.:
Portland, Oregon

We have audited the accompanying consolidated balance sheet of Precision Castparts Corp. and subsidiaries (the "Company") as of April 1, 2007, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended. Our audit also included the financial statement schedule for the year ended April 1, 2007, listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit. The consolidated financial statements of the Company for the years ended April 2, 2006 and April 3, 2005, before the effects of the retrospective adjustments for operations discontinued by the Company during 2007 discussed in Note 4 and for the change in the segments of the Company discussed in Note 20 to the consolidated financial statements, were audited by other auditors whose report, dated June 14, 2006, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such 2007 consolidated financial statements present fairly, in all material respects, the financial position of Precision Castparts Corp. and subsidiaries as of April 1, 2007, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Notes 2 and 14 to the consolidated financial statements, on April 1, 2007, the Company changed its method of accounting for defined benefit and other postretirement plans upon the adoption of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans.*

We have also audited the retrospective adjustments to the 2006 and 2005 consolidated financial statements for the operations discontinued by the Company during 2007 discussed in Note 4 and for the change in the segments of the Company discussed in Note 20 to the consolidated financial statements. Our procedures included (1) comparing the retrospective adjustment amounts for operations discontinued by the Company during 2007 and the adjustment amounts of the Company's segment revenues, assets and operating income to the Company's underlying analyses and (2) testing the mathematical accuracy of the reconciliations of the amounts to the consolidated financial statements. In our opinion, such retrospective adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2006 and 2005 consolidated financial statements of the Company other than with respect to the retrospective adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2006 and 2005 consolidated financial statements taken as a whole.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of April 1, 2007, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 31, 2007 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP
Portland, Oregon

May 31, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Precision Castparts Corp.:

In our opinion, the consolidated balance sheet as of April 2, 2006 and the related consolidated statements of operations, of shareholders' equity and of cash flows for each of the two years in the period ended April 2, 2006, before the effects of the adjustments to retrospectively reflect the discontinued operations and the change in the composition of reportable segments described in Notes 4 and 20, present fairly, in all material respects, the financial position of Precision Castparts Corp. and its subsidiaries at April 2, 2006, and the results of their operations and their cash flows for each of the two years in the period ended April 2, 2006, in conformity with accounting principles generally accepted in the United States of America (the 2006 financial statements before the effects of the adjustments discussed in Notes 4 and 20 are not presented herein). In addition, in our opinion, the financial statement schedule, before the effects of the adjustments described above, for the each of the two years in the period ended April 2, 2006 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements before the effects of the adjustments described above. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits, before the effects of the adjustments described above, of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively reflect the discontinued operations and the change in the composition of reportable segments described in Notes 4 and 20 and accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP
Portland, OR

June 14, 2006

Quarterly Financial Information [1, 2]

(Unaudited)
(In millions, except per share data)

2007	1st Quarter	2nd Quarter	3rd Quarter[3]	4th Quarter[4]
Net sales	$1,112.4	$1,317.7	$1,384.6	$1,546.5
Gross profit	$ 262.8	$ 318.3	$ 334.0	$ 395.1
Net income:				
Continuing operations	$ 114.5	$ 142.0	$ 158.3	$ 199.9
Discontinued operations	0.6	12.8	0.4	4.6
	$ 115.1	$ 154.8	$ 158.7	$ 204.5
Net income per share—basic:				
Continuing operations	$ 0.85	$ 1.05	$ 1.16	$ 1.46
Discontinued operations	—	0.09	0.01	0.03
	$ 0.85	$ 1.14	$ 1.17	$ 1.49
Net income per share—diluted:				
Continuing operations	$ 0.83	$ 1.03	$ 1.15	$ 1.44
Discontinued operations	0.01	0.10	—	0.03
	$ 0.84	$ 1.13	$ 1.15	$ 1.47
Cash dividends per share	$ 0.03	$ 0.03	$ 0.03	$ 0.03
Common stock prices:				
High	$ 67.25	$ 63.16	$ 79.71	$ 104.80
Low	$ 50.26	$ 53.34	$ 62.28	$ 80.50
End	$ 59.76	$ 63.16	$ 78.28	$ 104.05

2006	1st Quarter	2nd Quarter	3rd Quarter[5]	4th Quarter
Net sales	$ 849.5	$ 869.3	$ 857.3	$ 942.3
Gross profit	$ 192.5	$ 194.0	$ 195.7	$ 222.0
Net income (loss):				
Continuing operations	$ 78.7	$ 80.3	$ 91.3	$ 99.4
Discontinued operations	(1.3)	(1.2)	2.4	1.0
	$ 77.4	$ 79.1	$ 93.7	$ 100.4
Net income (loss) per share—basic:				
Continuing operations	$ 0.59	$ 0.60	$ 0.68	$ 0.74
Discontinued operations	(0.01)	(0.01)	0.02	0.01
	$ 0.58	$ 0.59	$ 0.70	$ 0.75
Net income (loss) per share—diluted:				
Continuing operations	$ 0.58	$ 0.59	$ 0.67	$ 0.73
Discontinued operations	(0.01)	(0.01)	0.02	—
	$ 0.57	$ 0.58	$ 0.69	$ 0.73
Cash dividends per share	$ 0.015	$ 0.03	$ 0.03	$ 0.03
Common stock prices:				
High	$ 39.74	$ 53.10	$ 52.90	$ 59.65
Low	$ 36.42	$ 39.47	$ 47.19	$ 49.26
End	$ 38.50	$ 53.10	$ 51.81	$ 59.40

(1) Historical amounts have been restated to present certain businesses as discontinued operations.
(2) All per share information has been restated to reflect the 2-for-1 stock split effective September 2005.

(3) The third quarter of fiscal 2007 includes a tax benefit of $4.9 million associated with tax refund claims and changes in tax reserves resulting from completed and ongoing tax audits.

(4) The fourth quarter of fiscal 2007 includes a tax benefit of $6.2 million associated with tax refund claims and changes in tax reserves resulting from completed and ongoing tax audits.

(5) The third quarter of fiscal 2006 includes a $2.3 million charge for costs associated with restructuring and impairment activities within the Investment Cast Products and Fastener Products segments, but include a tax benefit of $5.3 million associated with tax refund claims and changes in tax reserves resulting from completed and ongoing tax audits.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

For information about our change in independent registered public accounting firms from PricewaterhouseCoopers LLP, our auditors for the fiscal year ended April 2, 2006, to Deloitte & Touche LLP for the fiscal year ended April 1, 2007, please refer to our Form 8-K filed with the SEC on June 21, 2006.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Controls and Procedures

We maintain disclosure controls and procedures that are designed with the objective of providing reasonable assurance that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, an evaluation was performed on the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this annual report. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of April 1, 2007.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Chief Executive Officer and Chief Financial Officer Certifications

The certifications of the Company's Chief Executive Officer and Chief Financial Officer required under Section 302 of the Sarbanes-Oxley Act have been filed as Exhibits 31.1 and 31.2 to this report. Additionally, in August 2006, the Company's Chief Executive Officer filed with the New York Stock Exchange ("NYSE") an annual certification of compliance with NYSE listing standards without qualification.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as this term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework. Based on our assessment using that criteria, our management concluded that, as of April 1, 2007, the Company's internal control over financial reporting was effective.

During fiscal 2007, PCC acquired Special Metals Corporation, GSC Foundries, Inc., and Cherry Aerospace on May 25, 2006, February 2, 2007, and February 23, 2007, respectively, in purchase business combinations. Management has excluded Special Metals Corporation, GSC Foundries, Inc., and Cherry Aerospace from its assessment of internal control over financial reporting as of April 1, 2007 as it was determined that Management could not complete an assessment of the internal control over financial reporting of the acquired businesses in the period between the acquisition dates and the date of management's assessment. Total assets and revenues of these three acquisitions represent approximately 24.8 percent and 22.3 percent, respectively, of the related consolidated financial statement amounts as of and for the fiscal year ended April 1, 2007.

Management's assessment of the effectiveness of our internal control over financial reporting as of April 1, 2007 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Precision Castparts Corp.:
Portland, Oregon

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Precision Castparts Corp. and subsidiaries (the "Company") maintained effective internal control over financial reporting as of April 1, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Special Metals Corporation ("SMC"), GSC Foundries, Inc. ("GSC"), and Cherry Aerospace LLC ("Cherry"), which were acquired on May 25, 2006, February 2, 2007, and February 23, 2007, respectively and whose financial statements constitute 24.8 percent of total assets and 22.3 percent of revenues of the consolidated financial statement amounts as of and for the year ended April 1, 2007. Accordingly, our audit did not include the internal control over financial reporting at SMC, GSC, or Cherry. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of April 1, 2007, is fairly stated, in all material respects, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 1, 2007, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended April 1, 2007 of the Company and our report dated May 31, 2007 expressed an unqualified opinion on those financial statements and the financial statement schedule and included an explanatory paragraph regarding the adoption of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, on April 1, 2007.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP
Portland, Oregon

May 31, 2007

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information with respect to Directors of the Company is incorporated herein by reference to "Proposal 1: Election of Directors" continuing through "Board of Directors and Committee Meetings" and to "Audit Committee" and "Report of the Audit Committee" in our Proxy Statement to be filed for the 2007 Annual Meeting of Shareholders of the Registrant. The information required by this item with respect to our executive officers follows Part I, Item 4(a) of this document.

Information with respect to compliance with Section 16(a) of the Exchange Act is incorporated herein by reference to "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement to be filed for the 2007 Annual Meeting of Shareholders of the Registrant.

The Company has adopted a code of ethics that applies to the Registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Company has posted this Code of Business Conduct and Ethics on the PCC Corporate Center at www.precast.com/PCC/Governance.html. A copy may also be received free of charge by calling Investor Relations at (503) 417-4850 or sending an email to info@precastcorp.com.

ITEM 11. EXECUTIVE COMPENSATION

Information with respect to Executive Compensation is incorporated herein by reference to "Compensation of Executive Officers," "Compensation Discussion and Analysis" and "Director Compensation" in the Proxy Statement to be filed for the 2007 Annual Meeting of Shareholders of the Registrant.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information with respect to Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters is incorporated herein by reference to "Security Ownership of Certain Beneficial Owners," "Security Ownership of Directors and Executive Officers" and "Equity Compensation Plan Information" in the Proxy Statement to be filed for the 2007 Annual Meeting of Shareholders of the Registrant.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information with respect to Principal Accountant Fees and Services is incorporated herein by reference to "Principal Accounting Firm Fees" in the Proxy Statement to be filed for the 2007 Annual Meeting of Shareholders of the Registrant.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a)(1) Financial Statements

The following consolidated financial statements of Precision Castparts Corp. are included in "Item 8. Financial Statements and Supplementary Data."

Consolidated Statements of Operations
Consolidated Balance Sheets
Consolidated Statements of Cash Flows
Consolidated Statements of Shareholders' Equity
Notes to Financial Statements
Report of Independent Registered Public Accounting Firm

(a)(2) Financial Statement Schedule

The following schedule is filed as part of this report:

Schedule II-Valuation and Qualifying Accounts

(a)(3) Exhibits

3.1	-	Restated Articles of Incorporation of Precision Castparts Corp. as amended. (Incorporated herein by reference to Exhibit 3(A) in the Form 10-K filed June 11, 2002.) (File number 1-10348)
3.2	-	Articles of Amendment to Restated Articles of Incorporation of Precision Castparts Corp. (Incorporated herein by reference to Exhibit 3(i) in the Form 10-Q filed November 8, 2006.) (File number 1-10348)
3.3	-	Bylaws of Precision Castparts Corp. (Incorporated herein by reference to Exhibit 3.2 in the Form 10-K filed June 14, 2004.) (File number 1-10348)
4.1	-	Indenture dated December 17, 1997 between J.P. Morgan Trust Company, National Association (as successor to Bank One Trust Company, N.A., which was the successor to The First National Bank of Chicago) as Trustee and PCC (Incorporated herein by reference to Exhibit (4)A to the Form 10-K filed June 26, 1998.) (File number 1-10348)
4.2	-	Officers' Certificate dated December 17, 1997 pursuant to Indenture dated December 17, 1997 (Incorporated herein by reference to Exhibit (4)B to the Form 10-K filed June 11, 2002) (File number 1-10348)
4.3	-	First Supplemental Indenture dated as of June 30, 2001 between J.P. Morgan Trust Company, National Association (as successor to Bank One Trust Company, N.A., which was the successor to The First National Bank of Chicago) as Trustee and PCC (Incorporated herein by reference to Exhibit 4.6 to the Form S-4 filed September 23, 2003) (File number 333-109033)
4.4	-	PCC Guarantee of Subsidiaries dated July 1, 2001 (Incorporated herein by reference to Exhibit (4)E to the Form 10-K filed June 11, 2002.) (File number 1-10348)
4.5	-	Second Supplemental Indenture dated as of December 9, 2003 among J.P. Morgan Trust Company, National Association (as successor to Bank One Trust Company, N.A., which was the successor to The First National Bank of Chicago), as Trustee, PCC and the guarantors named therein (Incorporated herein by reference to Exhibit 4.2 to the Form 10-Q filed February 11, 2004.) (File number 1-10348)
4.6	-	Third Supplemental Indenture dated as of December 9, 2003 among J.P. Morgan Trust Company, National Association (as successor to Bank One Trust Company, N.A., which was the successor to The First National Bank of Chicago), as Trustee, PCC and the guarantors named therein (Incorporated herein by reference to Exhibit 4.3 to the Form 10-Q filed February 11, 2004.) (File number 1-10348)
4.8	-	Tri-Party Agreement dated as of August 18, 2005 by and among PCC, J.P. Morgan Trust Company, National Association, as resigning trustee, and U.S. Bank National Association, as successor trustee (Incorporated herein by reference to Exhibit 4.8 to the Form 10-K filed June 14, 2006.) (File number 1-10348)
4.9	-	Form of 5.60% Senior Note due 2013 (Incorporated herein by reference to Exhibit A to Exhibit 4.2 to the Form 10-Q filed February 11, 2004.) (File number 1-10348)
4.10	-	Form of Notation of Guarantee (Incorporated herein by reference to Exhibit E to Exhibit 4.2 to the Form 10-Q filed February 11, 2004.) (File number 1-10348)
4.11	-	Amended and Restated Note Purchase Agreement dated as of December 9, 2003 among PCC and the Holders named therein (Incorporated herein by reference to Exhibit 4.7 to the Form 10-Q filed February 11, 2004.) (File number 1-10348)
4.12	-	Form of Rights Agreement, dated as of December 3, 1998, between Precision Castparts Corp. and the Bank of New York (Incorporated by reference to Exhibit 4.1 in the Form 8-K filed December 4, 1998.) (File number 1-10348)

