SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (No Fee Required)

For the fiscal year ended June 30, 1999

Commission file number 1-5828

CARPENTER TECHNOLOGY CORPORATION
(Exact name of Registrant as specified in its Charter)

Delaware	23-0458500
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1047 N. Park Road, Wyomissing, Pennsylvania	19610-1339
(Address of principal executive offices)	(Zip Code)

610-208-2000
(Registrant's telephone number, including area code)

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

(Title of each class)	(Name of each exchange on which registered)
Common stock, par value $5 per share......	New York Stock Exchange

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 the filing requirements for at least the past 90 days. Yes X . 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. [ ]

As of August 31, 1999, 21,929,887 shares of Common Stock of Carpenter Technology Corporation were outstanding and the aggregate market value of such Common Stock held by nonaffiliates (based upon its closing transaction price on the Composite Tape on such date) was $501,646,165.

DOCUMENTS INCORPORATED BY REFERENCE
Part III incorporates by reference certain information from the 1999 definitive Proxy Statement, dated September 23, 1999.

The Exhibit Index appears on pages E-1 to E-5.

TABLE OF CONTENTS

PART I

Item 1. Business

(a) General Development of Business:

Carpenter Technology Corporation, incorporated in 1904, is engaged in the manufacture, fabrication, and distribution of specialty metals and certain engineered products. There were no significant changes in the form of organization or mode of conducting business of Carpenter Technology Corporation (hereinafter called "the Company" or "Carpenter") during the year ended June 30, 1999, except for the transactions described below:

During fiscal 1999, Carpenter acquired the businesses described below:

In April 1999, Carpenter finalized a joint venture with Kalyani Steels Ltd. that established two companies in India, at an initial cost of $10.7 million, including organization costs. The companies established are Kalyani Carpenter Special Steels Ltd. (KCSS), a specialty steel manufacturing company, and Kalyani Carpenter Metal Centres Ltd. (KCMC), a specialty steel distribution company. Carpenter, through a wholly-owned subsidiary, owns 26 percent of KCSS and 51 percent of KCMC.

In October 1998, Carpenter acquired the strip producing business of Telcon, Ltd., for $11.4 million of cash, including acquisition costs. This facility produces narrow strip for electronic applications using magnetic and controlled expansion alloys.

(b) Financial Information About Segments:

Carpenter is organized on a product basis and managed in three segments: Specialty Alloys, Titanium Alloys and Engineered Products. The Specialty Alloys and Titanium segments have been aggregated into one reportable segment (Specialty Metals) because of the similarities in products, processes, customers and distribution methods. See Note 18 to the consolidated financial statements included in Item 8 "Financial Statements and Supplementary Data" for additional segment reporting information.

(c) Narrative Description of Business:

(1) Products:

Carpenter primarily processes basic raw materials such as chromium, nickel, titanium, iron scrap and other metal alloying elements through various melting, hot forming and cold working facilities to produce finished products in the form of billet, bar, rod, wire, narrow strip, special shapes, and hollow forms in many sizes and finishes and produces certain metal powders and fabricated metal products. In addition, ceramic and metal-injection molded products are produced from various raw materials using molding, heating and other processes.

Specialty Metals includes the manufacture and distribution of stainless steels, titanium, high temperature alloys, electronic alloys, tool steels and other alloys in bar, wire, rod and strip forms. Sales are distributed both directly from producing plants and from a Carpenter operated distribution network. Specialty Metals finished products include:

STAINLESS STEELS -
A broad range of corrosion resistant alloys including conventional stainless steels and many proprietary grades for special applications.

SPECIAL ALLOYS -
Other special purpose alloys used in critical components such as bearings and fasteners. Heat resistant alloys that range from slight modifications of the stainless steels to complex nickel and cobalt base alloys. Alloys for electronic, magnetic and electrical applications with controlled thermal expansion characteristics, or high electrical resistivity or special magnetic characteristics. Fabrication of special stainless steels and zirconium base alloys into tubular products for the aircraft industry and nuclear reactors.

TITANIUM PRODUCTS -
A corrosion resistant, highly specialized metal with a combination of high strength and low density. Most common uses are in aircraft, medical devices, sporting equipment and chemical and petroleum processing.

TOOL AND OTHER STEEL -
Tool and die steels which are extremely hard alloys used for tooling and other wear-resisting components in metalworking operations such as stamping, extrusion and machining. Other steel includes carbon steels purchased for distribution and other miscellaneous products.

Engineered Products includes structural ceramic products, ceramic cores for the casting industry, metal-injection molded products, tubular metal products for nuclear and aerospace applications, custom shaped bar and ultra hard wear materials. Engineered Products finished products include:

CERAMICS AND OTHER MATERIALS -
Certain engineered products, including ceramic cores for casting ranging from small simple configurations to large complex shapes and structural ceramic components. Also, metal injected molded designs in a variety of materials, ultra-hard parts, and precision welded tubular products, as well as drawn solid tubular shapes.

Sales outside of the United States, including export sales, were $184.8 million, $179.6 million and $117.8 million in fiscal 1999, 1998 and 1997, respectively.

(2) Classes of Products:

The approximate percentage of Carpenter's consolidated net sales contributed by the major classes of products for the last three fiscal years are as follows:

	1999	1998	1997
Stainless steel	46%	47%	49%
Special alloys	29%	30%	34%
Titanium products	10%	11%	5%
Ceramics and other materials	8%	6%	5%
Tool and other steel	7%	6%	7%
	100%	100%	100%

(3) Raw Materials:

Carpenter's Specialty Metals segment depends on continued delivery of critical raw materials for its day-to-day operations. These raw materials are nickel, ferrochrome, cobalt, molybdenum, titanium, manganese and scrap. Some of these raw materials sources are located in countries subject to potential interruptions of supply. These potential interruptions could cause material shortages and affect the availability and price.

Carpenter is in a strong raw material position because of its long-term relationships with major suppliers. These suppliers provide availability of material and competitive prices for these key raw materials to help Carpenter maintain the appropriate levels of raw materials.

(4) Patents and Licenses:

Carpenter owns a number of United States and foreign patents and has granted licenses under some or all of them. Certain of the products produced by Carpenter are covered by patents of other companies from whom licenses have been obtained. Carpenter does not consider its business to be materially dependent upon any patent or patent rights.

