WASHINGTON TAKES CLOSER LOOK AT SPECIAL METALS SALE

BY PHIL BURGERT

■ CHICAGO —The US Federal Trade Commission (FTC) has asked Precision Castparts for more information on the company's proposed $540 million purchase of West Virginia-based Special Metals.

The request is focused on the powdered nickel superalloys business, which represented less than 3 percent of Special Metals' sales in its last fiscal year, said executives of Oregon-based Precision Castparts.

The metal components manufacturer is responding to the FTC's request and will work to resolve the commission's concerns "to reach closure on the SMC acquisition in a timely manner", they added.

The FTC is apparently assessing the competitive status of the powdered nickel superalloys business, a company spokesman said.

Precision Castparts already has its own powdered alloy manufacturing capabilities in Michigan, acquired with Massachusetts-based Wyman-Gordon in 1999. Wyman-Gordon also provided isothermal forming facilities in Massachusetts.

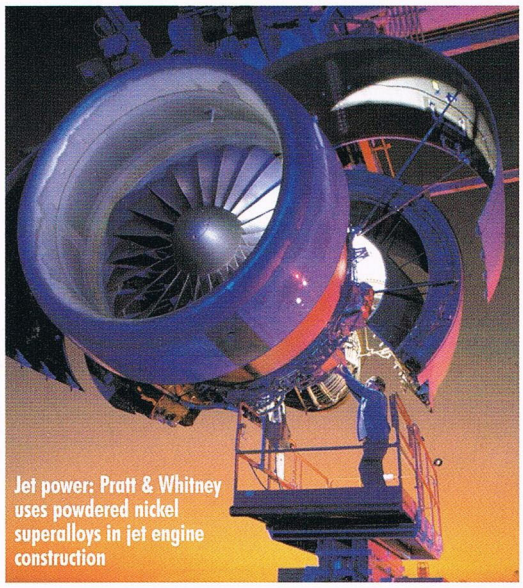
Special Metals makes its powdered nickel superalloys at its Atomized Powder division in Kentucky, and supplies powder, hot isostatically pressed consolidated shapes and extruded billet and bar.

"We would like to have that facility," the spokesman at Precision Castparts said. "But it's not a deal-stopper. There would be something we would do to make this happen in the end."

The Special Metals purchase would provide Precision Castparts with an internal supply of nickel-based billet for forged products operations and enable it to manage internal costs from raw materials to forged components, Precision Castparts executives have said.

The requirements for strength, high-temperature corrosion-resistance and toughness exceed the capabilities of conventional cast or wrought mill forms in the most technologically advanced jet engines, Special Metals added.

Those alloys are manufactured using inert gas atomisation to break up a molten metal stream into droplets, which rapidly solidify into metal powder particles.



Jet power: Pratt & Whitney uses powdered nickel superalloys in jet engine construction

Additional internal capacity to make powdered nickel superalloys is held by aircraft engine builder Connecticut-based Pratt & Whitney, a division of United Technologies.

Powder metallurgy superalloy products are used in military jet engines and the latest generation of large commercial jet engines.

Precision Castparts had said in August that it would push deeper into metal supplier holdings with the purchase of Special Metals, a nickel-based and superalloys producer.

The purchase plan followed Precision Castparts' $729 million purchase two years ago of fastener and metal products supplier SPS Technologies in Pennsylvania, and its earlier $721 million acquisition of forgings producer Wyman-Gordon.