10.1 - Precision Castparts Corp. Non-Employee Directors' Stock Option Plan (Incorporated herein by reference to Exhibit (10)B in the Form 10-Q filed August 8, 1997.) (File number 1-10348)

10.2 - Precision Castparts Corp. 1994 Stock Incentive Plan, as amended (Incorporated by reference to Appendix A in the Company's June 28, 1999 Proxy Statement.)(File number 1-10348)

10.5 - Precision Castparts Corp. Executive Performance Compensation Plan (Incorporated herein by reference to Exhibit A in Registrant's July 8, 2002 Definitive Proxy Statement.) (File number 1-10348)

10.6 - Form of Change of Control Agreement for Officers and Executives of Precision Castparts Corp. (Incorporated herein by reference to Exhibit (10)H to the Form 10-K filed June 12, 2001). (File number 1-10348)

10.9 - Precision Castparts Corp. 1998 Employee Stock Purchase Plan, as amended (Incorporated herein by reference to Exhibit 10.9 in the Form 10-K filed June 14, 2004.) (File number 1-10348)

10.10 - Amended and Restated Credit Agreement dated as of October 14, 2005 among Precision Castparts Corp., Bank of America, N.A. as Administrative Agent, Swing Line Lender and L/C Issuer the Other Financial Institutions Party thereto (Incorporated herein by reference to Exhibit 99.1 to the Form 8-K filed October 19, 2005.) (File number 1-10348)

10.12 - Guaranty Agreement dated as of December 9, 2003 among the Bank of America, N.A. and the subsidiaries of Precision Castparts Corp. named therein (Incorporated herein by reference to Exhibit 10.4 to the Form 10-Q filed February 11, 2004.) (File number 1-10348)

10.13 - Amendment No. 1 to Guaranty Agreement, dated as of October 14, 2005, among the Bank of America, N.A. and the subsidiaries of Precision Castparts Corp. named therein (Incorporated herein by reference to Exhibit 10.13 to the Form 10-K filed June 14, 2006.) (File number 1-10348)

10.14 - Form of Indemnity Agreement for Officers and Executives of Precision Castparts Corp. (Incorporated herein by reference to Exhibit (10)M in the Form 10-K filed June 12, 2001.) (File number 1-10348)

10.15 - Amended and Restated Credit and Security Agreement dated as of January 31, 2001 among Precision Receivables Corp., as Borrower, Precision Castparts Corp., as Initial Servicer, Blue Ridge Asset Funding Corporation, as a Lender and Wachovia Bank, N.A., individually and as Agent (Incorporated herein by reference to Exhibit (10) in the Form 10-Q filed February 14, 2001.) (File number 1-10348)

10.16 - 2001 Stock Incentive Plan, as amended (Incorporated herein by reference to Exhibit 10.14 in the Form 10-K filed June 14, 2004.) (File number 1-10348)

10.17 - 1999 Non-Qualified Stock Option Plan, as amended (Incorporated herein by reference to Exhibit 10.15 in the Form 10-K filed June 14, 2004.) (File number 1-10348)

10.18 - Non-Employee Directors Deferred Stock Units Program (Incorporated herein by reference to Exhibit 10.16 in the Form 10-K filed June 14, 2004.) (File number 1-10348)

10.19 - Peter Waite agreement, dated as of February 24, 2005 (Incorporated herein by reference to Exhibit 10.18 in the Form 10-K filed June 17, 2005.) (File number 1-10348)

10.20 - Precision Castparts Corp. Executive Deferred Compensation Plan, 2005 Restatement, effective January 1, 2005 (Incorporated herein by reference to Exhibit 10.1 in the Form 8-K filed December 19, 2006.) (File number 1-10348)

10.21 - Precision Castparts Corp. Frozen Supplemental Executive Retirement Program, December 31, 2004 Restatement (Incorporated herein by reference to Exhibit 10.2 in the Form 8-K filed December 19, 2006.) (File number 1-10348)

10.22 - Precision Castparts Corp. Supplemental Executive Retirement Program-Level One Plan—Ongoing (Incorporated herein by reference to Exhibit 10.3 in the Form 8-K filed December 19, 2006.) (File number 1-10348)

10.23 - Precision Castparts Corp. Supplemental Executive Retirement Program-Level Two Plan—Ongoing (Incorporated herein by reference to Exhibit 10.4 in the Form 8-K filed December 19, 2006.) (File number 1-10348)

10.24 - Deferred Stock Units Award Agreement (Incorporated herein by reference to Exhibit 10.1 in the Form 10-Q filed February 9, 2007.) (File number 1-10348)

10.25 - Nonstatutory Stock Option Agreement for SERP Level One and Level Two Participants (Incorporated herein by reference to Exhibit 10.2 in the Form 10-Q filed February 9, 2007.) (File number 1-10348)

10.26 - Nonemployee Directors' Deferred Compensation Plan (Incorporated herein by reference to Exhibit 10.3 in the Form 10-Q filed February 9, 2007.) (File number 1-10348)

10.27 - Amendment No. 4 to Amended and Restated Credit Agreement and Amendment No. 2 to Guaranty Agreement dated as of May 16, 2007 (Incorporated by reference to Exhibit 10.1 in the Form 8-K filed May 21, 2007.) (File number 1-10348)

10.28 - Employment Letter Agreement, dated March 13, 2000, between Precision Castparts Corp. and Roger A. Cooke

11 - Calculation of Earnings Per Share for the Year Ended April 1, 2007*

16.1 - Letter from PricewaterhouseCoopers LLP (Incorporated herein by reference to Exhibit 16.1 in the Form 8-K filed June 21, 2006) (File number 1-10348)

21 - Subsidiaries of Precision Castparts Corp.

23.1 - Consent of Independent Registered Public Accounting Firm, Deloitte & Touche LLP

23.2 - Consent of Independent Registered Public Accounting Firm, PricewaterhouseCoopers LLP

31.1 - Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 - Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 - Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 - Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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* Information required to be presented in Exhibit 11 is included in the "Earnings per Share" note in "Item 8. Financial Statement and Supplementary Data."

(b) See a(3) above.

(c) See a(2) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PRECISION CASTPARTS CORP.

By: /s/ MARK DONEGAN

Mark Donegan
Chairman and Chief Executive Officer

Dated: May 31, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
As officers or directors of PRECISION CASTPARTS CORP.		
/s/ MARK DONEGAN **Mark Donegan**	Chairman and Chief Executive Officer	May 31, 2007
/s/ WILLIAM D. LARSSON **William D. Larsson**	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	May 31, 2007
/s/ PETER R. BRIDENBAUGH **Peter R. Bridenbaugh**	Director	May 31, 2007
/s/ DEAN T. DUCRAY **Dean T. DuCray**	Director	May 31, 2007
/s/ DON R. GRABER **Don R. Graber**	Director	May 31, 2007
/s/ DANIEL J. MURPHY **Daniel J. Murphy**	Director	May 31, 2007
/s/ VERNON E. OECHSLE **Vernon E. Oechsle**	Director	May 31, 2007
/s/ BYRON O. POND, JR. **Byron O. Pond, Jr.**	Director	May 31, 2007
/s/ STEVEN G. ROTHMEIER **Steven G. Rothmeier**	Director	May 31, 2007
/s/ ULRICH SCHMIDT **Ulrich Schmidt**	Director	May 31, 2007
/s/ J. FRANK TRAVIS **J. Frank Travis**	Director	May 31, 2007

SCHEDULE II

Precision Castparts Corp. and Subsidiaries
Valuation and Qualifying Accounts

For the years ended
(000's Omitted)

Column A	Column B	Column C		Column D	Column E
		Additions			
Classification	Balance at Beginning of Period	Charged to Costs and Expenses	Business Acquisitions	Deductions	Balance at End of Period
Deducted from assets to which they apply:					
Reserve for doubtful accounts:					
April 3, 2005	$8,600	$ 2,800	$ 500	$7,000 (1)	$ 4,900
April 2, 2006	$4,900	$ 3,800	$ 100	$2,700 (1)	$ 6,100
April 1, 2007	$6,100	$ 1,000	$ 2,600	$2,300 (1)	$ 7,400
Deferred tax asset valuation allowance:					
April 3, 2005	$9,000	$ 2,200 (2)	$ —	$2,100	$ 9,100
April 2, 2006	$9,100	$ 400 (2)	$ —	$ 600	$ 8,900
April 1, 2007	$8,900	$(4,500) (2)	$11,600	$ —	$16,000

(1) Write off of bad debts and foreign currency translation.

(2) Establishment of valuation allowances for capital loss carry-forwards or operating loss carry-forwards and benefits from reversal of valuation reserves and impact of tax rate changes on existing valuation reserves.

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PRECISION CASTPARTS CORP.

4650 SW Macadam, Suite 400
Portland, Oregon 97239

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

August 14, 2007

You are invited to attend the Annual Meeting of Shareholders of Precision Castparts Corp. The meeting will be held on Tuesday, August 14, 2007 at 1:00 p.m., Pacific Time, in the Bella Vista Room of the Aquariva Restaurant, 0470 SW Hamilton Court, Portland, Oregon. The Company will conduct the following business:

1. Electing three directors to serve for three-year terms and one director to serve for a two-year term;

2. Approving the Executive Performance Incentive Plan; and

3. Conducting any other business that is properly raised before the meeting.

At this year's meeting, management will make a brief presentation of the Company's performance for the past year and expectations for the year ahead. This information is already available on the Company's website at www.precast.com. Management will be available at the meeting to answer shareholder questions.

Only shareholders of record at the close of business on June 21, 2007 will be able to vote at the meeting.

Your vote is important. Please sign, date and return your proxy card to us in the return envelope as soon as possible. **If you plan to attend the meeting, please mark the appropriate box on the proxy card so the Company can prepare an accurate admission list**. If you attend the meeting and prefer to vote in person, you will be able to do so.

By Order of the Board of Directors,

/s/ ROGER A. COOKE

Roger A. Cooke
Secretary

Portland, Oregon
July 3, 2007

PRECISION CASTPARTS CORP.

4650 SW Macadam, Suite 400
Portland, Oregon 97239

PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS

The Board of Directors of Precision Castparts Corp. (the "Company" or "PCC") solicits your proxy in the form enclosed with this proxy statement. The proxy will be used at the 2007 Annual Meeting of Shareholders, which will be held on Tuesday, August 14, 2007 at 1:00 p.m., Pacific Time, in the Bella Vista Room of the Aquariva Restaurant, 0470 SW Hamilton Court, Portland, Oregon. The proxy may also be used at any adjournment of the meeting. You may submit your proxy to us by mail using the enclosed proxy form. The Company is sending this statement and the enclosed proxy form and voting instructions to you on or about July 3, 2007.

Shareholders of record at the close of business on June 21, 2007 are entitled to notice of and to vote at the meeting or any adjournment thereof. The Company's outstanding voting securities on June 21, 2007 consisted of 137,679,194 shares of common stock, each of which is entitled to one vote on all matters to be presented at the meeting. The common stock does not have cumulative voting rights.

If you have properly submitted your proxy and have not revoked it prior to the Annual Meeting, we will vote your shares according to your instructions on the proxy. If you do not provide any instructions, we will vote your shares: (a) for the nominees listed in Proposal 1; (b) for the approval of Proposal 2; and (c) in accordance with the recommendations of the Company's management on other business that properly comes before the meeting or matters incident to the conduct of the meeting. If you properly submit your proxy but attend the meeting and choose to vote personally, our ability to exercise the proxy will be suspended. You also may revoke your proxy by notifying Roger A. Cooke, the Secretary of the Company, in writing at the address listed above prior to our exercise of the proxy at the Annual Meeting or any adjournment of the meeting.

PROPOSAL 1: ELECTION OF DIRECTORS

We Recommend a Vote "For" All Nominees

The Board of Directors presently consists of ten directors. Under the Company's Corporate Governance Guidelines, it is Company policy that a member of the Board of Directors retire effective as of the first annual shareholders meeting after the member's seventy-first birthday. Current director J. Frank Travis turned 71 in March 2007 and current director Byron O. Pond, Jr. will turn 71 in July 2007. It is expected that each will retire as a director in connection with the 2007 Annual Meeting of Shareholders. As required by the Company's bylaws, the Board of Directors is divided into three classes. The term of office for one of the classes expires each year. This year, the terms of Messrs. Bridenbaugh and Rothmeier will expire and each is a nominee for reelection. Messrs. Bridenbaugh and Rothmeier were elected by the shareholders at the 2004 Annual Meeting. If elected, the terms of Messrs. Bridenbaugh and Rothmeier will expire in 2010. In addition, Messrs. Schmidt and Murphy are nominated for reelection. Mr. Schmidt was elected by the Board of Directors to fill a vacancy on February 15, 2007, and Mr. Murphy was elected by the Board of Directors to fill a vacancy on May 23, 2007. If elected, the terms of Messrs. Schmidt and Murphy will expire in 2009 and 2010, respectively.

The following table provides the name, age, principal occupation and other directorships of each nominee and continuing director, the year in which he became a director of the Company and the year in which his term expires. Except as otherwise noted, each has held his principal occupation for at least five years.

If a quorum of shares is present at the meeting, the four nominees for director who receive the greatest number of votes cast at the meeting will be elected directors. We will treat abstentions and broker nonvotes as shares present but not voting.

Name, Age, Principal Occupation and Other Directorships	Director Since	Term Expires
Nominees		
Peter R. Bridenbaugh—66	1995	2007
President of P. Bridenbaugh, Inc., an organization providing consulting services; until retiring in January 1998, Executive Vice President—Automotive, Aluminum Co. of America, an integrated producer of aluminum and other products for the packaging, aerospace, automotive, building and construction, and commercial and industrial markets; from 1993 to 1996, Executive Vice President and Chief Technical Officer, Aluminum Co. of America.		
Steven G. Rothmeier—60	1994	2007
Chairman and Chief Executive Officer of Great Northern Capital, a private investment and merchant banking firm, since March 1993. Mr. Rothmeier is also a director of Waste Management, Inc., Great Northern Asset Management and ArvinMeritor, Inc.		
Rick Schmidt—57	2007	2007
Executive Vice President and Chief Financial Officer of Spirit AeroSystems Holdings, Inc., a designer and manufacturer of aerostructures, since August 2005; from October 2000 until August 2005, Executive Vice President and Chief Financial Officer of Goodrich Corporation, a supplier of products and services to the commercial and general aviation airplane markets and the global defense and space markets.		
Daniel J. Murphy—58	2007	2007
Chief Executive Officer of Alliant Techsystems Inc. ("ATK"), a supplier of aerospace and defense products and ammunition, since 2003, and Chairman of ATK since April 2005; from 2002 to 2003, Group Vice President, ATK Precision Systems Group; from 2001 to 2002, President, ATK Tactical Systems. Mr. Murphy is a member of the boards of directors of ATK and Lyondell Chemical Company.		
Directors Whose Terms Continue		
Mark Donegan—50	2001	2009
Chairman and Chief Executive Officer of the Company. Mr. Donegan came to PCC from General Electric Company in 1985. He held numerous management positions with the Company before becoming Chairman. Prior to assuming his current responsibilities, Mr. Donegan was President of the Company and was elected to the position of Chairman following the Annual Meeting of Shareholders in August 2003.		