(5) Seasonality of Business:

Carpenter's sales and earnings results are normally influenced by seasonal factors. The first fiscal quarter (three months ending September 30) is typically the lowest - chiefly because of annual plant vacation and maintenance shutdowns in this period by Carpenter as well as by many of its customers. The timing of major changes in the general economy can alter this pattern, but over the longer time frame, the historical patterns generally prevail. The chart below shows the percent of net sales by quarter for the past three fiscal years:

Quarter Ended	1999	1998	1997
September 30	24%	21%	21%
December 31	24%	24%	22%
March 31	26%	28%	27%
June 30	26%	27%	30%
	100%	100%	100%

The above trends were also affected by the acquisitions of businesses. Fiscal 1999 included the effects of the acquisition of certain assets of Telcon, Ltd. in October 1998. Fiscal 1998 includes the effects of the acquisition of a majority interest in Talley Industries, Inc. on December 5, 1997 and the remainder on February 19, 1998. Fiscal 1997 included the acquisition of Dynamet, Incorporated on February 28, 1997.

(6) Customers:

Carpenter is not dependent upon a single customer, or a very few customers, to the extent that the loss of any one or more would have a materially adverse effect.

(7) Backlog:

As of June 30, 1999, Carpenter had a backlog of orders, believed to be firm, of approximately $201 million, substantially all of which is expected to be shipped within the current fiscal year. The backlog as of June 30, 1998 was approximately $275 million.

(8) Competition:

Carpenter's business is highly competitive. It supplies materials to a wide variety of end-use market sectors, none of which consumes more than about 28% percent of Carpenter's output, and competes with various companies depending on end-use sector, product or geography.

There are approximately 11 domestic companies producing one or more similar specialty metal products that are considered to be major competitors to the specialty metals operations in one or more product sectors. There are several dozen smaller producing companies and converting companies in the United States who are competitors. Carpenter also competes directly with several hundred independent distributors of products similar to those distributed by Carpenter's wholly owned distribution system. Additionally, numerous foreign producers import into the United States various specialty metal products similar to those produced by Carpenter. Furthermore, a number of different products may, in certain instances, be substituted for Carpenter's finished product.

Imports of foreign specialty steels have long been a concern to the domestic steel industry because of the potential for unfair pricing by foreign producers. Such pricing practices have usually been supported by foreign governments through direct and indirect subsidies.

Because of these unfair trade practices, Carpenter several years ago joined with other domestic producers in the filing of trade actions against foreign producers who had dumped their specialty steel products into the United States. As a result of these actions, the U.S. Department of Commerce issued antidumping orders for the collection of dumping duties on imports of stainless bar from Brazil, India, Japan and Spain at rates ranging up to about 63% of the value and on imports of stainless rod from Brazil, France and India at rates ranging up to about 49% of the value. These antidumping orders will be terminated at various dates during calendar year 2000, unless further extended.

As a result of a more recent trade action filed by Carpenter and other domestic producers in 1997, antidumping orders have been issued by the U.S. Commerce Department for the collection of dumping duties on imports of stainless steel rod from Italy, Japan, Korea, Spain, Sweden and Taiwan at rates ranging up to 34% of the value. Countervailing duty orders were also issued on certain stainless steel rod imports from Italy. These orders were effective September 15, 1998 and will continue for a period of five years, unless modified or further extended.

In early 1998, another trade action was filed by Carpenter and other domestic producers against imports of stainless steel wire from Italy, Japan, Korea, Spain, Taiwan and Canada. On April 6, 1999, the U.S. Commerce Department determined that imports from all six countries were being dumped into the U.S., and significant dumping duties were established. However, these duties were not implemented because of the U.S. International Trade Commission's final ruling on May 10, 1999 that the domestic stainless steel wire industry had not been materially injured by the dumped imports.

(9) Research, Product and Process Development:

Carpenter's expenditures for company-sponsored research and development were approximately $14.0 million, $14.6 million and $13.0 million in fiscal 1999, 1998 and 1997, respectively.

(10) Environmental Regulations:

Carpenter is subject to various stringent federal, state, and local environmental laws and regulations. The liability for future environmental remediation costs is evaluated by management on a quarterly basis. Carpenter accrues amounts for environmental remediation costs which represent management's best estimate of the probable and reasonably estimable costs relating to environmental remediation. Recoveries of expenditures are recognized as a receivable when they are estimable and probable. For further information on environmental remediation, see the Commitments and Contingencies section included in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 17 to the consolidated financial statements included in Item 8 "Financial Statements and Supplementary Data".

The costs of maintaining and operating environmental control equipment were about $16.3 million and $7.0 million for fiscal 1999 and 1998, respectively. The capital expenditures for environmental control equipment were $.3 million and $1.1 million for fiscal 1999 and 1998, respectively. Carpenter anticipates spending approximately $6.0 million on major domestic environmental capital projects over the next five fiscal years. This includes $1.2 million for fiscal 2000 and $1.7 million in fiscal 2001. Due to the possibility of unanticipated factual or regulatory developments, the amount of future capital expenditures may vary.

(11) Employees:

As of August 31, 1999, Carpenter and its affiliates had approximately 5,700 employees.

(d) Financial information about foreign and domestic operations and export sales:

Reference Note 18 to the consolidated financial statements included in Item 8 "Financial Statements and Supplementary Data".

Item 2. Properties

The primary locations of Carpenter's specialty metals manufacturing and fabrication plants are: Reading, Pennsylvania; Hartsville, South Carolina; Washington, Pennsylvania; Orangeburg, South Carolina; Clearwater, Florida; and Crawley, England. The Reading, Hartsville, Washington, Orangeburg and Crawley plants are owned in fee. The Clearwater plant is owned, but the land is leased.

The primary locations of Carpenter's engineered products manufacturing operations are: Wood-Ridge, New Jersey; Carlstadt, New Jersey; Corby, England; Wilkes-Barre, Pennsylvania; Chicago, Illinois; Auburn, California; El Cajon, California; and Petaluma, California. The Corby, Chicago and El Cajon plants are owned, while the rest of the locations are leased.

The Reading plant has an annual practical melting capacity of approximately 231,000 ingot tons of its normal product mix. The annual tons shipped will be considerably less than the tons melted due to processing losses and finishing operations. During the years ended June 30, 1999 and 1998, the plant operated at approximately 79 percent and 86 percent, respectively, of its melting capacity.

During the fiscal years 1999 and 1998, the Talley Metals plant in Hartsville, South Carolina had an annual hot rolling capacity of approximately 49,000 tons. The annual tons shipped will be less than the tons hot rolled due to processing losses in finishing operations. During the year ended June 30, 1999 and during the period from January 1, 1998 to June 30, 1998, the plant operated at approximately 84% and 93%, respectively, of its hot rolling capacity. The rolling capacity has recently been increased to 78,500 tons as a result of improvements to the mill.