Name, Age, Principal Occupation and Other Directorships	Director Since	Term Expires
Dean T. DuCray—66	1996	2008
Chairman, President and Chief Executive Officer of Jancor Companies, Inc., a manufacturer of vinyl products, since April 2002. Retired from York International Corp., a manufacturer of heating, air conditioning, ventilation and refrigeration equipment in April 1998 where he served as Vice President and Chief Financial Officer.		
Don R. Graber—63	1995	2008
President and Chief Executive Officer of Colleton Enterprises LLC, a private consulting and investment company located in Dayton, Ohio, since March 2005. From 1997 to 2004, Chairman, President and Chief Executive Officer of Huffy Corporation; retired from Huffy in January 2004. Mr. Graber was previously President of Worldwide Household Products Group, The Black & Decker Corporation. Mr. Graber is also a director of MTC Technologies, Inc. In October 2004, Huffy Corporation filed a petition for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code.		
Vernon E. Oechsle—64	1996	2009
Retired; until May 2001, Chairman and Chief Executive Officer of Quanex Corporation, a manufacturer of steel bars, aluminum shapes and steel tubes and pipes.		

Board of Directors and Committee Meetings

Under Oregon law, PCC is managed under the direction of the Board of Directors. The Board establishes broad corporate policies and authorizes various types of transactions, but it is not involved in day-to-day operational details. During fiscal 2007, the Board held 4 regular meetings and 2 special meetings. PCC encourages but does not require members of the Board to attend the annual shareholders meeting. Last year, all members attended the annual meeting.

The Board has three standing committees. The table below shows the number of meetings conducted in fiscal 2007 and the directors who currently serve on these committees. The functions of the committees are described in subsequent sections.

	Board Committees		
Director	Audit	Compensation	Nominating & Corporate Governance
Mr. Bridenbaugh			X
Mr. Donegan			
Mr. DuCray	X (Chair)		
Mr. Graber		X	X (Chair)
Mr. Oechsle	X	X	
Mr. Murphy			X
Mr. Pond			X
Mr. Rothmeier		X (Chair)	
Mr. Schmidt	X		
Mr. Travis	X		
2007 Meetings	9	6	5

During fiscal 2007, no director attended fewer than 75% of the aggregate of the total number of meetings of the Board of Directors during the period for which he was a director and the total number of meetings held by all commitees on which and during the period that he served.

Director Compensation

For the Company's first and second quarters of fiscal 2007, non-employee directors received the following fees (pro rated in the case of annual-based fees) to the extent applicable to the individual director: (i) an annual cash retainer of $44,000 for Board service, plus $2,000 for each Board meeting attended and $1,500 for each committee meeting attended; and (ii) a $10,000 annual fee for service as chair of the audit committee and a $5,000 annual fee for service as chair of a committee other than the audit committee. On November 14, 2006, the Board approved a change to the Company's non-employee director compensation program. Under the new program, non-employee directors received the following fees for the Company's third and fourth quarters of fiscal 2007 (prorated in the case of annual-based fees) to the extent applicable to the individual director: (i) an annual cash retainer of $60,000 for board service; (ii) an annual cash retainer of $10,000 for service on the audit committee and an annual cash retainer of $5,000 for service on a committee other than the audit committee; and (iii) the same fees specified above for service as a committee chair. The payment of meeting fees for Board and committee members was discontinued. The cash fees are payable in quarterly increments in arrears subject to deferral elections. In addition, each non-employee director who was a director immediately following the Company's 2006 annual meeting of shareholders received a deferred stock unit award with a value of $50,000. These awards vest ratably over three years and are payable in shares of Company common stock on cessation of Board service. As part of the new non-employee director compensation program, the value of these deferred stock unit awards will increase to $100,000 effective for the grant occurring after the Company's annual meeting of shareholders in 2007.

The Board believes that, in order to better align the interests of individual Board members with those of the Company's shareholders, it is important for Board members to own Company common stock. Accordingly, all Board members are required to own stock, deferred stock units or other equivalents equal to three times their annual retainer within four years of their joining the Board. All directors have met their stock ownership guidelines in accordance with the implementation schedule.

The Company maintains an unfunded Non-Employee Director Deferred Compensation Plan (the "NDDC") to create a deferred compensation arrangement for members of the Board who are not employees of the Company at any time after they are first eligible for the NDDC. The NDDC allows participants to elect to defer directors' fees in the year before the fees are earned and credit the amounts to an account under the NDDC. There is not a minimum or maximum deferral limit. Investment results are determined by performance options selected by the participant, which include a prime rate plus 2% option, a phantom stock fund, and certain other mutual funds and pooled investment vehicles specified by the NDDC. Participants may select performance options and change an existing selection on any business day, except for selections made with respect to the phantom stock fund. One time each calendar year, a participant who is currently serving on the Board may change his or her performance option selection for previously deferred compensation to choose the phantom stock fund performance option. NDDC benefits are ordinarily paid pursuant to the time of payment election made by the participant prior to earning the compensation or at termination of Board service. The form of payment is specified in the participant's election and is either a cash lump sum, installments from 2 to 20 years, or in shares of Company common stock (available with respect to deferred compensation for which the phantom stock fund performance option was selected).

The following table shows compensation earned by the non-employee directors of the Company in fiscal 2007.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(3)	Total ($)
Vernon E. Oechsle	$63,500	$50,000	$15,974	$10,107	$139,581
Peter R. Bridenbaugh	54,000	50,000	15,974		119,974
Dean T. DuCray	65,500	50,000	15,974		131,474
Don R. Graber	63,250	50,000	15,974	9,925	139,149
Byron O. Pond, Jr.	54,000	50,000	15,974		119,974
Steven G. Rothmeier	56,250	50,000	15,974		122,224
J. Frank Travis	58,000	50,000	15,974	17,636	141,610
Rick Schmidt	17,500	—	—	—	17,500
Daniel J. Murphy	—	—	—	—	—

(1) Represents the amount of compensation expense recognized under FAS 123R in fiscal 2007 with respect to deferred stock units granted in fiscal 2007 and prior years. Compensation expense is equal to the value of the shares of common stock issuable under the deferred stock units based on the closing market price of the Company's common stock on the grant date, and is recognized ratably over the three-year vesting period. On August 16, 2006, each non-employee director was awarded 821.153 deferred stock units with an aggregate grant date fair value of $50,000. As of April 1, 2007, each non-employee director (other than Messrs. Schmidt and Murphy) held 3,814 outstanding deferred stock units. Each of Messrs. Schmidt and Murphy will be eligible to receive a deferred stock unit award for the first time immediately following the Company's 2007 annual meeting of shareholders.

(2) Represents the amount of compensation expense recognized under FAS 123R in fiscal 2007 with respect to options granted in prior years, disregarding estimated forfeitures. Compensation expense is equal to the grant date fair value of the options estimated using the Black-Scholes option pricing model, and is recognized ratably over the four-year vesting period. The assumptions made in determining the grant date fair values of options under FAS 123R are disclosed under the caption "Stock-based compensation" in Note 1 of Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended April 1, 2007. The award of stock options as an element of nonemployee director compensation was discontinued in 2004. As of April 1, 2007, non-employee directors held outstanding options for the following numbers of shares of common stock: Mr. Bridenbaugh, 1,000 shares; Mr. DuCray, 26,000 shares; Mr. Graber, 22,000 shares; Mr. Oechsle, 14,000 shares; Mr. Pond, 1,000 shares; Mr. Rothmeier, 26,000 shares; Mr. Travis, 14,000 shares; and each of Messrs. Schmidt and Murphy, 0 shares.

(3) All amounts represent above-market earnings credited to the prime rate plus 2% performance option under the non-qualified deferred compensation plan accounts of the applicable directors.

Corporate Governance

PCC maintains a corporate governance page on its website that includes key information about its corporate governance initiatives, including PCC's Corporate Governance Guidelines, its Code of Business Conduct and Ethics and charters for the Audit, Nominating & Corporate Governance and Compensation Committees of the Board of Directors. The corporate governance page can be found at *www.precast.com*, by clicking on "PCC Corporate Center" and then "Corporate Governance." These corporate governance documents are also available in print to any shareholder who requests them. Such requests should be sent to Mr. Roger A. Cooke, Secretary, Precision Castparts Corp., 4650 SW Macadam Avenue, Ste. 400, Portland, OR 97239-4262.

PCC's policies and practices reflect corporate governance initiatives that are compliant with SEC rules, the listing requirements of the New York Stock Exchange (NYSE) and the corporate governance requirements of the Sarbanes-Oxley Act of 2002, including:

- The Board of Directors has adopted corporate governance policies;
- A majority of the Board members are independent of PCC and its management;
- All members of the board committees are independent;
- The non-management members of the Board of Directors meet regularly without the presence of management;
- PCC has a code of business conduct that also applies to all of its officers; and
- PCC's Audit Committee has procedures in place for the anonymous submission of employee complaints on accounting, internal controls, or auditing matters that are incorporated into a web-based and telephonic reporting program available to all employees.

Director Independence

No member of the Board is considered independent unless the Board of Directors affirmatively determines that the member has no material relationship with PCC or any of its subsidiaries (either directly or as a partner, shareholder or officer of an entity that has a relationship with PCC or any of its subsidiaries). The Board of Directors has adopted categorical standards it uses to determine the independence of its members. The categorical standards are not available on the Company's website. These standards are consistent with the NYSE corporate governance listing standards and provide that a director will not be deemed to be "independent" if:

Currently or within the preceding three years:

1. The director was employed by PCC or any of its subsidiaries;

2. An immediate family member of the director was employed by PCC or any of its subsidiaries as an executive officer;

3. The director, or an immediate family member of the director, received during any twelve-month period more than $100,000 in direct compensation from PCC or any of its subsidiaries, other than director and committee fees and pensions or other forms of deferred compensation for prior service (provided that such compensation is not contingent in any way on continued service);

4. The director, or an immediate family member of the director, was a partner or employee of a firm that is PCC's internal or external auditor and personally worked on PCC's audit;

5. The director or an immediate family member of the director was employed as an executive officer of another company on whose compensation committee any of PCC's current executive officers at the same time served; or

6. The director was an employee of a company that made payments to, or received payments from, PCC or any of its subsidiaries for property or services in an amount which, in any fiscal year, exceeded the greater of $1 million or 2% of such other company's consolidated gross revenues; or

Currently:

1. The director is an employee of PCC's internal or external auditor;

2. The director or an immediate family member of the director is a partner of PCC's internal or external auditor;

3. An immediate family member of the director is an employee of PCC's internal or external auditor and that person participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or

4. An immediate family member of the director is an executive officer of a company that has made payments to, or received payments from, PCC or any of its subsidiaries for property or services in an amount which, in any of the last three fiscal years, exceeded the greater of $1 million or 2% of such other company's consolidated gross revenues.

An "immediate family member" includes a director's spouse, parents, stepparents, children, stepchildren, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in law and anyone (other than tenants or employees) who shares the director's home.

The Board has reviewed the relationships between each of the directors and PCC and its subsidiaries and has determined that Messrs. Bridenbaugh, DuCray, Graber, Murphy, Oechsle, Pond, Rothmeier, Schmidt and Travis are independent under the NYSE corporate governance listing standards and PCC's categorical director independence standards and have no material relationships with PCC or its subsidiaries (other than being a director or shareholder of PCC). Mr. Donegan is not an independent director because he is an executive officer of PCC.

Meetings of the non-management directors are conducted under the direction of a non-management director who is chosen on a rotating basis in advance of each meeting. This director develops the agenda of matters he wishes the non-management directors to consider at their regularly scheduled meetings.

Shareholder Communications

Shareholders and other interested parties may communicate with the non-management directors by written inquiries sent to Precision Castparts Corp., Attention: Non-Management Directors, 4650 SW Macadam Avenue, Ste. 400, Portland, Oregon 97239-4262. PCC's Vice President—Regulatory and Legal Affairs will review these inquiries or communications. Communications other than advertising or promotions of a product or service will be forwarded to the presiding, non-management Board member. Shareholders and other interested parties may send communications to the Board of Directors or to specified individual directors using the same procedures.

Nominating & Corporate Governance Committee

The Nominating & Corporate Governance Committee of the Board operates pursuant to a charter and is responsible for, among other things: recommending the size of the Board within the boundaries imposed by the Company's bylaws; recommending selection criteria for nominees for election or appointment to the Board; conducting independent searches for qualified nominees and screening the qualifications of candidates recommended by others; recommending to the Board for its consideration one or more nominees for appointment to fill vacancies on the Board as they occur and the slate of nominees for election at the annual meeting; and reviewing and making recommendations to the Board with respect to corporate governance.

When assessing a director candidate's qualifications, the Nominating & Corporate Governance Committee will consider, among other factors and irrespective of whether the candidate was identified by the Nominating & Corporate Governance Committee or recommended by a shareholder, an analysis of the candidate's qualification as independent, as well as the candidate's integrity and moral responsibility, experience at the policy-making level, ability to work constructively with the Chief Executive Officer and other members of the Board, capacity to evaluate strategy, availability of and willingness to devote time to the Company, and awareness of the social, political and economic environment. The Nominating & Corporate Governance Committee uses a third-party executive search firm to identify candidates, review potentially eligible candidates and conduct background and reference checks and interviews with the candidates and others.

Consistent with the rules of the NYSE, all members of the Nominating & Corporate Governance Committee are independent.

The Nominating & Corporate Governance Committee will consider qualified candidates for director properly submitted by the Company's shareholders. Shareholders who wish to submit names to the Nominating & Corporate Governance Committee for consideration at the 2008 Annual Meeting of Shareholders should do so in writing between May 29, 2008 and June 23, 2008, addressed to the Nominating & Corporate Governance Committee, Precision Castparts Corp., 4650 SW Macadam Avenue, Ste. 400, Portland, Oregon 97239-4262, setting forth (a) as to each nominee whom the shareholder proposes to nominate for election or reelection as a director, (i) the name, age, business address and residence address of the nominee, (ii) the principal occupation or employment of the nominee, (iii) the number of shares of common stock of the Company beneficially owned by the nominee and (iv) any other information concerning the nominee that would be required, under the rules of the Securities and Exchange Commission, in a proxy statement soliciting proxies for the election of such nominee; and (b) as to the shareholder giving the notice, (i) the name and record address of the shareholder and (ii) the number of shares of common stock of the Company beneficially owned by the shareholder.