Carpenter also operates sales offices and distribution and service centers, most of which are owned, at 40 locations in 15 states and 10 foreign countries.

The plants, service centers and offices of Carpenter have been acquired at various times over many years. There is an active maintenance program to keep facilities in good condition. In addition, Carpenter has had an active capital spending program to replace equipment as needed to keep it technologically competitive on a world-wide basis. Carpenter believes its facilities are in good condition and suitable for its business needs.

Item 3. Legal Proceedings

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which Carpenter or any of its subsidiaries is a party or to which any of their properties is subject. There are no material proceedings to which any Director, Officer, or affiliate of Carpenter, or any owner of more than five percent of any class of voting securities of Carpenter, or any associate of any Director, Officer, affiliate, or security holder of Carpenter, is a party adverse to Carpenter or has a material interest adverse to the interest of Carpenter or its subsidiaries. There is no administrative or judicial proceeding arising under any Federal, State or local provisions regulating the discharge of materials into the environment or primarily for the purpose of protecting the environment that (1) is material to the business or financial condition of Carpenter (2) involves a claim for damages, potential monetary sanctions or capital expenditures exceeding ten percent of the current assets of Carpenter or (3) includes a governmental authority as a party and involves potential monetary sanctions in excess of $100,000.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Executive Officers of the Registrant

Listed below are the names of corporate executive officers as of fiscal year end, including those required to be listed as executive officers for Securities and Exchange Commission purposes, each of whom assumes office after the annual meeting of the Board of Directors which immediately follows the Annual Meeting of Stockholders. All of the corporate officers listed below have held responsible positions with the registrant for more than five years except for Dennis M. Draeger.

Mr. Draeger, who was elected President and Chief Operating Officer and Director of Carpenter effective June 1, 1999, was Executive Vice President of Carpenter from July 1, 1998 to May 31, 1999 and a director of the corporation from 1992 until June 30, 1996. Mr. Draeger assumed the duties of Senior Vice President - Specialty Alloys Operations for Carpenter effective July 1, 1996, when he resigned from Carpenter's Board of Directors. Prior to that he had been President of Worldwide Floor Products Operations for Armstrong World Industries, Inc. since 1994 and he became Group Vice President for Armstrong in 1988.

Name	Age	Positions	Assumed Present Position
Robert W. Cardy	63	Chairman and Chief Executive Officer Director	July 1992
G. Walton Cottrell	59	Senior Vice President - Finance & Chief Financial Officer	January 1993
Dennis M. Draeger	58	President and Chief Operating Officer Director	June 1999
Nicholas F. Fiore	59	Senior Vice President - Engineered Products Group	January 1993
Robert W. Lodge	56	Vice President - Human Resources	September 1991
John R. Welty	50	Vice President, General Counsel & Secretary	January 1993

PART II

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters

Common stock of Carpenter is listed on the New York Stock Exchange. The ticker symbol is CRS. The high and low market prices of Carpenter's stock for the past two fiscal years are indicated below:

	1999		1998	
Quarter Ended:	High	Low	High	Low

September 30	$54-3/16	$30	$49-9/16	$44-5/16
December 31	$37-3/4	$30-3/16	$52-7/16	$46
March 31	$37-1/8	$23-5/8	$54	$42-1/4
June 30	$32-13/16	$24-15/16	$58-15/16	$49-1/2
Annual	$54-3/16	$23-5/8	$58-15/16	$42-1/4

The range of Carpenter's common stock price from July 1, 1999 to September 10, 1999 was $22-5/8 to $29-3/8. The closing price of the common stock was $23-3/8 on September 10, 1999.

Carpenter has paid quarterly cash dividends on its common stock for 93 consecutive years. The quarterly dividend rate was $.33 per share for the fiscal years ended June 30, 1999, 1998 and 1997.

Carpenter had 5,984 common shareholders of record as of August 31, 1999. The balance of the information required by this item is disclosed in Note 11 to the consolidated financial statements included in Item 8 "Financial Statements and Supplementary Data".

Item 6. Selected Financial Data

Five-Year Financial Summary
Dollar amounts in millions, except per share data
(years ended June 30)

	1999	1998	1997	1996	1995
Summary of Operations					
Net sales	$1,036.7	$1,176.7	$ 939.0	$ 865.3	$ 757.5
Net income	$ 37.1	$ 84.0	$ 60.0	$ 60.1	$ 47.5
Financial Position at Year-End					
Total assets	$1,607.8	$1,698.9	$1,223.0	$ 912.0	$ 831.8
Long-term debt, net	$ 355.0	$ 370.7	$ 244.7	$ 188.0	$ 194.8
Per Share Data					
Earnings:					
Basic	$ 1.61	$ 4.01	$ 3.32	$ 3.54	$ 2.83
Diluted	$ 1.58	$ 3.84	$ 3.16	$ 3.38	$ 2.70
Cash dividends-common	$ 1.32	$ 1.32	$ 1.32	$ 1.32	$ 1.20

See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" for discussion of factors that affect the comparability of the "Selected Financial Data".

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion of Operations

Overview

After achieving record sales and earnings in fiscal 1998, Carpenter's results of operations declined in fiscal 1999. The lower results were driven primarily by reduced demand in key market sectors and increased competition from imported stainless steel products.

Net sales and earnings trends for the past three fiscal years are summarized below:

(in millions, except per share data)	1999	1998	1997
Net sales	$1,036.7	$1,176.7	$ 939.0
Net income	$ 45.6*	$ 84.0	$ 60.0
Diluted earnings per share	$ 1.95*	$ 3.84	$ 3.16

*Excludes a special charge of $8.5 million after taxes or $.37 per diluted share for the personnel-related costs of a salaried work force reduction and a reconfiguration of Carpenter's U.S. distribution network (see note 3 to the consolidated financial statements). These salaried staff reductions and distribution network changes are expected to result in annual cost savings of approximately $7.0 million after taxes.

The chart below shows net sales by major material group for the past three fiscal years:

(in millions)	1999		1998		1997	
	Sales	%	Sales	%	Sales	%
Stainless steel	$ 479.9	46	$ 552.6	47	$461.5	49
Special alloys	294.9	29	348.7	30	317.9	34
Titanium products	102.6	10	128.5	11	44.4	5
Ceramics and other materials	86.2	8	69.2	6	45.8	5
Tool and other steel	73.1	7	77.7	6	69.4	7
Total	$1,036.7	100	$1,176.7	100	$939.0	100

Results of Operations - Fiscal 1999 Versus Fiscal 1998

Net sales were $1,036.7 million in fiscal 1999, a 12 percent decrease from the record level of $1,176.7 million in fiscal 1998. Reduced unit volume accounted for approximately $121 million of the sales decrease. Unit selling price decreases averaged 6 percent, accounting for $74 million of the sales decrease. Most of these negative effects were experienced in the Specialty Metals segment and were partially offset by the inclusion of a full year's sales in fiscal 1999 for companies acquired during fiscal 1998.