Compensation Committee

The Compensation Committee of the Board operates pursuant to a charter and is responsible for, among other things, determining the compensation to be paid to the Chief Executive Officer and to each of the other executive officers of the Company and developing the Company's executive compensation policies and program. The Committee may not delegate this authority. The Compensation Committee Report appears on page 16. Additional information on the committee's consideration and determination of executive officer compensation is provided in the Compensation Discussion and Analysis below.

Audit Committee

The Audit Committee of the Board operates pursuant to a charter and is responsible for, among other things, the appointment of the independent auditors for the Company; reviewing with the auditors the plan and scope of the audit and approving audit fees; monitoring the adequacy of reporting and internal controls and meeting periodically with internal and independent auditors. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls.

Consistent with the rules of the NYSE, all members of the Audit Committee are independent. The Board of Directors has determined that Messrs. DuCray, Oechsle, Travis and Schmidt are audit committee financial experts as defined by the Securities and Exchange Commission.

Report of the Audit Committee

The Audit Committee reports as follows:

- The Audit Committee reviewed the Company's audited financial statements and discussed them with management. Management represented to the Audit Committee that the Company's audited consolidated financial statements were prepared in accordance with generally accepted accounting principles. The Audit Committee also reviewed and discussed the audited consolidated financial information with management and Deloitte & Touche LLP, the Company's independent auditors for fiscal 2007, including a discussion of the quality, and not just the acceptability, of the accounting principles and the reasonableness of significant judgments. The Audit Committee discussed with the Company's internal and independent auditors the overall scope and plans for their respective audits. The Audit Committee met with the internal and independent auditors, with and without management present, to discuss the results of their examinations and the overall quality of the Company's financial reporting.
- The Audit Committee discussed with the independent auditors matters required to be discussed by SAS No. 61 (Communication with Audit Committees), as amended.
- The Audit Committee received from the independent auditors the written disclosures and the letter regarding the audit firm's independence as required by Independence Standards Board Standard No. 1 (Independence Discussions With Audit Committees). The Audit Committee discussed with the independent auditors the audit firm's independence from the Company and its management.
- Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended April 1, 2007.

The Audit Committee also has appointed Deloitte & Touche LLP to be the Company's independent auditors for fiscal 2008.

Dean T. DuCray, Chairman
Vernon E. Oechsle
J. Frank Travis
Rick Schmidt

Principal Accounting Firm Fees

The Company incurred the following fees for services performed by the Company's principal accounting firm, Deloitte & Touche LLP, in fiscal 2007, and the Company's former principal accounting firm, PricewaterhouseCoopers LLP, in fiscal 2006:

2007	
Audit Fees	$4,754,000
Audit Related Fees	—
Tax Fees	201,000
All other fees	—
2006	
Audit Fees	$4,933,039
Audit Related Fees	12,418
Tax Fees	127,369
All other fees	—

Audit Fees include annual audit of the Company's consolidated financial statements and review of interim financial statements in the Company's Quarterly Reports on Form 10-Q.

Audit Related Fees include audits of the Company's employee benefit plans, acquisition due diligence, review of registration statements and issuance of comfort letters and other audit reports required by regulation or contract.

Tax Fees include review and assistance with tax returns for various legal entities of the Company, global expatriate services and tax advice and planning for income and other taxes.

The Audit Committee appoints the outside auditor and approves the fee to be paid to the outside auditor. The Audit Committee is also responsible for reviewing and approving engagements of significant non-audit work performed by the outside auditor, and it approved all audit related and tax fees. Representatives of Deloitte & Touche LLP are expected to be present at the 2007 Annual Meeting of Shareholders, will have an opportunity to make any statements they desire, and will also be available to respond to appropriate questions from shareholders.

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following table, which was prepared on the basis of information furnished by the persons described, shows ownership of the Company's common stock as of May 1, 2007 by the Chief Executive Officer, by each of the other four most highly compensated executive officers, by the directors and by the directors and executive officers of the Company as a group. Unless otherwise indicated, each of the named individuals has sole voting and investment power with respect to the shares shown. The beneficial ownership of each director and executive officer is less than 1% of the outstanding shares.

Name	Number of Shares Beneficially Owned (excluding shares subject to options)(1)	Options Exercisable Within 60 Days	Total
Peter R. Bridenbaugh	12,761	0	12,761
Roger A. Cooke	78,937(2)	88,133	167,070
Mark Donegan	223,353	265,000	488,353
Dean T. DuCray	12,600(3)	25,000	37,600
Don R. Graber	6,011	21,000	27,011
Steven G. Hackett	23,525	0	23,525
William D. Larsson	63,000	12,500	75,500
Daniel J. Murphy	0	0	0
Vernon E. Oechsle	8,000	13,000	21,000
Byron O. Pond, Jr.	21,000	0	21,000
Steven G. Rothmeier	20,000	25,000	45,000
Rick Schmidt	0	0	0
Joseph I. Snowden	9,300	0	9,300
J. Frank Travis	10,000(4)	13,000	23,000
All directors and executive officers as a group (24 persons)	709,128	759,439	1,468,567

(1) Includes the following number of phantom stock units under the Non-Employee Director Deferred Compensation Plan: Mr. Bridenbaugh, 8,760; and Mr. Graber, 4,010.

(2) Includes 3,000 shares owned by children of Mr. Cooke

(3) Includes 1,600 shares held in trust for children of Mr. DuCray

(4) Includes 4,000 shares held by Sivart Holdings, a partnership in which Mr. Travis is the controlling partner

COMPENSATION OF EXECUTIVE OFFICERS

Compensation Discussion and Analysis

Overview

This Compensation Discussion and Analysis presents information about the compensation of the Company's executive officers, including the executives listed in the Summary Compensation Table on page 17 (the "NEOs"). Pursuant to authority delegated by the Board of Directors, the Compensation Committee (the "Committee") determines the compensation to be paid to the Chief Executive Officer and each of the other executive officers of the Company. The Committee also is responsible for developing the Company's executive compensation policies and program.

The Committee directly retains the services of a consulting firm, Hewitt Associates ("Hewitt"). At the request and direction of the Committee, Hewitt assists with the evaluation of the competitiveness of the Company's executive and director compensation programs and provides overall guidance to the Committee in the design and operation of these programs. The Committee has retained Hewitt in this capacity since 2003.

The Chief Executive Officer makes recommendations to the Committee regarding executive officer compensation and attended each Committee meeting in fiscal 2007.

Objectives and Elements of Executive Compensation Program

The Company's executive compensation program is designed to:

- Attract and retain key executives who are important to the long-term success of the Company (the "Retention Objective"); and
- Provide incentives for the Company's executive officers to achieve high levels of job performance and enhance shareholder value (the "Performance Objective").

In order to achieve these objectives, the Committee has selected the following elements to be included in the Company's compensation program for executive officers:

- Base salary
- Annual performance-based cash bonuses
- Stock options
- Retirement plans, deferred compensation and perquisites
- Change in control severance benefits

The Company's executive compensation program implements the Retention Objective by offering base pay, incentives and benefits that are competitive with that provided to executive officers of companies with which the Company competes for executive talent.

The Company's compensation program for executive officers implements the Performance Objective by rewarding executive officers for the achievement of the Company's annual performance targets and the realization of long-term increases in the price of the Company's stock.

Please see the sections below for more information about the Company's implementation of the Retention and Performance Objectives.

Base Salaries, Annual Performance-Based Cash Bonuses and Stock Options

Base Salaries. Consistent with the Retention Objective, the Committee sets for each of the Company's executive officers a base salary that is normally between the 50th and 75th percentiles of the base salaries established for similarly situated executive officers of general industrial companies of approximately the Company's revenue size. The Committee establishes base salaries for executive officers each February that are effective as of January 1. The Committee identifies a 50th to 75th percentile base salary range for each executive officer based upon an annual report provided by Hewitt. The most recent report provided by Hewitt interpreted survey data from a database of 79 general industrial companies with annual revenues between $4 billion and $8 billion. The companies in these annual surveys are referred to in this Compensation Discussion and Analysis as the "Survey Companies." The Company's annual revenue falls near the middle of the revenue range of the Survey Companies. For each Company executive officer who is an operating unit President, including Messrs. Hackett and Snowden, the market survey data is regressed based on revenues to adjust for the size of the applicable Company operating unit. The Chief Executive Officer evaluated each officer's performance and recommended to the Committee a base salary for each executive officer. The Committee established base salaries for fiscal 2007 after considering the Chief Executive Officer's evaluations and recommendations and the compensation information from the Survey Companies. The Committee set the fiscal 2007 base salary for the Chief Executive Officer following the Committee's review of his performance and the compensation information from the Survey Companies. In view of the Company's superior recent performance and the effectiveness of Mr. Donegan's continuing leadership, the Committee established a base salary for Mr. Donegan that is slightly above the 75th percentile of the Survey Companies. The fiscal 2007 base salaries for the NEOs are presented in the Summary Compensation Table in the "Salary" column.

Performance-Based Cash Bonuses. The Company utilizes annual performance-based cash bonuses to motivate and reward executive officers for the achievement of Company or operating unit annual performance targets. For fiscal 2007, the Committee reviewed and approved Company- or operating unit-based performance criteria set forth in three separate cash bonus programs covering the NEOs. The performance criteria from the Corporate Bonus Program are applicable to Messrs. Donegan, Larsson and Cooke, the performance criteria from the SPS Fasteners Executive Bonus Program are applicable to Mr. Hackett, and the performance criteria from the Special Metals Executive Bonus Program are applicable to Mr. Snowden. The Company's bonus programs are normally structured so that an executive officer receives 100% of his or her target bonus if the Company or the applicable operating unit achieves its exact performance targets. No bonus is payable if the performance result is less than 80% of the performance target. Bonus results are not subject to a maximum level of performance and the bonus programs provide an accelerating pay-out curve for superior performance. For example, a performance result equal to 130% of the performance target generates an actual bonus payment that is greater than 130% of the target bonus.

The target bonus levels for fiscal 2007 for Messrs. Donegan, Larsson, Cooke, Hackett and Snowden were 100%, 90%, 75%, 90% and 90% of base salary, respectively. Except as discussed below with regard to the SPS Fasteners Executive Bonus Program and the Special Metals Executive Bonus Program, the Committee selected and the Board of Directors approved for fiscal 2007 all of the above-mentioned target bonus levels and bonus program structures and the following performance criteria at their respective May 2006 meetings:

Corporate Bonus Program (Company-level criteria):

- Earnings per share—weighted 75%; and
- Return on net assets—weighted 25%.

Special Metals Executive Bonus Program (operating unit-level criteria):

- Operating profit—weighted 65%; and
- Average (quarterly) operating working capital—weighted 35%.

SPS Fasteners Executive Bonus Program (operating unit-level criteria):

- Operating profit—weighted 50%;

- Return on net assets—weighted 20%; and
- Average (quarterly) operating working capital—weighted 30%.

The Chief Executive Officer recommended, and the Committee approved at its February 2007 meeting, changes to the previously approved performance criteria under the SPS Fasteners Executive Bonus Program for fiscal 2007. These changes increased the bonus amount payable under that bonus program to 120% of target bonus in the event that the SPS Fasteners operating unit achieved specified performance targets that were more aggressive than the previously approved performance targets. The changes also provided that an additional incremental 10% of target bonus would be payable if the SPS Fasteners operating unit achieved an enhanced free cash flow target for fiscal 2007 and operating working capital target for the fourth quarter of fiscal 2007. These changes resulted in an actual fiscal 2007 bonus award for Mr. Hackett that was approximately 27% higher than the bonus award that would otherwise have been payable under the SPS Fasteners Executive Bonus Program performance criteria as approved in May 2006.

The Company acquired Special Metals Corporation on May 25, 2006. The Committee approved the performance criteria under the Special Metals Executive Bonus Program at its February 2007 meeting.

The Committee intends that the target levels for performance criteria under the Company's bonus programs will be "stretch" targets that are challenging but achievable. This degree of difficulty is achieved by setting the performance targets equal to the targets in the Company's annual business plan, which generally are more aggressive than the growth rates in the Company's served markets (as depicted by survey data and internal analyses). The actual fiscal 2007 bonus awards for the NEOs are presented in the Summary Compensation Table in the "Non-Equity Incentive Plan Compensation" column. The Company's bonus programs also allow the Chief Executive Officer to recommend, and the Committee to award, extraordinary discretionary bonuses to individual executive officers. Discretionary bonuses, if any, are awarded at the May Committee meeting following the end of the applicable fiscal year. None of the NEOs was awarded a discretionary bonus for fiscal 2007.

Stock Options. The Committee has selected stock options as the Company's only form of long-term incentive compensation for two reasons: stock options strongly and directly align the interests of the Company's executive officers with those of the Company's shareholders because options only have realizable value if the price of the Company's stock increases after the options are granted, and the Committee believes that options are the best mechanism for optimizing executive officers' long-term performance incentives given the cyclical nature of the Company's industry. All stock option grants vest in equal annual installments over a four-year period contingent upon the executive officer's continued employment with the Company, with vesting subject to acceleration in limited circumstances as discussed under the Potential Payments upon Termination or Change in Control section beginning on page 25. The exercise price of all stock options is the closing market price of the Company's common stock on the date of grant.

Option awards for executive officers other than new hires are made only once per year and always on the day of the November meeting of the Board of Directors. The Chief Executive Officer recommended to the Committee the size of the stock option award to be granted to each executive officer in November 2006. He based his recommendations in part on a comparison of each executive officer's target cash compensation (base salary and target performance-based cash bonus) to the total compensation (base salary, target performance-based cash bonus and Black-Scholes value (at time of grant) of long-term incentive awards) measured at the 50th and 75th percentiles for similarly situated executive officers at the Survey Companies. This comparison established the Black-Scholes value (at time of grant) of the stock option award that would need to be granted to each executive officer in order for him or her to receive a combined base salary, target bonus and long-term incentive for fiscal 2007 that was in the 50th to 75th percentile range of the Survey Companies. In other words, stock option awards were the compensation element generally used, after taking into account the previously established base salary and target annual performance-based cash bonus, to adjust and locate an executive officer's total compensation at the level (relative to the compensation information from the Survey Companies) the Chief Executive Officer and the Committee deemed appropriate based on the officer's performance. For fiscal 2007, the combined base salary, target performance-based cash bonus and Black-Scholes value (at time of grant) of the stock option award for each of Messrs. Donegan, Larsson and Cooke was between the 50th and 75th percentiles, and for each of Messrs. Hackett and Snowden was slightly above the 75th percentile, of the comparable combined compensation established for similarly situated executive officers at the Survey Companies.

Retirement Plans, Deferred Compensation and Perquisites

Consistent with the Retention Objective, the Company's standard benefit package for executive officers includes ERISA-qualified retirement benefits, nonqualified supplemental retirement benefits, compensation deferral opportunities and perquisites that the Committee believes are reasonable and competitive with benefits provided to executive officers of companies with which the Company competes for executive talent.

The Company sponsors various retirement pension plans covering substantially all employees, including all of the Company's executive officers. Supplemental retirement benefits are provided to each executive officer of the Company under either the SERP or the Frozen SERP. The Committee modified the SERP in February 2007 to comply with the requirements of Section 409A of the Internal Revenue Code (the "Code") and make additional design changes that the Committee deemed advisable so that the SERP benefits would remain competitive with comparable benefits (based on consultations with Hewitt) offered by companies with which the Company competes for executive talent. For details regarding the determination and payment of benefits under the applicable retirement pension plans, the SERP and the Frozen SERP and the present value of accumulated benefits for each NEO, please see the Pension Benefits section beginning on page 20.

The Company maintains tax qualified retirement savings plans (each a "401(k) Plan") under which all U.S.-based employees, including the NEOs, are able to make pre-tax contributions from their cash compensation, subject to limitations imposed by the Code. The Company makes specified matching or other contributions for all participants each year. The size of these Company contributions varies depending on the applicable 401(k) Plan. Any Company contributions for the benefit of the NEOs are included under the "All Other Compensation" column in the Summary Compensation Table on page 17.

To further assist its executive officers in saving for retirement, the Company makes available the PCC Executive Deferred Compensation Plan to allow executive officers to voluntarily defer the receipt of salary and earned cash bonuses. Deferred amounts can be invested into a variety of notional accounts that mirror the gains or losses of several different investment funds similar to those available through the 401(k) Plans, as well as a Company phantom stock account and an interest-bearing account. The Committee modified the Deferred Compensation Plan in December 2006 to comply with the requirements of Section 409A of the Code. Please see the Nonqualified Deferred Compensation section on page 24 for details about the Deferred Compensation Plan and accumulated balances for each NEO.

In fiscal 2007, the Company provided perquisites to the NEOs and selected other executive officers as follows: payment or reimbursement of automobile lease and operating expenses; reimbursement of club dues; Company-paid financial and tax return preparation services; payment of disability and term life insurance premiums; and payment of Medicare taxes related to the SERP and income taxes related to the Company's payment of those Medicare taxes. Total perquisite costs for the NEOs for fiscal 2007 are included under the "All Other Compensation" column in the Summary Compensation Table on page 17.

Change in Control Severance Benefits

In furtherance of the Retention Objective, the Company provides change in control severance protection to its executive officers. The specific terms of the Company's change in control severance agreements and the potential benefits payable upon specified terminations following a change in control are discussed in the Potential Payments upon Termination or Change in Control section beginning on page 25. These benefits are designed to provide executive officers with a strong incentive to remain with the Company if the Company engages in, or is threatened with, a change in control transaction, and to maintain an executive compensation program that is competitive with companies with which the Company competes for executive talent.

Other Important Policies Regarding Executive Officer Compensation

The following components of the Company's compensation program for executive officers are designed to further implement the Performance Objective:

Stock Ownership Guidelines. The Company requires that all executive officers comply with specified stock ownership guidelines. Under these guidelines, executive officers are required to own a number of shares of the Company's common stock (or units in the Company phantom stock account under the Deferred Compensation Plan) ranging from 15,000 to 150,000 shares, with the number increasing in accordance with the executive officer's responsibilities within the Company. Executive officers are given an implementation schedule to achieve the required ownership levels. All executive officers have met their stock ownership guidelines in accordance with the implementation schedule.

No Employment Agreements. The Company's executive officers do not have employment agreements and serve at the will of the Board of Directors and the Chief Executive Officer.

Clawback Policy. Each of the Company's bonus programs provides that any employee who knowingly falsifies any financial or other certification, knowingly provides false information relied on by others in a financial or other certification, engages in other fraudulent activity, or knowingly fails to report any such conduct by others, will not earn a bonus for the applicable year and may also face legal action by the Company to recover any bonus improperly received.

Tax Deductibility of Executive Compensation

Section 162(m) of the Code generally limits the Company's federal income tax deduction to $1 million per person for compensation paid to the Company's Chief Executive Officer and to each of the Company's four other most highly compensated executive officers in any year. Qualifying performance-based compensation is not subject to this limit on deductibility. The Committee considers the impact of Section 162(m) when developing and implementing the Company's executive compensation program. To this end, for fiscal 2007 the annual performance-based cash bonuses and stock options described above were designed to meet the deductibility requirements.

Compensation Committee Report

The Compensation Committee has reviewed the Compensation Discussion and Analysis and discussed it with management. Based on its review and discussions with management, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K for the year ended April 1, 2007 and the Company's proxy statement for the 2007 annual meeting.

Steven G. Rothmeier, Chairman
Don R. Graber
Vernon E. Oechsle

Summary Compensation Table

The following table shows compensation earned by the Chief Executive Officer, the Chief Financial Officer and the three other most highly compensated executive officers who were serving as executive officers of the Company on April 1, 2007 (the "NEOs").

Name and Principal Position	Year	Salary ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(2)	All Other Compensation ($)(3)	Total ($)
Mark Donegan .... Chairman and Chief Executive Officer	2007	$1,075,000	$3,410,771	$2,950,900	$877,412	$14,416	$8,328,499
William D. Larsson .... Senior Vice President and Chief Financial Officer	2007	$ 480,000	$ 653,414	$1,177,590	$632,845	$43,468	$2,987,317
Steven G. Hackett .... Executive Vice President and President—Fastener Products Group	2007	$ 412,500	$ 601,488	$ 692,500	$334,883	$14,859	$2,056,230
Roger A. Cooke .... Vice President—Regulatory and Legal Affairs and Secretary	2007	$ 392,500	$ 490,827	$ 798,875	$221,383	$50,816	$1,954,401
Joseph I. Snowden .... Senior Vice President and President—Special Metals Corporation	2007	$ 356,347	$ 315,780	$ 872,226	$198,249	$11,466	$1,754,068

(1) Represents the amount of compensation expense recognized under FAS 123R in fiscal 2007 with respect to options granted in fiscal 2007 and prior years, disregarding estimated forfeitures. Compensation expense is equal to the grant date fair value of the options estimated using the Black-Scholes option pricing model, and is recognized ratably over the four-year vesting period. The assumptions made in determining the grant date fair values of options under FAS 123R are disclosed under the caption "Stock-based compensation" in Note 1 of Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended April 1, 2007.

(2) The amounts included as changes in the actuarial present value of accumulated benefits under defined benefit pension plans were: Mr. Donegan, $877,412; Mr. Larsson, $576,790; Mr. Cooke, $171,760; Mr. Hackett, $288,369; and Mr. Snowden, $192,752. The amounts included as above-market earnings credited to interest-bearing performance options under non-qualified deferred compensation plan accounts were: Mr. Larsson, $56,055; Mr. Cooke, $49,623; Mr. Hackett, $46,514; and Mr. Snowden, $5,497.

(3) For Mr. Donegan, amounts include (a) the cost of Company-paid disability and term life insurance premiums, and (b) payment or reimbursement of automobile lease and operating expenses. For Messrs. Larsson and Cooke, amounts include (a) $8,505 and $22,162, respectively, for payment of Medicare taxes related to the Supplemental Executive Retirement Plan and income taxes related to the Company's payment of those Medicare taxes, (b) the cost of Company-paid disability and term life insurance premiums, (c) Company matching contributions under 401(k) plans, (d) the cost of Company-paid financial and tax return preparation services, (e) reimbursement of club dues, and (f) payment or reimbursement of automobile lease and operating expenses. For Mr. Hackett, amounts include (a) the cost of Company-paid disability and term life insurance premiums, (b) Company matching contributions under 401(k) plans, (c) the cost of Company-paid financial and tax return preparation services, and (d) payment or reimbursement of automobile lease and operating expenses. For Mr. Snowden, amounts include: (a) the cost of Company-paid term life insurance premiums, (b) Company matching contributions under 401(k) plans and (c) payment or reimbursement of automobile lease and operating expenses.

Grants of Plan-Based Awards in Fiscal 2007

The following table contains information concerning the fiscal 2007 bonus opportunities for the NEOs and the stock options granted to the NEOs in fiscal 2007.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Option Awards: Number of Securities Underlying Options (#)(2)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Option Awards ($)(3)
		Threshold ($)(1)	Target ($)(1)	Maximum ($)(1)			
Mark Donegan							
Non-equity incentive		$920,000	$1,150,000	—			
Option	11/14/06				200,000	$70.79	$3,910,820
William D. Larsson							
Non-equity incentive		$367,200	$ 459,000	—			
Option	11/14/06				40,000	$70.79	$ 991,524
Steven G. Hackett							
Non-equity incentive		$324,000	$ 405,000	—			
Option	11/14/06				40,000	$70.79	$ 991,524
Roger A. Cooke							
Non-equity incentive		$249,000	$ 311,250	—			
Option	11/14/06				30,000	$70.79	$ 743,643
Joseph I. Snowden							
Non-equity incentive		$295,200	$ 369,000	—			
Option	11/14/06				45,000	$70.79	$1,115,465

(1) Represents bonus awards for fiscal 2007 and estimated payouts at threshold and target levels of performance. There is no maximum level of performance for awards under the Company's bonus programs. The actual amount earned by each NEO for fiscal 2007 is set forth in the Summary Compensation Table under "Non-Equity Incentive Plan Compensation." See "Compensation Discussion and Analysis—Performance-Based Cash Bonuses" for a discussion of the terms of these awards.

(2) Represents stock option grants made under the Company's 2001 Stock Incentive Plan. The exercise price of all options is equal to the closing market price of the Company's common stock on the grant date. The options vest 25% per year, beginning one year after the date of grant, based on continued employment. Vesting may also be accelerated in certain circumstances as described below under "Potential Payments upon Termination or Change in Control." Each option has a maximum term of 10 years, subject to earlier termination in the event of the optionee's termination of employment.

(3) Represents the grant date fair value of options granted in fiscal 2007 based on a value of $24.79 per share, in the case of Messrs. Larsson, Cooke, Hackett and Snowden, and a value of $19.55 per share, in the case of Mr. Donegan, covered by the options, in each case calculated using the Black-Scholes option pricing model. These are the same values for the options used under FAS 123R. For purposes of FAS 123R, the expected term for Mr. Donegan's options is 2.7 years and for other officers' options is 4.2 years. Other assumptions made in determining these values are disclosed under the caption "Stock-based compensation" in Note 1 of Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended April 1, 2007.

Outstanding Equity Awards at April 1, 2007

Name	Option Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Mark Donegan	100,000	100,000(1)	$19.995	11/11/2013
	100,000	200,000(2)	$ 31.75	11/16/2014
	65,000	195,000(3)	$ 47.84	11/15/2015
	—	200,000(4)	$ 70.79	11/14/2016
William D. Larsson	—	14,878(1)	$19.995	11/11/2013
	—	32,000(2)	$ 31.75	11/16/2014
	12,500	37,500(3)	$ 47.84	11/15/2015
	—	40,000(4)	$ 70.79	11/14/2016
Steven G. Hackett	—	7,500(1)	$19.995	11/11/2013
	—	40,000(2)	$ 31.75	11/16/2014
	—	33,750(3)	$ 47.84	11/15/2015
	—	40,000(4)	$ 70.79	11/14/2016
Roger A. Cooke	32,960	—	$ 12.07	11/13/2011
	22,007	—	$10.195	11/12/2012
	13,666	13,666(1)	$19.995	11/11/2013
	11,000	22,000(2)	$ 31.75	11/16/2014
	8,500	25,500(3)	$ 47.84	11/15/2015
	—	30,000(4)	$ 70.79	11/14/2016
Joseph I. Snowden	—	15,000(2)	$ 31.75	11/16/2014
	—	21,750(3)	$ 47.84	11/15/2015
	—	45,000(4)	$ 70.79	11/14/2016

(1) Vest 100% on November 11, 2007.

(2) Vest 50% on November 16, 2007 and 50% on November 16, 2008.

(3) Vest one-third on November 15, 2007, one-third on November 15, 2008 and one-third on November 15, 2009.

(4) Vest 25% on November 14, 2007, 25% on November 14, 2008, 25% on November 14, 2009 and 25% on November 14, 2010.

Option Exercises in Fiscal 2007

Name	Option Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)
Mark Donegan	121,224	$7,114,654
William D. Larsson	55,300	$2,800,887
Steven G. Hackett	52,421	$2,291,171
Roger A. Cooke	109,058	$5,010,386
Joseph I. Snowden	17,250	$ 762,606

Pension Benefits as of December 31, 2006

The Precision Castparts Corp. Retirement Plan (the "PCC RP") is the Company's qualified pension plan in which most of the NEOs participate. Following certain of the Company's business acquisitions, the Company has continued to maintain the benefit plans of the acquired subsidiaries. Mr. Donegan served as President of Wyman-Gordon Company for 20 months after we acquired it in 1999, and therefore has accrued a benefit under its qualified pension plan, the Wyman-Gordon Company Retirement Income Plan (the "WG RIP"). Mr. Snowden was a long-time employee of SPS Technologies when we acquired it in 2003, and therefore he participates in the SPS Technologies Retirement Income Plan (the "SPS RIP").

All of the NEOs other than Mr. Larsson participate in the Company's Supplemental Executive Retirement Program—Level One Plan—Ongoing (the "SERP"), the Company's principal nonqualified pension plan. Mr. Larsson participates in the Company's Frozen Supplemental Executive Retirement Program (the "Frozen SERP"), which provides benefits similar to the SERP but with the vested benefit as of December 31, 2004 not being subject to certain restrictions of Section 409A of the Internal Revenue Code. Mr. Snowden participates in the SPS Technologies Benefit Equalization Plan (the "SPS BEP"), which supplements the benefits provided under the SPS RIP.

The following table provides information regarding accumulated benefits under the Company's various pension plans as of December 31, 2006:

Name	Age	Plan Name	Number of Years Credited Service (#)(1)(2)	Present Value of Accumulated Benefit ($)(3)
Mark Donegan	50	SERP	21.4167	$6,848,419
		PCC RP	19.75	259,211
		WG RIP	1.6667	21,163
William D. Larsson	61	Frozen SERP	26.6667	$5,506,238
		PCC RP	26.6667	728,720
Steven G. Hackett	49	SERP	12.4167	$1,112,503
		PCC RP	11.9996	149,376
Roger A. Cooke	58	SERP	6.75	$1,601,667
		PCC RP	6.75	150,102
Joseph I. Snowden	50	SERP	27.1667	$1,024,000
		SPS RIP	18.00	143,245
		SPS BEP	18.00	34,059

(1) Does not include an additional three years and five months of service credit under the SERP that the Compensation Committee awarded to Mr. Hackett in February 2007 to give him credit for a break in his employment with the Company in the mid-1990s. This additional credit results in uninterrupted service credit for Mr. Hackett under the SERP from his original hire date in March 1991. If this additional service had been credited as of December 31, 2006, the amounts in the SERP line in the above table for Mr. Hackett would have been 15.8333 years of service and a present value of accumulated benefit of $1,516,501.