Sales outside the United States rose by 3 percent to $184.8 million during fiscal 1999. Approximately $101 million of these sales were to customers in Europe where additional market share was obtained through expansion of sales efforts and the acquisition of a strip facility and a metal injection products company. Details of sales by geographic region for the past three fiscal years are presented in note 18 to the consolidated financial statements.

Cost of sales as a percentage of sales increased to 75 percent in fiscal 1999 from 72 percent a year earlier, because of lower production levels, selling price reductions and a less profitable product mix in the Specialty Metals segment. Reduced staffing levels, lower raw material costs and increased pension credits helped to partially offset the margin decline.

Selling and administrative expenses for fiscal 1999 were higher than in fiscal 1998 by $3.6 million, primarily because of the impact of newly acquired companies and increases in salaries. Reductions in salaried staffing levels, lower bonus payments and improved pension credits helped to offset these effects.

Net pension credits resulting from the pension plans' overfunded status reduced cost of sales and selling and administrative expenses by $29.1 million in fiscal 1999 and $21.7 million in fiscal 1998. This improved level of credit was primarily the result of market investment performance of the plans' assets.

Other (income) expense, net was favorable by $2.2 million as compared to fiscal 1998. This improvement was primarily related to a nonrecurring pre-tax loss of $2.7 million in fiscal 1998 for the sale of a joint venture in Taiwan.

Income taxes as a percent of pre-tax income (effective tax rate) was approximately 34 percent in fiscal 1999 and 39 percent in fiscal 1998. The resolution of certain prior year state tax issues was the major factor in the lower rate. See note 16 to the consolidated financial statements for a reconciliation of the statutory federal tax rate to the effective tax rate.

Business Segment Results
(see note 18 to the consolidated financial statements)

Specialty Metals Segment

in millions	1999	1998	Decrease
Net sales	$886.4	$1,035.2	$148.8
Income before interest expense and income taxes (EBIT)	$ 89.6*	$ 151.4	$ 61.8

*Excludes special charge of $14.2 million (see note 3 to the consolidated financial statements).

The 14 percent decrease in net sales was due to a combination of lower unit volume and reduced selling prices, each accounting for about one-half of the sales decline. Selling prices for both the Specialty Alloys' products and Dynamet's titanium products were lower by 7 percent, in part due to lower nickel, cobalt and titanium costs but also because of intense competition. In stainless products the increased competition from imported steel was a key factor.

Sales to the aerospace market sector were adversely affected by inventory reductions by customers to correct for overstocked inventory positions. Sales to industrial end use markets were another area of weakness, especially in products for petrochemical, semiconductor and processing industry applications. Automotive products were down moderately as a result of a General Motors strike early in the year and design changes.

EBIT fell 41 percent primarily because of the lower unit sales volume and selling prices. Profit margins were also affected by a less profitable product mix and a lower production level as inventories were reduced. Lower costs for raw materials, more favorable pension credits and reductions in salaried and production staffing levels helped offset the sales effects.

Engineered Products Segment

in millions	1999	1998	Increase (Decrease)
Net sales	$153.7	$144.4	$ 9.3
Income before interest expense and income taxes (EBIT)	$ 4.6	$ 9.2	$(4.6)

The 6 percent increase in sales was the result of including a full year's sales in fiscal 1999 for Carpenter Advanced Ceramics, which was acquired during 1998, and volume growth, particularly in ceramic cores for aerospace and land-based turbine blade castings and in structural ceramics applications. Sales of the Mexican steel distribution business were down because of the weak Mexican economy.

The 50 percent decrease in EBIT was due to several factors. EBIT of the Mexican distribution network was hurt by the weak economy there. Developmental costs for new metal injection molded products, start-up costs for three new ceramics facilities and expanded sales and marketing and process research programs were higher in fiscal 1999. Finally, an equipment impairment loss of $1.5 million was recognized in fiscal 1999.

Results of Operations - Fiscal 1998 Versus Fiscal 1997

Net sales were $1,176.7 million in fiscal 1998, a 25 percent increase from the $939.0 million achieved in fiscal 1997. Approximately 75 percent of the sales increase resulted from inclusion of the results of businesses acquired during fiscal 1998 and the full year effects of businesses included for only a portion of fiscal 1997. Excluding businesses acquired, sales were up by 5 percent due to strong demand in most market sectors, but especially for aerospace applications. Average unit selling prices for most specialty metals products remained about the same as in fiscal 1997.

Carpenter's sales outside the United States increased by 52 percent to $179.6 million during fiscal 1998. More than half of the sales were in Europe where sales increased by 78 percent due to the acquisition of Dynamet Incorporated and expanded market share.

Cost of sales as a percentage of sales dropped to 72 percent in fiscal 1998 from 74 percent in fiscal 1997. This improvement occurred due to improved margins and a higher production level in the Specialty Metals segment and the full year effect of Dynamet's sales.

Selling and administrative expenses were higher than in fiscal 1997 by $34.0 million and increased to 14 percent of sales versus 13 percent in fiscal 1997. About 70 percent of the increased costs resulted from the inclusion of costs for acquired businesses. Increased costs to support sales office expansions, higher distribution costs resulting from increased sales levels, and increased professional fees accounted for most of the remaining year-to-year increase.

Net pension credits reduced cost of sales and selling and administrative expenses by $21.7 million in fiscal 1998 and $9.1 million in fiscal 1997. The increase in these net credits was a result of improved market investment performance of the plans' assets.

Interest expense increased by $9.1 million mainly because of debt incurred to acquire businesses and working capital requirements.

Other (income) expense, net was negatively impacted in fiscal 1998 by $5.2 million. The sale of Carpenter's remaining investment in a joint venture in Taiwan resulted in a $2.7 million pre-tax loss in fiscal 1998. In addition, provisions for losses on former Carpenter plant sites held for sale increased by $4.8 million in fiscal 1998.

Income taxes as a percent of pre-tax income (effective tax rate) was approximately 39 percent in fiscal years 1998 and 1997. A reconciliation of the effective tax rate to the federal statutory rate is presented in note 16 to the consolidated financial statements.