(2) In February 2004, Mr. Snowden was granted pre-acquisition service credit under the SERP for the 24 years and 1 month of service that he had with SPS Technologies and its subsidiaries prior to it being acquired by the Company on December 9, 2003. The present value of Mr. Snowden's accumulated SERP benefit as shown in the above table is higher by $985,370 than it would have been without the additional years of service.

(3) For the PCC RP, the WG RIP, the SERP and the Frozen SERP, the Present Value of Accumulated Benefit in the above table represents the actuarial present value as of December 31, 2006 of the NEO's pension benefit

calculated based on years of service and final average pay as of that date but assuming retirement at the earliest age at which benefits are unreduced (age 64 for Mr. Donegan under the WG RIP and age 65 under all other plans). December 31, 2006 is the pension measurement date used for financial statement reporting purposes with respect to the Company's audited balance sheet as of April 1, 2007. The actuarial present value was calculated using a discount rate of 6.00% and the RP2000 Combined Healthy Mortality Table, the same assumptions used in the pension benefit calculations reflected in the Company's audited balance sheet for the year ended April 1, 2007. The SPS RIP and the SPS BEP are cash balance pension plans, so the Present Value of Accumulated Benefit in the above table for those plans represents the actual cash balances in the NEO's accounts under those plans as of December 31, 2006.

Qualified Pension Plans

The Company and certain of its subsidiaries maintain tax-qualified defined benefit retirement plans (the "Pension Plans") to provide an income replacement mechanism for retirees. The NEOs participate in the Pension Plans on the same terms as all other participating employees. In general, eligible employees in participating entities participate in the Pension Plans after completing one year of service, and benefits become 100% vested after five years of service. The PCC RP and the WG RIP are typical pension plans that provide a monthly benefit following retirement based on years of service and final average pay. The SPS RIP is a cash balance pension plan under which amounts are regularly credited to participants' accounts based on years of service and pay with retirement benefits payable based on those account balances plus interest. Final average pay for purposes of calculating benefits under the PCC RP and the WG RIP generally consists of a participant's highest average base salary for any 60 consecutive months of employment with the Company or any of its subsidiaries, with a limited amount of bonus also included under the WG RIP. However, as of December 31, 2006, the Internal Revenue Code limited the amount of annual pay considered for purposes of calculating benefits under the Pension Plans to $220,000.

Under the PCC RP, a normal retirement benefit is payable upon retirement at age 65 and is equal to the participant's years of service (up to 35) multiplied by the sum of (a) 1.2% of the participant's final average pay, plus (b) 0.6% of the excess of the participant's final average pay over an amount referred to as Social Security covered compensation, which generally consists of the average of the Social Security maximum taxable wage bases for the 35 years ending with the participant's Social Security normal retirement age. For years of service in excess of 35 years, the normal retirement benefit includes an additional 0.5% of final average pay for each such additional year. Under the WG RIP, a normal retirement benefit is payable to Mr. Donegan upon retirement at age 64 and is equal to his years of service applicable to that plan (up to 35) multiplied by the sum of (a) 1.1% of his final average pay, plus (b) 0.4% of the excess of his final average pay over Social Security covered compensation (as defined above).

Under the PCC RP, a participant who is age 55 or older with at least 10 years of service is eligible to elect an early retirement benefit, which is the normal retirement benefit after reduction for early commencement of benefits. Under the WG RIP, early retirement is available for participants who are 55 or older with 5 years of service. Under both the PCC RP and the WG RIP, for each year that a participant's early retirement benefits start prior to the unreduced normal retirement age, the participant's monthly retirement benefit is reduced by 6%. Mr. Larsson is currently eligible for early retirement benefits. If he had retired on December 31, 2006 and elected to immediately start benefits at that time, the present value of accumulated benefits for him under the PCC RP as reflected in the Pension Benefits table above would be higher by $68,322.

Under the SPS RIP, participants' accounts are credited with a percentage of base salary paid to them each quarter based on the sum of their age and years of service at the beginning of the quarter. However, base salary considered for this purpose each year is limited by the Internal Revenue Code, with a limit of $220,000 applying in 2006. The percentage of salary credited increases as certain thresholds of age plus years of service are crossed, and a higher percentage is applicable at each level to salary over the Social Security Wage Base ($94,200 in 2006), up to maximums of 8.125% of salary up to the wage base and 11.125% of salary over the wage base for participants with age plus years of service of 92 or more. Interest is credited to accounts quarterly at a rate based on an average of the one-year Treasury constant maturities rate published by the Federal Reserve Board in the prior quarter, subject to a minimum rate equal to the lesser of 5% or 1% over the one-year Treasury average.

The basic benefit form for normal and early retirement under the PCC RP and the WG RIP is a monthly annuity for life. A participant may choose among different benefit forms that are the actuarial equivalent of the basic benefit form, but a lump sum is not available. Under the SPS RIP, the balance in the participant's account is payable upon retirement as a lump sum or in an actuarially equivalent annuity form selected by the participant.

Supplemental Executive Retirement Programs

The Company maintains the SERP and the Frozen SERP to provide for retirement benefits above amounts available under the Company's Pension Plans. All of the Company's executive officers, as well as certain other key employees designated by the Compensation Committee, are eligible to participate in the SERP or the Frozen SERP. Any participant who was age 55 or older with at least 10 years of service as of December 31, 2004 (and therefore had a vested SERP benefit under the plan terms in effect at that time) is a participant in the Frozen SERP, and all others participate in the SERP. Participants have no vested SERP benefit unless they remain employed until they qualify for an early retirement benefit under the SERP. Vested benefits are forfeited if the participant's employment is terminated for certain misconduct or if the participant engages in competition with the Company during the three years following termination of employment.

To calculate normal retirement benefits under the SERP and the Frozen SERP, a target monthly retirement benefit is determined for each participant based on final average pay and years of service, which is then reduced by (a) the participant's estimated monthly Social Security benefit assuming commencement at age 65, (b) the participant's monthly benefit under the PCC RP, the WG RIP, the SPS RIP and the SPS BEP, as applicable, assuming commencement at age 65 and converted to a 50% joint and survivor annuity if the participant is married, and (c) the amount determined by assuming that the participant had received the maximum matching contribution available to him or her each year under the Company's 401(k) plans and that such amounts earned interest at an annual rate of 8% to age 65, with the assumed balance at age 65 being converted to an actuarially equivalent monthly benefit in the form of a life annuity if the participant is unmarried or a 50% joint and survivor annuity if the participant is married. Final average pay for purposes of calculating SERP target benefits generally consists of the average of the salary and bonus paid to the participant in the highest three calendar years out of any five calendar years of employment.

The target SERP retirement benefit upon retirement at age 65 is equal to (a) the participant's years of service (up to 20) multiplied by 3.0% of the participant's final average pay, plus (b) the participant's years of service in excess of 20 years multiplied by 0.5% of the participant's final average pay. This formula results in a target benefit of 60% of final average pay after 20 years of service with further increases of 0.5% of final average pay for each additional year of service thereafter. At the time Mr. Cooke was hired, the Company agreed to modify the SERP for him to provide that his target SERP benefit would accrue at the rate of 6.0% of final average pay for each of his first five years of service with the accrual rate dropping to 1.16% for the next 8 years so that his target SERP benefit upon retirement at age 65 would be exactly what it would have been if the SERP had not been modified. The present value of Mr. Cooke's accumulated SERP benefit as shown in the Pension Benefits table above is higher by $737,888 than it would have been without this modification.

A participant whose age plus years of service totals at least 70 and who has at least 10 years of service is vested and eligible for early retirement benefits under the SERP and the Frozen SERP. The Company's agreement with Mr. Cooke provides that he became vested and eligible for an early retirement benefit under the SERP after 5 years of service. For each year that a participant terminates employment prior to age 65, the normal retirement benefit is reduced by 3% under the SERP and 6% under the Frozen SERP. Mr. Donegan, Mr. Larsson, Mr. Cooke and Mr. Snowden are currently eligible for early retirement benefits under the SERP or the Frozen SERP. If they had retired on December 31, 2006, the present value of accumulated benefits for each of them under the SERP or Frozen SERP, as applicable, as reflected in the Pension Benefits table above would be higher by the following amounts: Mr. Donegan, $4,165,496; Mr. Larsson, $165,758; Mr. Cooke, $523,516; and Mr. Snowden, $662,736. The SERP allows the Compensation Committee or the Chief Executive Officer to grant credit for pre-acquisition service under the plan. Decisions to grant additional service credit under the SERP are made on a case-by-case basis.

The normal or early retirement benefit under the SERP or Frozen SERP determined as described above is paid as a monthly annuity for life if the participant is not married, and is paid as a 50% joint and survivor annuity if the participant is married, providing a significant benefit enhancement for married participants. Subject to certain timing limitations, married participants may elect to receive an actuarially equivalent 100% joint and survivor annuity, and all participants may elect to receive an actuarially equivalent lump sum benefit. Under the Frozen SERP, a participant or a retired participant may elect to receive an actuarially equivalent lump sum payment of remaining benefits reduced by 10% without any timing limitations on that election.

The SPS BEP operates in conjunction with the SPS RIP. Any amount that would be credited to the account of a SPS RIP participant but for the Internal Revenue Code limitation on salary considered for SPS RIP contribution purposes is instead credited to the participant's account under the SPS BEP. Interest crediting and payment of benefits under the SPS BEP are on the same terms as the SPS RIP.

Disability Benefits under Pension Plans and SERP

Under the PCC RP, if the employment of a participant terminates as the result of disability, the participant will continue to be credited with years of service while disabled and will be deemed to have continued to receive base salary at the rate in effect on the date of disability. If the NEOs participating in the PCC RP had terminated employment on December 31, 2006 as a result of disability and then elected to commence receiving benefits at age 65, the present value of accumulated benefits for each of them under this plan calculated using the RP-2000 Disabled Retiree Mortality Table and otherwise as reflected in the Pension Benefits table above would be higher by the following amounts: Mr. Donegan, $0; Mr. Larsson, $0; Mr. Cooke, $21,840; and Mr. Hackett, $9,856. Under the SPS RIP and the SPS BEP, if the employment of a participant terminates as the result of disability, the participant will receive contributions to his or her accounts for one additional year based on the participant's base salary in effect on the date of disability. If Mr. Snowden had terminated employment on December 31, 2006 as a result of disability, he would have received additional contributions of $14,231 to his account under the SPS RIP and $5,661 to his account under the SPS BEP.

Under the SERP and the Frozen SERP, if the employment of a participant who has at least 10 years of service terminates as the result of disability, the participant will continue to be credited with years of service while disabled and will be deemed to have continued to receive compensation at the rate in effect on the date of disability. If the NEOs with at least 10 years of service had terminated employment on December 31, 2006 as a result of disability and then elected to commence receiving benefits at age 65, the present value of accumulated benefits for each of them under the SERP or Frozen SERP, as applicable, calculated using the RP-2000 Disabled Retiree Mortality Table and otherwise as reflected in the Pension Benefits table above would be higher by the following amounts: Mr. Donegan, $1,147,616; Mr. Larsson, $438,860; Mr. Hackett, $704,045; and Mr. Snowden, $33,571.

Nonqualified Deferred Compensation in Fiscal 2007

Name	Plan Name	Executive Contributions in Fiscal 2007 ($)(1)	Aggregate Earnings in Fiscal 2007 ($)(1)	Aggregate Balance at April 1, 2007 ($)
Mark Donegan		$ 0	$ 0	$ 0
William D. Larsson	EDC	107,459	135,473	1,489,125
Steven G. Hackett	EDC	250,889	622,762	2,394,636
Roger A. Cooke	EDC	173,250	130,069	1,838,578
Joseph I. Snowden	EDC	14,711	52,990	162,170
	SPS EDC	0	4,136	59,240

(1) Amounts disclosed in the Executive Contributions column are also included in the Salary column of the Summary Compensation Table. The portion of the amounts reported in the Aggregate Earnings column that represents above-market earnings is also included in the Summary Compensation Table, and the amount of above-market earnings for each NEO is set forth in footnote 2 to that table.

All of the NEOs are eligible to participate in the Company's Executive Deferred Compensation Plan (the "EDC"), which is an unfunded plan for SERP participants and other management or highly compensated employees who are designated for participation by the Chief Executive Officer. The EDC enables participants to defer receipt of compensation. The EDC allows participants to elect in advance of earning salary and bonuses to defer a whole number percentage of the participant's salary or bonuses or both and have the deferred amount credited to an EDC account to which reference investment performance results are credited (or charged, if there are negative results). The maximum allowed deferral percentage is 100%, applicable to salary or bonuses or both.

Investment reference performance results are determined by performance options selected by the participant, which include a prime rate plus 2% option (which paid an average interest rate of 10.2% in fiscal 2007), a Company phantom stock fund (annual return of 75.5% in fiscal 2007), and nine mutual funds with investment objectives generally consistent with the investment choices available to participants in the Company's 401(k) plans (with annual returns in fiscal 2007 ranging from a 1.1% gain to a 15.2% gain). Participants may select performance options and change an existing selection on any business day, except for selections made with respect to the Company phantom stock fund. Once each year, a participant who is a current employee or officer may select into (but not out of) the Company phantom stock fund as a performance option with respect to previously deferred compensation.

Benefits are generally paid pursuant to the time of payment election made by the participant prior to earning the compensation. The form of payment is specified in the participant's deferral election and is either a cash lump sum, installments from 2 to 20 years, or in shares of Company common stock (available with respect to deferred compensation for which the Company phantom stock fund performance option was selected). Participants may withdraw the portion of their accounts attributable to deferrals prior to January 1, 2005 and investment returns thereon at any time subject to forfeiture of 10% of the balance. These same pre-2005 balances will be distributed to participants if their employment is involuntarily terminated within 24 months of a change in control, while account balances attributable to deferrals after December 31, 2004 and investment returns thereon will be distributed to participants upon a change in control whether or not employment terminates.

Mr. Snowden previously deferred compensation under the SPS Technologies Executive Deferred Compensation Plan (the "SPS EDC"). No further deferrals have been permitted under the SPS EDC since the Company acquired SPS Technologies in 2003. Interest is credited under the SPS EDC at fixed rates established each year for amounts deferred under the plan in that year. Amounts Mr. Snowden deferred in the following years bear the following interest rates: 1998 – 7.4%; 2001 – 8.42%; 2002 – 7.65%; and 2003 – 6.35%.

Potential Payments Upon Termination or Change-in-Control

Benefits Potentially Payable Upon a Change in Control

The Company has agreed to provide specified benefits to the NEOs under certain circumstances in connection with a "change in control" of the Company. Most of the benefits are only payable if the NEO's employment is terminated by the Company without "cause" or by the officer for "good reason" within 24 months after the change in control. In the change of control severance agreements, "change in control" is generally defined to include:

- the acquisition by any person of 20% or more of the Company's outstanding common stock,
- the nomination (and subsequent election) in a 2 year period of a majority of the Company's directors by persons other than the incumbent directors, and
- shareholder approval of a sale of all or substantially all of the Company's assets or an acquisition of the Company through a merger or consolidation.

In the change of control severance agreements, "cause" includes willful and continued failure to substantially perform duties after notice and willful conduct that is demonstrably and materially injurious to the Company. "Good reason" includes the assignment of duties inconsistent with the NEO's position before the change in control, a reduction in compensation or benefits, or a relocation of the NEO's principal place of employment by more than 50 miles.

The following table shows the estimated change in control benefits that would have been payable to the NEOs if a change in control had occurred on April 1, 2007 (except as otherwise noted) and each officer's employment was terminated on that date either by the Company without "cause" or by the officer with "good reason."

	Mark Donegan	William D. Larsson	Steven G. Hackett	Roger A. Cooke	Joseph I. Snowden
Cash Severance Benefits(1)	$ 7,753,800	$ 3,393,695	$ 2,733,983	$2,522,835	$2,175,000
Insurance Continuation(2)	$ 38,871	$ 38,766	$ 35,562	$ 36,939	$ 44,370
Acceleration of Stock Options(3)	$41,241,147	$ 7,318,525	$ 6,892,316	$5,275,397	$3,925,020
Relocation Expenses(4)	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000
Acceleration of SERP Vesting(5)	$ —	$ —	$ 1,693,499	$ —	$ —
Lump Sum Payout of Additional Pension Benefits(6)	$ 1,256,497	$ 809,743	$ 631,453	$ 447,142	$ 208,945
Tax Gross-Up(7)	$ —	$ —	$ 2,156,491	$ —	$1,477,197
Total	$50,390,315	$11,660,729	$14,243,304	$8,382,313	$7,930,532

(1) **Cash Severance Benefits**. A cash severance benefit is payable by the Company under the change of control severance agreements if the officer's employment is terminated by the Company without "cause" or by the officer for "good reason" within 24 months after a change in control. The cash severance payment for each NEO is equal to (a) three times the annual base salary plus (b) three times the greater of the average of the last three annual bonuses or the target bonus as in effect at the time of the change in control. These amounts are payable in a lump sum following termination and only if the executive officer has executed a release of claims, which also includes obligations on the officer regarding confidentiality of proprietary or trade secret information and non-disparagement.

(2) **Insurance Continuation**. If cash severance benefits are triggered, the change of control severance agreement for each NEO also provides for continuation of life, accident and health insurance benefits paid

by the Company for up to 36 months following termination of employment, but not to the extent similar benefits are provided by a subsequent employer. The amounts in the table above represent 36 months of life, accident and health insurance benefit payments at the rates paid by the Company for each officer as of April 1, 2007.

(3) **Stock Option Acceleration**. The stock option agreements covering options held by the NEOs provide that upon a change in control all outstanding unexercisable options immediately become exercisable in full, whether or not the NEO's employment is terminated. The option agreements provide that options generally remain exercisable for 6 months following termination of employment, except that this period is extended to 12 months if the optionee is eligible for early retirement under the PCC RP. Mr. Larsson was the only NEO eligible for early retirement under the PCC RP as of April 1, 2007. Information regarding outstanding unexercisable options held by each NEO is set forth in the Outstanding Equity Awards table above. Because options that are accelerated at the same time employment is terminated will have a maximum remaining term of 6 months (12 months for Mr. Larsson), amounts in the table above represent the aggregate value as of April 1, 2007 of each NEO's outstanding unexercisable options assuming a 6-month or 12-month, as applicable, remaining term and otherwise calculated using the Black-Scholes option pricing model with the same assumptions as those used for valuing the Company's options under FAS 123R.

(4) **Relocation**. If cash severance benefits are triggered, the change of control severance agreement for each NEO also provides for reimbursement of certain relocation expenses if the officer moves his or her residence in order to pursue other business opportunities within one year after the date of termination. Amounts in the table above represent the estimated cost of a typical relocation.

(5) **Acceleration of SERP Vesting**. Under the terms of the SERP, on a change in control (as defined in the SERP), all SERP participants will be fully vested and the actuarial present value of their accrued age 65 normal retirement benefits will immediately be paid as a lump sum payment. Mr. Hackett is the only NEO who was not vested in the SERP as of December 31, 2006, and the amount in the table above represents the lump sum payment he would have received under the terms of the SERP if a change in control had occurred on that date and he had previously been awarded the additional service credit under the SERP awarded to him in February 2007 as discussed in footnote 1 to the Pension Benefits table above.

(6) **Lump Sum Payout of Additional Pension and SERP Benefits**. If cash severance benefits are triggered, the change of control severance agreement for each NEO also provides for a lump sum payment equal to the actuarial present value of the additional age 65 normal retirement benefit the NEO would have received if he had been credited with three additional years of service and compensation under the pension plan and SERP in which he participates. The amounts in the table represent the lump sum payments the NEOs would have received under this provision if a change in control and employment termination had occurred on December 31, 2006, and Mr. Hackett had previously been awarded the additional service credit under the SERP awarded to him in February 2007 as discussed in footnote 1 to the Pension Benefits table above.

(7) **Tax Gross-up Payment**. If any payments or benefits to an NEO in connection with a change in control are subject to the 20% excise tax on "excess parachute payments" as defined in Section 280G of the Internal Revenue Code, the Company is required under the change of control severance agreements to make a tax gross-up payment to the officer sufficient so that after paying ordinary income taxes and the excise tax on the tax gross-up payment, the balance of the payment will be equal to the excise tax on the other excess parachute payments. Amounts in the table above are estimates.

Other Benefits Triggered on Certain Employment Terminations

The stock option agreements covering options held by the NEOs provide that if an NEO's employment terminates on or after the NEO reaches age 65, all outstanding unexercisable options will become exercisable in full and, instead of terminating in 6 or 12 months, all outstanding options will remain exercisable for their full ten-year terms. Mr. Larsson and Mr. Cooke are the only NEOs who will turn 65 before all of their currently outstanding options expire. As of April 1, 2007, Mr. Larsson held options for 10,000 shares that will be unvested on his 65th birthday in June 2010, and that will therefore be subject to accelerated vesting if he retires at that time. To provide some estimate of the value of the above benefits, if it is assumed that Mr. Larsson and Mr. Cooke do not exercise any of their currently outstanding options with terms extending beyond their respective 65th birthdays, and it is further assumed that the Company's stock price on their respective 65th birthdays is the same as it was on April 1, 2007, then the sum of (a) the value (using the Black-Scholes option pricing model with the same assumptions as those used for valuing the Company's options under FAS 123R including the same maximum expected term) of outstanding options that would accelerate upon retirement at age 65 (for Mr. Larsson only), and (b) the increased Black-Scholes value (using the same assumptions) of other outstanding options whose post-termination exercise would be extended to full term as compared to the value of those options based on a 12-month post-termination exercise period, would be $1,476,278 for Mr. Larsson and $465,262 for Mr. Cooke.

Equity Compensation Plan Information

The following table provides information regarding the number of shares of common stock of the Company that were subject to outstanding stock options or other compensation plan grants and awards at April 1, 2007.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	2,393,252	$41.15	1,389,062(1)
Equity compensation plans not approved by security holders	3,534,073	$39.31	2,808,864(2)
Total	5,927,325	$40.05	4,197,926

(1) Under the Company's 1994 Stock Incentive Plan (the "1994 Plan"), 1,254 shares of common stock remain available for issuance. These shares may be issued at the discretion of the Board of Directors as restricted stock, nonqualified or incentive stock options, stock appreciation rights, stock bonuses, restricted stock or cash bonus rights to key employees of the Company and its subsidiaries. At this time, no awards other than options have been issued under the 1994 Plan. 1,387,808 shares of common stock remain available for issuance under the Company's 2001 Stock Incentive Plan (the "2001 Plan"). The 2001 Plan permits the Board of Directors to make awards to (1) selected employees, officers and directors and (2) selected nonemployee agents, consultants, advisers and independent contractors. These awards can be incentive stock options, nonstatutory stock options, stock appreciation rights, stock bonus awards, restricted stock or restricted stock units. Shares of common stock awarded as stock bonuses, restricted stock or in connection with restricted stock units may not together exceed 20 percent of the shares authorized for issuance under the 2001 Plan. At this time, no awards other than options have been issued under the 2001 Plan.

(2) The Company's 1999 Nonqualified Stock Option Plan (the "1999 Plan") as initially adopted and subsequently amended and adjusted to reflect stock splits provides for the issuance of up to 12,000,000 shares of common stock upon the exercise of nonqualified stock options granted to employees (excluding employees who are officers or directors of the Company) of the Company and its subsidiaries. 2,808,864 shares of common stock remain available for issuance under this plan. The Board of Directors has delegated the duty of administering the 1999 Plan to the Compensation Committee. The option exercise price may be any amount determined by the Board of Directors. The 1999 Plan will continue in effect until all shares available for issuance under the 1999 Plan have been issued and all restrictions on such shares have lapsed.

return on assets, operating profit, operating working capital and cash flow. The actual amounts to be paid under the Performance Plan cannot be determined at this time, as such amounts are dependent upon the Company's performance for the current fiscal year. However, since the Performance Plan is a replacement for the expiring Current Performance Plan, the fiscal year 2007 actual bonus compensation received by the named officers, as shown in the Summary Compensation Table on page 17, is a comparable measure of the awards that will be made under the Performance Plan. The Company's 16 executive officers as a group, including the named executive officers, received bonus compensation for fiscal year 2007 of approximately $11,085,432.

Maximum Bonus. The maximum cash bonus that may be paid or accrued for any Participant with respect to performance in any fiscal year will be $8,000,000.

Administration. The Committee will administer the Performance Plan and will have the sole authority to interpret any provision of the Performance Plan. The Committee will certify whether a Participant has met the Performance Goals.

Termination; Amendment. The Board of Directors of the Company may amend or terminate the Performance Plan at any time, with shareholder approval obtained when necessary to continue to qualify the amounts payable hereunder as performance-based compensation under Section 162(m). If approved by the shareholders at the Annual Meeting, the Performance Plan will terminate five years thereafter unless reapproved by the shareholders at that time. In the event the shareholders fail to approve the Performance Plan at the Annual Meeting, the Performance Plan will automatically terminate.

Vote Required for Approval and Recommendation by the Board

The Board of Directors recommends a vote FOR Proposal 2. In order for the proposal to approve the Performance Plan to be approved, the votes cast in favor of the proposal must exceed the votes cast in opposition to the proposal. Abstentions and broker nonvotes are counted for purposes of determining whether a quorum exists at the annual meeting but are not counted and have no effect on the results of the vote on this proposal. If the proposed Performance Plan is not approved, the Committee, because incentive compensation is considered to be an integral part of the Company's compensation program, may consider the implementation of some other incentive compensation program irrespective of whether any amount paid under such program would be deductible under Section 162(m).

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

To the Company's knowledge, no person was the beneficial owner of more than five percent of the Company's outstanding common stock as of April 2007.

TRANSACTIONS WITH RELATED PERSONS

The Board of Directors has adopted a written policy with respect to related party transactions. The policy requires that the Audit Committee approve all transactions or series of similar transactions between the Company and a related party, which includes all executive officers and directors and their immediate family members, that exceed $120,000 and in which the related party has a direct or indirect material interest. The policy also applies to transactions between the Company and an entity (i) owned or controlled by a director, executive officer or their immediate family members or (ii) for which a director, executive officer or their immediate family member serves as a senior officer or director. The policy provides that the Audit Committee will take into account whether the interested transaction is on terms no less favorable to the Company than the terms generally made available by the Company to an unaffiliated third party under similar circumstances and the extent of the related party's interest in the transaction.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers and directors, as well as persons who own more than 10 percent of the Company's common stock, to file initial reports of ownership and reports of changes in ownership of common stock of the Company with the Securities and Exchange Commission. To the Company's knowledge, based solely on reports and other information submitted by executive officers and directors, the Company believes that during the fiscal year ended April 1, 2007, each of its executive officers, directors and persons who owns more than 10 percent of the Company's common stock complied with all applicable Section 16(a) filing requirements, except that (i) Mr. Hackett filed late one Form 4 relating to the acquisition of 664.561 phantom stock units; (ii) Mr. Graber filed late one Form 4 relating to the acquisition of 1,000 phantom stock units and nine Forms 4 relating to the acquisition of an aggregate of 8.367 shares of common stock through a dividend reinvestment program maintained by his broker; (iii) Mr. Snowden filed late an amended Form 3 to report his ownership of 893.187 phantom stock units that were omitted from his initial Form 3 filing; and (iv) since phantom stock funds were added to the Company's deferred compensation plans in 2003 and continuing through the quarterly dividend paid in April 2007, no Forms 4 were filed by any directors or executive officers of the Company relating to phantom dividends credited on account of phantom stock units in participants' deferred compensation accounts. Accordingly, in June 2007 eight of the Company's directors or executive officers filed late a total of 72 Forms 4 covering an aggregate of 138.623 phantom stock units as follows: Mr. Buck, seven Forms 4 relating to an aggregate of .853 phantom stock units; Ms. Hagel, four Forms 4 relating to an aggregate of 11.619 phantom stock units; Mr. Konkol, eleven Forms 4 relating to an aggregate of 41.164 phantom stock units; Mr. Lienhart, eleven Forms 4 relating to an aggregate of 12.784 phantom stock units; Mr. Snowden, eleven Forms 4 relating to an aggregate of 2.398 phantom stock units; Mr. Bridenbaugh, eight Forms 4 relating to an aggregate of 29.52 phantom stock units; Mr. Graber, eight Forms 4 relating to an aggregate of 8.625 phantom stock units; and Mr. Hackett, twelve Forms 4 relating to an aggregate of 31.66 phantom stock units.

ANNUAL REPORT AND FORM 10-K

We have included with this proxy statement a copy of the Company's 2007 Annual Report that includes the Company's Annual Report on Form 10-K. Upon written request, the Company will furnish without charge additional copies of the Company's Annual Report. Such requests should be directed to Mr. Roger A. Cooke, Secretary, Precision Castparts Corp., 4650 SW Macadam Avenue, Ste. 400, Portland, OR 97239-4262.