Business Segment Results

Specialty Metals Segment

in millions	1998	1997	Increase
Net sales	$1,035.2	$ 842.0	$ 193.2
Income before interest expense and income taxes (EBIT)	$ 151.4	$ 108.4	$ 43.0

The 23 percent increase in net sales was the result of increased unit volume shipments of the Specialty Alloys unit and the inclusion of the Dynamet Incorporated unit for a full year in fiscal 1998 versus only four months in fiscal 1997 (Dynamet was acquired in February 1997). Demand was strong in most market sectors, but especially for aerospace applications. Sales of high temperature alloys and titanium were at high levels, driven by increased customer demand to support strong commercial aircraft build schedules. Unit selling prices for most products remained about the same as in fiscal 1997.

The 40 percent increase in EBIT was primarily the result of the increased unit volume sold, higher production levels and the inclusion of Dynamet's results for the full year. Higher pension credits, lower raw material costs and productivity improvements also contributed to the improved EBIT.

Engineered Products Segment

in millions	1998	1997	Increase
Net sales	$144.4	$ 99.5	$44.9
Income before interest expense and income taxes (EBIT)	$ 9.2	$ 4.4	$ 4.8

Approximately 72 percent of the sales improvement was due to the inclusion of sales of Rathbone Precision Metals, Carpenter Advanced Ceramics and Aceromex Atlas, which were acquired in early fiscal 1998. The remainder of the sales improvement was due to a strong demand in the Mexican distribution business and the ceramic core business for aerospace and land-based turbine applications.

The EBIT improvement was attributable to inclusion of the acquired companies mentioned above and the unit volume improvements in Mexico and ceramics products. EBIT in both periods was adversely affected by research and development expenditures for ceramics and metal injection molding technologies.

Management's Discussion of Cash Flow and Financial Condition

Cash Flow

Cash flow from operations was strong over the past three years. Net cash generated from operating activities was $87.4 million in fiscal 1999, despite the weak business conditions. This level was down from the record $108.4 million of fiscal 1998 but above the 1997 cash flow of $74.7 million.

Investing activities used $54.3 million of cash in fiscal 1999, a significant drop from the $250.2 million and $153.1 million used in fiscal 1998 and 1997, respectively. The reduced level in fiscal 1999 was due to proceeds from the sales of the Talley business segments Carpenter didn't choose to keep and a reduction in business acquisition activities, offset by higher capital expenditures.

Capital expenditures continued at a high level. Fiscal 1999 expenditures totaled $153.1 million versus $99.5 million in fiscal 1998 and $93.6 million in fiscal 1997. The 1999 level was lower than originally planned because of reevaluations of capital needs in view of current business conditions. The major expenditures during fiscal 1999 were for new strip facilities, a new forging press and capacity expansion projects at the Hartsville, South Carolina, facility. The total remaining costs on approved projects in excess of $1 million was $170 million at June 30, 1999. Of this amount, $97 million has been placed on hold pending changes in business conditions. The most significant open projects are for the completion of the strip modernization and expansion and forge press. Total capital spending for all projects is expected to be $100 million in fiscal 2000 and then decrease to a level below the annual depreciation expense of approximately $58 million after 2000.

Business acquisition activities were at a much lower pace in fiscal 1999 than in the two prior years. Fiscal 1999 acquisition spending totaled $23.1 million versus $177.8 million in fiscal

1998 and $60.2 million in fiscal 1997. The acquisitions in fiscal 1999 included the strip business of Telcon, Ltd., in the United Kingdom and two joint ventures for specialty steel production and distribution in India. The most significant acquisitions in fiscal 1998 and 1997 were Talley Industries, Inc., and Dynamet Incorporated, respectively. Details of acquisition activities for the past three years are included in note 4 to the consolidated financial statements.

During fiscal 1999 and 1998, Carpenter sold all of the businesses of the Talley Industries, Inc., government products and services and industrial products segments, as planned at the time Talley was acquired in fiscal 1998. These sales resulted in net proceeds before taxes of $121.4 million in fiscal 1999 and $20.7 million in fiscal 1998. Additional detail regarding these divestitures is provided in note 5 to the consolidated financial statements.

Total debt decreased by $16.4 million to $510.4 million in fiscal 1999. Debt as a percent of total capital (debt, deferred taxes and shareholders' equity) increased to 39.4 percent at June 30, 1999, from 38.9 percent at the beginning of the fiscal year. Details of debt and financing arrangements are provided in note 9 to the consolidated financial statements.

In fiscal 1999, $35.0 million of cash was used to acquire 955,567 treasury common shares. The dividend payout rates on common and preferred stock were maintained at $1.32 and $5,362.50 per share, respectively, and totaled $30.7 million, $28.5 million and $24.4 million in fiscal years 1999, 1998 and 1997, respectively.

Financial Condition and Liquidity

During the past three fiscal years, Carpenter maintained the ability to provide adequate cash to meet its needs through cash flow from operations, management of working capital and its flexibility to use outside sources of financing to supplement internally generated funds.

Carpenter ended fiscal 1999 in a strong liquidity position, with current assets exceeding current liabilities by $128.2 million (a ratio of 1.4 to 1). This ratio is conservatively stated because certain inventories are valued $101.1 million less than the current cost as a result of using the LIFO method.

Financing is available under a $250 million financing arrangement with four banks, providing for $200 million of revolving credit and lines of credit of $50 million. Carpenter limits the aggregate commercial paper and credit facility borrowings at any one time to a maximum of $250 million. As of June 30, 1999, $110 million was available under the credit facility and commercial paper program. Details of financing arrangements are provided in note 9 to the consolidated financial statements.

Carpenter believes that its present financial resources, both from internal and external resources, will be adequate to meet its foreseeable short-term and long-term liquidity needs.

Market Sensitive Instruments and Risk Management

Carpenter uses derivative financial instruments to reduce certain types of financial risk. Raw material cost fluctuations for the Specialty Metals Segment are normally offset by selling price adjustments primarily through the use of surcharge mechanisms and base price adjustments. Firm price sales contracts involve a risk of profit margin decline in the event of raw material increases. Carpenter reduces this risk by entering into commodity futures and commodity price swaps which are effective hedges of the risk. Fluctuations in foreign exchange subject Carpenter to risk of losses on anticipated future cash flows from its foreign operations. Foreign currency forward contracts are used to hedge this foreign exchange risk. These hedging strategies are reviewed and approved by management before being implemented. Management has established policies regarding the use of derivative instruments which prohibit the use of speculative or leveraged derivatives. Monthly market valuations are performed to monitor the effectiveness of Carpenter's risk management programs.