METHOD AND COST OF SOLICITATION

The Company will pay the cost of soliciting proxies. In addition to soliciting proxies by mail, the Company's employees may request the return of proxies in person or by telephone. We have hired The Proxy Advisory Group, LLC to assist with annual meeting procedures and to solicit proxies for a fee of $7,000. Brokers and persons holding shares for the benefit of others may incur expenses in forwarding proxies and accompanying materials and in obtaining permission from beneficial owners of stock to execute proxies. On request, we will reimburse those expenses.

HOUSEHOLDING

The Company has adopted a procedure approved by the Securities and Exchange Commission called "householding." Under this procedure, shareholders of record who have the same address and do not participate in electronic delivery of proxy materials receive only one copy of the Proxy Statement and Annual Report. Shareholders who participate in householding continue to receive separate proxy forms. Householding does affect dividend check mailings.

Any shareholder who would prefer to have a separate copy of the Proxy Statement and Annual Report delivered to him or her at the shared address for this and future years may elect to do so by calling (503) 417-4822 or by writing to Mr. Roger A. Cooke, Secretary, Precision Castparts Corp., 4650 SW Macadam Avenue, Ste. 400, Portland, OR 97239-4262. A copy of the materials will be sent promptly to the shareholder following receipt of such notice.

DISCRETIONARY AUTHORITY

While the Notice of Annual Meeting of Shareholders provides for transaction of such other business as may properly come before the meeting, the Board of Directors has no knowledge of any matters to be presented at the meeting other than those referred to in this proxy statement. However, the enclosed proxy gives discretionary authority in the event that any other matters should be presented.

SHAREHOLDER PROPOSALS

Shareholders wishing to present proposals for action at an annual meeting must do so in accordance with the Company's bylaws. To be timely, a shareholder's notice must be in writing and delivered to or mailed and received at the principal executive office of the Company not less than 50 days nor more than 75 days prior to that year's annual meeting; provided, however, that in the event less than 65 days' notice or prior public disclosure of the meeting is given or made to shareholders, notice by the shareholder, to be timely, must be received not later than the close of business on the 15th day following the date on which such notice of the annual meeting was mailed or such public disclosure was made, whichever first occurs. For purposes of the Company's 2008 annual meeting, such notice, to be timely, must be received by the Company between May 29, 2008 and June 23, 2008. In addition, SEC rules require that any shareholder proposal to be considered for inclusion in next year's annual meeting proxy materials be received at the Company's principal office by March 5, 2008. The Company's mailing address is 4650 SW Macadam, Suite 400, Portland, Oregon 97239.

Whether you plan to attend the meeting or not, please sign the enclosed proxy form and return it to us in the enclosed, stamped envelope.

/s/ ROGER A. COOKE

Roger A. Cooke
Secretary

Portland, Oregon
July 3, 2007

EXHIBIT A

PRECISION CASTPARTS CORP.

EXECUTIVE PERFORMANCE INCENTIVE PLAN

1. PURPOSES. This Plan is intended to enable the Company to attract, retain, motivate and reward qualified executive officers by providing them with the opportunity to earn competitive compensation directly linked to their annual performance and the achievement of Company business objectives. This Plan is also intended to qualify the compensation paid under the Plan as "performance-based compensation" within the meaning of Section 162(m), so as to exempt such eligible compensation from the deduction limits imposed by Section 162(m) and to make such compensation deductible by the Company for Federal income tax purposes.

2. DEFINITIONS. The following words as used in this Plan have the meanings ascribed to each below:

(a) "162(m) Performance Goals" means one or more targeted levels of performance for a fiscal year with respect to one or more of the following objective measures with respect to the Company or any Business Unit: net income, operating profit, operating profit after set-asides, gross margins, earnings per share, earnings before interest and taxes ("EBIT"), earnings before interest, taxes, depreciation and amortization ("EBITDA"), sales, total revenues, market share, cash flow, generation of free cash, operating working capital, working capital, retained earnings, stock price, total shareholder return, operating expense ratios, return on sales, return on equity, return on capital, return on net assets, return on investments, and inventory turns, in each case either before or after the effect of unplanned acquisitions, divestitures, changes in accounting method, restructuring charges, asset impairment charges, foreign currency translations or other specified non-recurring charges (as determined according to criteria pre-established by the Committee).

(b) "Award" means an annual cash compensation award granted in accordance with Section 4 of the Plan.

(c) "Board" means the Board of Directors of the Company.

(d) "Business Unit" means any Subsidiary, division, line of business, product line or other unit of the Company.

(e) "Committee" means the Compensation Committee of the Board, which shall be comprised solely of two or more "outside directors" as defined in regulations promulgated under Section 162(m).

(f) "Company" means Precision Castparts Corp.

(g) "Participant" means (i) each executive officer of the Company and (ii) each other key employee of the Company or a Subsidiary, whom the Committee designates as a participant under the Plan.

(h) "Plan" means the Precision Castparts Corp. Executive Performance Incentive Plan, as set forth herein and as may be amended from time to time.

(i) "Section 162(m)" means Section 162(m) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.

(j) "Subsidiary" means an entity, a majority of whose outstanding voting securities or interests are owned by the Company, either directly or through one or more intermediaries.

3. ADMINISTRATION. The Committee will administer and interpret the Plan. In accordance with Section 4 of the Plan, the Committee will establish target bonuses and performance goals for the applicable year. In accordance with Section 5 of the Plan, the Committee will certify whether such performance goals have been met and determine the amount of bonuses to be paid. The Committee's determinations under the Plan will be final and conclusive.

4. TARGET BONUSES AND PERFORMANCE GOALS. To make an Award to any Participant for any fiscal year under the Plan, the Committee shall establish in writing (i) a target cash bonus amount for the Participant for performance in that fiscal year, (ii) the 162(m) Performance Goals, (iii) the methodology for determining the bonus amounts to be paid based on the level of achievement of the 162(m) Performance Goals and (iv) the timing of payment and any other conditions to payment under the Award. The 162(m) Performance Goals for any fiscal year shall be established no later than the 90th day of that fiscal year. The Committee may, in its sole discretion, reserve the right to reduce the resulting cash bonus under any Award prior to payment on such terms as determined by the Committee. The Committee may determine that no Award is payable to any Participant who knowingly falsifies any financial or other certification, knowingly provides false information relied on by others in a financial or other certification, engages in other fraudulent activity, or knowingly fails to report any such conduct by others. The terms of Awards shall be promptly communicated to Participants.

5. COMPUTATION AND CERTIFICATION OF BONUS. Following the conclusion of any fiscal year, prior to the payment of any cash bonuses under the Plan with respect to that year, the Committee shall certify in writing the levels of attainment of the 162(m) Performance Goals for the year, and the calculation of the total bonus amount for each Participant. No component of a bonus shall be paid if the related performance goal is not met.

6. MAXIMUM BONUS. The maximum cash bonus that may be paid or accrued for any Participant with respect to performance in any fiscal year shall be $8,000,000.

7. GENERAL PROVISIONS.

(a) ***Effective Date.*** This Plan has been adopted by the Board and is effective beginning with Awards made to Participants for performance in the Company's fiscal years beginning on and after April 2, 2007. The Plan is subject to approval of the Company's shareholders and shall be submitted for such approval at the 2007 Annual Meeting of Shareholders.

(b) ***Termination; Amendment.*** The Board may at any time amend or terminate the Plan, except that no amendment will be effective without approval by the Company's shareholders if such approval is necessary to qualify amounts payable hereunder as "performance-based compensation" under Section 162(m). Unless it is re-approved by the shareholders, the Plan shall terminate on the date of the first shareholder meeting that occurs in the fifth year after the year of initial shareholder approval. No termination of the Plan shall affect performance goals and related Awards established by the Committee prior to such termination.

(c) ***No Employment Rights; Effective of Termination of Employment.***

1) Nothing in this Plan will be construed as conferring upon any Participant any right to continue in the employment of the Company or any of its Subsidiaries.

2) If a Participant's employment terminates due to his death, total disability or retirement, and the termination occurs prior to the payment date of the award for which the Committee certifies that the 162(m) Performance Goals have been met and the Award is payable, such Participant will receive an Award (subject to reduction by the Committee under the provisions of Section 4 of the Plan) equal to (i) the amount the Participant would have received as an annual Award if such Participant had remained an employee through payment date of the award, (ii) multiplied by a fraction, the numerator of which is the number of days that elapsed during the fiscal year in which the termination occurs before and including the date of the Participant's termination of employment, and the denominator of which is 365.

3) If a Participant's employment terminates for any other reason before the payment date of the award, the Participant will not be entitled to an Award under this Plan.

(d) ***Designation of Beneficiary.*** Each participant may designate a beneficiary or beneficiaries (which beneficiary may be an entity other than a natural person) to receive any payments that may be made following the Participant's death. Such designation may be changed or canceled at any time without the consent of any such beneficiary. Any such designation, change or cancellation must be made in a form approved by the Committee and will not be effective until received by the Committee. If no beneficiary has been named, or the designated beneficiary or beneficiaries will have predeceased the Participant, the beneficiary will be the Participant's spouse or, if no spouse survives the Participant, the Participant's estate. If a Participant designates more than one beneficiary, the rights of such beneficiaries will be payable in equal shares, unless the Participant has designated otherwise.

(e) ***Nonalienation of Benefits.*** Except as expressly provided herein or otherwise required by applicable law, no Participant or beneficiary will have the power or right to alienate, transfer, anticipate, sell, assign, pledge, attach, or otherwise encumber the Participant's interest under this Plan.

(f) ***Withholding.*** Any Award payable to a Participant or a beneficiary under this Plan will be subject to any applicable Federal, state and local income and employment taxes and any other amounts that the Company or a Subsidiary is required by law to deduct and withhold from such Award.

(g) ***Plan Unfunded.*** The entire cost of the Plan shall be paid from the general assets of the Company. The rights of any Participant or beneficiary to receive an Award under the Plan shall be only those of a general unsecured creditor, and neither the Company nor the Board or the Committee shall be responsible for the adequacy of the general assets of the Company to meet and discharge Plan liabilities.

(h) ***Severability.*** If any provision of this Plan is held unenforceable, the remainder of the Plan will continue in full force and effect without regard to such unenforceable provision and will be applied as though the unenforceable provision were not contained in the Plan.

(i) ***Governing Law.*** The Plan will be construed in accordance with and governed by the laws of the State of Oregon, without reference to the principles of conflict of laws.

(j) ***Headings.*** Headings are inserted in this Plan for convenience of reference only and are to be ignored in any construction of the provisions of the Plan.

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▼ DETACH PROXY CARD HERE ▼

Please sign, date and return this proxy card promptly using the enclosed envelope.

☒ **Votes must be indicated (x) in Black or Blue Ink.**

1. ELECTION OF DIRECTORS

FOR all nominees listed below ☐ **WITHHOLD AUTHORITY** to vote for all nominees listed below ☐ ***EXCEPTIONS** ☐

Nominees: Peter R. Bridenbaugh, Steven G. Rothmeier, Rick Schmidt and Daniel J. Murphy

(INSTRUCTIONS: To withhold authority to vote for any individual nominee, mark the "Exceptions" box and strike a line through that nominee's name.)

	FOR	AGAINST	ABSTAIN
2. APPROVING THE EXECUTIVE PERFORMANCE INCENTIVE PLAN	☐	☐	☐

The shares represented by this proxy will be voted in accordance with the instructions given.

Please check here if you plan to attend the meeting in person. ☐

To change your address, please mark this box. ☐

To include any comments, please mark this box. ☐

SCAN LINE

Please sign exactly as your name appears on this card. Persons signing as executor, administrator, trustee, custodian or in any other official or representative capacity should sign their full title.

Date Share Owner sign here Co-Owner sign here

PRECISION CASTPARTS CORP.

PROXY

The undersigned, revoking all prior proxies, hereby appoints Mark Donegan, William D. Larsson and Roger A. Cooke and each of them, as proxies, with full power of substitution, to vote on behalf of the undersigned at the Annual Meeting of Shareholders of Precision Castparts Corp. (the "Company") to be held on Tuesday, August 14, 2007, or at any adjournment thereof, all shares of the undersigned in the Company.

The shares represented by this proxy will be voted in accordance with the instructions given, **but if no instructions are given, this proxy will be voted for the Nominees, for the Proposal and in the proxies' discretion as to any other business that may properly come before the meeting.**

This Proxy is solicited on behalf of the Company's Board of Directors. The Board of Directors recommends a vote FOR each of the nominees and **FOR** the Proposal.

Receipt is acknowledged of the notice and proxy statement relating to this meeting.

(Continued and to be dated and signed on the reverse side.)

PRECISION CASTPARTS CORP.
P.O. BOX XXXXX
NEW YORK, N.Y. 10203-XXXX

Annual Meeting
Date: Tuesday, August 14, 2007
Time: 1:00 p.m.
Place: Aquariva/Avalon Hotel
Willamette & Columbia Rooms
0455 SW Hamilton Court
Portland, OR 97239

Financial Information
Shareholders may receive copies of the Company's financial information (annual report, 10-K, 10-Q, proxy) filed with the Securities and Exchange Commission, as well as quarterly earnings releases, free of charge by calling Investor Relations at (503) 417-4850 or sending an email to info@precastcorp.com. This information may also be downloaded from the PCC Corporate Center at www.precast.com.

Common Stock
Precision Castparts Corp. common stock is listed on the New York Stock Exchange under the symbol PCP. It is also traded on the Chicago Stock Exchange, the Pacific Stock Exchange, and the Philadelphia Stock Exchange.

Investor Relations
Dwight E. Weber
Director of Communications

Transfer Agent
The Bank of New York
1 (800) 524-4458
Address shareholder inquiries to:
Shareholder Relations
P.O. Box 11258
Church Street Station
New York, NY 10286
email: shareowners@bankofny.com

Independent Accountants
Deloitte & Touche LLP

General Counsel
Stoel Rives LLP

Home Page Address
www.precast.com

Affirmative Action Statement
Precision Castparts Corp. is an equal opportunity affirmative action employer committed to recruit, hire, upgrade, train, and promote in all job categories without regard to race, color, religion, sex, sexual orientation, national origin, age, disability, or status as a disabled veteran or a veteran of the Vietnam Era.

Precision Castparts Corp.
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Portland, Oregon 97239-4254
503/417-4800

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4600 SE Harney Drive
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503/777-3881

PCC Airfoils
25201 Chagrin Boulevard, Suite 290
Beachwood, Ohio 44122-5633
216/831-3590

Specialty Materials and Alloys
2875 Lincoln Street
Muskegon, Michigan 49441
231/755-1681

Wyman-Gordon Forgings
16801 Greenspoint Park Drive,
Suite 355
Houston, Texas 77060
281/856-9900

Special Metals Corporation
25201 Chagrin Boulevard,
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Beachwood, Ohio 44122-5633
216/755-3030

Fastener Products
301 Highland Avenue
Jenkintown, Pennsylvania 19046
215/572-3000