The status of Carpenter's financial instruments as of June 30, 1999 and 1998, is provided in note 10 to the consolidated financial statements. Assuming (a) an instantaneous 10 percent decrease in the price of raw materials for which Carpenter has commodity futures and swaps, (b) a 10 percent strengthening of the U.S. dollar versus foreign currencies for which foreign exchange forward contracts existed, and (c) a 10 percent change in interest rates on Carpenter's short-term debt had all occurred on June 30, 1999 and 1998, Carpenter's results of operations, cash flow and financial position would not have been materially affected.

Commitments and Contingencies

Environmental

Carpenter has environmental liabilities at some of its owned operating facilities, and has been designated as a potentially responsible party ("PRP") with respect to certain superfund waste disposal sites. Additionally, Carpenter has been notified that it may be a PRP with respect to other superfund sites as to which no proceedings have been instituted against Carpenter. Neither the exact amount of cleanup costs nor the final method of their allocation among all designated PRPs at these superfund sites has been determined. Carpenter accrues amounts for environmental remediation costs that represent management's best estimate of the probable and reasonably estimable costs related to environmental remediation. The liability recorded for environmental cleanup costs at June 30, 1999 was $9.7 million. The estimated range of the reasonably possible costs of remediation at Carpenter-owned operating facilities and the superfund sites is between $9.7 million and $13.0 million as of June 30, 1999. Recoveries of expenditures are recognized as receivables when they are estimable and probable.

Additional details are provided in note 17 to the consolidated financial statements. Carpenter does not anticipate that its financial position will be materially affected by additional environmental remediation costs, although quarterly or annual operating results could be materially affected by future developments.

Other

Carpenter also is defending various claims and legal actions, and is subject to commitments and contingencies that are common to its operations. Carpenter provides for costs relating to these matters when a loss is probable and the amount is reasonably estimable. Additional details are provided in note 17 to the consolidated financial statements. While it is not feasible to determine the outcome of these matters, management believes that any total ultimate liability will not have a material effect on Carpenter's financial position or results of operations and cash flows.

Year 2000 Issues

Carpenter's State of Readiness

Carpenter has been formally addressing its Year 2000 issues since March 1996. These efforts involve developing an inventory, assessing the Year 2000 impact, developing conversion plans, remediating noncompliant items, testing, contacting mission critical vendors and suppliers, contacting selected customers, and developing contingency plans. A project team representing all business units has been in place since December 1998 and meeting regularly to monitor and report on the status of the project. All known Year 2000 projects have been completed as of August 31, 1999.

Risks of Year 2000 Issues and Contingency Plans

Carpenter expects that all of its systems will be fully operational and will not cause any material disruptions because of Year 2000 issues. Contingency plans are being developed for any process determined to be mission critical. Contingency planning is scheduled to be completed for all business units by September 30, 1999.

Because of the uncertainties associated with assessing preparedness of suppliers, there is a risk of a material adverse effect on Carpenter's future results of operations if these constituencies are not capable of correcting their Year 2000 issues. Carpenter has contacted and is continuing to monitor the progress of all suppliers determined to be mission critical. All suppliers who have responded indicated that they will be able to provide their products or services to Carpenter with no interruptions. Contingency plans are currently being developed for these suppliers to prepare for a possible unexpected outage.

Carpenter has a very large, diverse customer base with thousands of customers. No customer represents more than 4 percent of Carpenter's net sales. However, Carpenter has assessed the state of readiness of its major customers to determine if there will be any significant loss of business due to the Year 2000 computer issues and has not found any major customer who is not actively addressing the issues on a timely basis.

Carpenter hired an independent consultant to perform a status study of its Year 2000 efforts in March 1999. This review resulted in several recommendations to improve the project effectiveness. The recommendations have been reviewed with management and appropriate actions have been taken.

Costs to Address Carpenter's Year 2000 Issues

The following is a summary of past and expected future costs to remediate Carpenter's Year 2000 Issues:

(in millions)	Fiscal 1997 Costs	Fiscal 1998 Costs	Fiscal 1999 Costs	Estimated Fiscal 2000 Costs	Total
Costs charged to income before taxes(a)	$1.5	$2.2	$ .9	$ .9	$5.5
Capitalized software and hardware(b)	-	-	2.4	1.3	3.7
Total Year 2000 costs	$1.5	$2.2	$3.3	$2.2	$9.2

(a) The majority of these costs were for outside consultants and programmers, were in addition to the normal budget for information systems, and were paid currently. As a result of these efforts, no major systems projects have been deferred to future periods. Carpenter does not separately track the internal costs, principally payroll related costs of its employees, incurred to address the Year 2000 issue.

(b) Costs to replace non-Year 2000 compliant systems.

Forward-Looking Statements

This Form 10-K contains various "Forward-looking Statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations regarding future events that involve a number of risks and uncertainties which could cause actual results to differ from those of such forward-looking statements. Such risks and uncertainties include those set forth in other filings made by Carpenter under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, and also include the following factors: 1) the cyclical nature of the specialty materials business and certain end-use markets, including, but not limited to, aerospace, automotive and consumer durables, all of which are subject to changes in general economic and financial market conditions; 2) excess inventory and the impact of inventory adjustments in Carpenter's aerospace customer base; 3) worldwide excess capacity for certain alloys which Carpenter produces, resulting in increased competition and downward pricing pressure on Carpenter products; 4) the criticality of certain raw materials acquired from foreign sources, some of which are located in countries that may be subject to unstable political and economic conditions, potentially affecting the prices of these materials; 5) the level of export sales impacted by political and economic instability, particularly in Asia, Eastern Europe and Latin America, resulting in lower global demand for stainless steel products; 6) the ability of Carpenter, along with other domestic producers of stainless steel products, to obtain a favorable ruling in dumping and countervailing duty claims against foreign producers; 7) the level of sales impacted by export controls, changes in legal and regulatory requirements, policy changes affecting the markets, changes in tax laws and tariffs, exchange rate fluctuations and accounts receivable collection; 8) the effects on operations of changes in U.S. and foreign governmental laws and public policy, including environmental regulations; and 9) the ability of Carpenter's suppliers and customers to correct or replace their computer systems for Year 2000 Issues. Any of these factors could have an adverse and/or fluctuating effect on Carpenter's results of operations. The forward-looking statements in this document are intended to be subject to the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements and Supplementary Data

Report of Independent Accountants

To the Board of Directors and
Shareholders of Carpenter Technology Corporation:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows present fairly, in all material respects, the financial position of Carpenter Technology Corporation and subsidiaries at June 30, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1999, in conformity with generally accepted accounting principles. These financial statements are the responsibility of Carpenter's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards that 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 the opinion expressed above.

s/PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
2400 Eleven Penn Center
Philadelphia, Pennsylvania
July 27, 1999, except as to the information presented in note 17 for which the date is August 6, 1999.

Consolidated Statement of Income
Carpenter Technology Corporation

for the years ended June 30, 1999, 1998 and 1997

(in millions, except per share data)	1999	1998	1997
Net sales	$1,036.7	$1,176.7	$939.0
Costs and expenses:			
Cost of sales	773.5	848.3	697.9
Selling and administrative expenses	164.0	160.4	126.4
Interest expense	29.3	29.0	19.9
Special charge	14.2	-	-
Other (income) expense, net	(.1)	2.1	(3.1)
	980.9	1,039.8	841.1
Income before income taxes	55.8	136.9	97.9
Income taxes	18.7	52.9	37.9
Net income	$ 37.1	84.0	$ 60.0
Earnings per common share:			
Basic	$ 1.61	$ 4.01	$ 3.32
Diluted	$ 1.58	$ 3.84	$ 3.16

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows
Carpenter Technology Corporation
for the years ended June 30, 1999, 1998 and 1997

(in millions)	1999	1998	1997
OPERATIONS			
Net income	$ 37.1	$ 84.0	$ 60.0
Adjustments to reconcile net income to net cash provided from operations:			
Depreciation	51.8	46.8	36.8
Amortization of intangible assets	13.9	11.4	5.9
Deferred income taxes	(6.2)	14.6	7.1
Prepaid pension costs	(29.4)	(21.1)	(8.3)
Net loss on asset disposals	1.5	5.0	.8
Special charge	14.2	-	-
Changes in working capital and other, net of acquisitions:			
Receivables	28.7	5.5	(3.1)
Inventories	18.9	(17.2)	(17.3)
Accounts payable	(23.2)	(12.0)	(4.2)
Accrued current liabilities	(10.2)	(7.8)	11.2
Other, net	(9.7)	(.8)	(14.2)
Net cash provided from operations	87.4	108.4	74.7
INVESTING ACTIVITIES			
Purchases of plant and equipment	(153.1)	(99.5)	(93.6)
Proceeds from disposals of plant and equipment	.5	1.1	.7
Acquisitions of businesses, net of cash received	(23.1)	(177.8)	(60.2)
Proceeds from net assets held for sale	121.4	20.7	-
Proceeds from sale of interest in joint venture	-	5.3	-
Net cash used for investing activities	(54.3)	(250.2)	(153.1)
FINANCING ACTIVITIES			
Net change in short-term debt	20.2	39.3	53.6
Proceeds from issuance of long-term debt	-	198.0	60.0
Payments on long-term debt	(36.6)	(182.8)	(7.1)
Payments to acquire treasury stock	(35.0)	-	-
Dividends paid	(30.7)	(28.5)	(24.4)
Proceeds from issuance of common stock	2.1	149.6	1.8
Net cash provided from (used for) financing activities	(80.0)	175.6	83.9
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(46.9)	33.8	5.5
Cash and cash equivalents at beginning of year	52.4	18.6	13.1
Cash and cash equivalents at end of year	$ 5.5	$ 52.4	$ 18.6

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet
Carpenter Technology Corporation

June 30, 1999 and 1998

(in millions, except share data)	1999	1998
ASSETS		
Current assets:		

Cash and cash equivalents	$ 5.5	$ 52.4
Accounts receivable, net of allowance for doubtful accounts of $1.9 each year	150.6	177.0
Inventories	250.3	267.1
Net assets held for sale	-	130.2
Other current assets	16.3	18.8
Total current assets	422.7	645.5
Property, plant and equipment, net	750.4	644.1
Prepaid pension cost	140.5	138.0
Goodwill, net	179.2	171.8
Other assets	115.0	99.5
Total assets	$1,607.8	$1,698.9
LIABILITIES		
Current liabilities:		
Short-term debt	$ 140.0	$ 119.8
Accounts payable	59.6	80.5
Accrued liabilities	78.2	87.7
Deferred income taxes	1.3	24.8
Current portion of long-term debt	15.4	36.3
Total current liabilities	294.5	349.1
Long-term debt, net of current portion	355.0	370.7
Accrued postretirement benefits	138.9	140.5
Deferred income taxes	149.8	142.9
Other liabilities	37.1	36.2
SHAREHOLDERS' EQUITY		
Preferred stock - authorized 2,000,000 shares	26.8	27.8
Common stock - authorized 100,000,000 shares	115.3	115.0
Capital in excess of par value - common stock	191.9	190.0
Reinvested earnings	365.5	359.1
Common stock in treasury, at cost	(38.4)	(3.4)
Deferred compensation	(16.4)	(17.8)
Foreign currency translation adjustments	(12.2)	(11.2)
Total shareholders' equity	632.5	659.5
Total liabilities and shareholders' equity	$1,607.8	$1,698.9

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity
Carpenter Technology Corporation
for the years ended June 30, 1999, 1998 and 1997

(in millions, except per share data)	Preferred Stock Par Value of $5	Common Stock Par Value of $5	Common Stock Capital in Excess of Par Value	Reinvested Earnings	Treasury Stock	Deferred Compensation	Translation Adjustments	Total Shareholders' Equity
Balances at June 30, 1996	$28.6	$97.7	$13.5	$268.0	$(64.5)	$(22.8)	$(11.4)	$309.1
Net income				60.0				60.0
Cash dividends:								
Common @ $1.32 per share				(22.8)				(22.8)
Preferred @ $5,362.50 per share				(1.6)				(1.6)
Stock options exercised		0.4	1.4					1.8
Shares issued to acquire business			38.5		61.0			99.5
Other	(0.4)	0.1	0.9			2.5	0.2	3.3
Balances at June 30, 1997	28.2	98.2	54.3	303.6	(3.5)	(20.3)	(11.2)	449.3
Net income				84.0				84.0
Cash dividends:								
Common @ $1.32 per share				(26.9)				(26.9)
Preferred @ $5,362.50								

per share				(1.6)				(1.6)
Stock options exercised		0.9	4.3					5.2
Common stock offering		15.8	128.6					144.4
Shares issued to acquire business			0.5		0.5			1.0
Other	(0.4)	0.1	2.3		(0.4)	2.5		4.1
Balances at June 30, 1998	27.8	115.0	190.0	359.1	(3.4)	(17.8)	(11.2)	659.5
Net income				37.1				37.1
Cash dividends:								
Common @ $1.32 per share				(29.2)				(29.2)
Preferred @ $5,362.50 per share				(1.5)				(1.5)
Stock options exercised		0.1	0.4					0.5
Treasury shares purchased					(35.0)			(35.0)
Other	(1.0)	0.2	1.5			1.4	(1.0)	1.1
Balances at June 30, 1999	$26.8	$115.3	$191.9	$365.5	$(38.4)	$(16.4)	$(12.2)	$632.5

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity (continued)
Carpenter Technology Corporation
for the years ended June 30, 1999, 1998 and 1997

	Preferred	Common Shares		
	Shares Issued	Issued	Treasury	Net Outstanding
Balances at June 30, 1996	453.1	19,545,751	(2,930,074)	16,615,677
Stock options exercised, net of 45,826 shares exchanged		86,769		86,769
Shares issued to acquire business			2,772,059	2,772,059
Other	(5.8)	10,400	(2,590)	7,810
Balances at June 30, 1997	447.3	19,642,920	(160,605)	19,482,315
Stock options exercised, net of 766 shares exchanged		171,401		171,401
Common stock offering		3,162,500		3,162,500
Shares issued to acquire business			21,409	21,409
Treasury shares purchased			(7,432)	(7,432)
Other	(6.2)	18,215	(1,292)	16,923
Balances at June 30, 1998	441.1	22,995,036	(147,920)	22,847,116
Stock options exercised		13,940		13,940
Treasury shares purchased			(955,567)	(955,567)
Other	(15.3)	42,800	(1,554)	41,246
Balances at June 30, 1999	425.8	23,051,776	(1,105,041)	21,946,735

Consolidated Statement of Comprehensive Income
Carpenter Technology Corporation
for the years ended June 30, 1999, 1998 and 1997

(in millions)	1999	1998	1997
Net income	$ 37.1	$ 84.0	$ 60.0
Foreign currency translation, net of tax	(1.0)	-	.2
Comprehensive income	$ 36.1	$ 84.0	$ 60.2

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of Consolidation - The consolidated financial statements include the accounts of Carpenter and all majority-owned subsidiaries. All significant intercompany accounts and transactions are eliminated. Investments in companies in which Carpenter has an ownership interest of 20 percent or more are accounted for on an equity basis and accordingly, Carpenter's share of their income is included in consolidated net income.

Cash Equivalents - Cash equivalents consist of highly liquid instruments with maturities at the time of acquisition of three months or less. Cash equivalents are stated at cost, which approximates market.

Inventories - Inventories are valued at the lower of cost or market. Cost for inventories is principally determined by the Last-In, First-Out (LIFO) method. Carpenter also uses the First-In, First-Out (FIFO) and average cost methods.

Depreciation and Amortization - Depreciation for financial reporting purposes is computed by the straight-line method. Depreciation for income tax purposes is computed using accelerated methods. Upon disposal, assets and related depreciation are removed from the accounts and the differences between the net amounts and proceeds from disposal are included in income.

The costs of intangible assets other than goodwill, which are included in other assets on the consolidated balance sheet, are comprised principally of trademarks and tradenames, computer software, and agreements not to compete and are amortized for financial reporting purposes on a straight-line basis over their respective estimated useful lives, ranging from 3 to 30 years.

Goodwill - Goodwill, representing the excess of the purchase price over the estimated fair value of the net assets of companies acquired to date, is being amortized on a straight-line basis over the estimated life of the goodwill, ranging from 20 to 40 years. Accumulated amortization of goodwill was $16.2 million and $9.5 million at June 30, 1999 and 1998, respectively.

Long-Lived Assets - Long-lived assets, including goodwill and other intangibles, are reviewed for impairment and written down to fair value whenever events or changes in circumstances indicate that the carrying value may not be recoverable through future cash flows. Carpenter evaluates long-lived assets for impairment by individual business unit.

1. Summary of Significant Accounting Policies (continued)

Environmental Expenditures - Environmental expenditures that pertain to current operations or to future revenues are expensed or capitalized consistent with Carpenter's capitalization policy for property, plant and equipment. Expenditures that result from the remediation of an existing condition caused by past operations and that do not contribute to current or future revenues are expensed. Liabilities are recognized for remedial activities when the cleanup is probable and the cost can be reasonably estimated. Recoveries of expenditures are recognized as receivables when they are estimable and probable. Estimated liabilities are not discounted to present value, but estimated receivables are measured on a discounted basis.

Foreign Currency Translation - Assets and liabilities of most foreign operations are translated at exchange rates in effect at year-end, and their income statements are translated at the average monthly exchange rates prevailing during the year. Translation gains and losses are accumulated in a separate component of stockholders' equity until the foreign entity is sold or liquidated. For operations in highly inflationary countries and where the local currency is not the functional currency, inventories, property, plant and equipment, and other noncurrent assets are converted to U.S. dollars at historical exchange rates, and all gains or losses from conversion are included in net income.

Futures Contracts and Commodity Price Swaps - In connection with the anticipated purchase of raw materials for certain fixed-price sales arrangements, Carpenter enters into futures contracts and commodity price swaps to reduce the risk of cost increases. The contracts do not have leveraged features and generally are not entered into for speculative purposes. The significant characteristics and terms of the anticipated purchase of raw materials are identifiable, and the contracts are designated and effective as hedges, because of the high correlation between the contracts and the items being hedged. As such, they are accounted for as hedges and unrealized gains and losses are deferred and included in cost of sales in the periods when the related transactions are completed.

1. Summary of Significant Accounting Policies (continued)

Foreign Currency Forward Contracts - In connection with certain future payments between Carpenter and its various European subsidiaries, foreign currency forward contracts are used to reduce the risk of foreign currency exposures. The foreign currency forward contracts do not qualify as hedges for financial reporting purposes, as the anticipated cash flows are not definitive. Therefore, the contracts are marked to market and any related gain or loss is included in other income and expense in the consolidated statement of income. Gains and losses for the years presented were not material to Carpenter's results of operations or cash flows.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the 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.

Reclassifications - Certain reclassifications of prior years' amounts have been made to conform with the current year's presentation.

New Accounting Pronouncements - Effective July 1, 1998, Carpenter adopted Statement of Financial Accounting Standards (SFAS) 130, "Reporting Comprehensive Income." This statement requires that all items which are defined as components of comprehensive income be reported in the financial statements and displayed with the same prominence as other financial statements. In fiscal 1999, Carpenter also adopted SFAS 131, "Disclosures about Segments of an Enterprise and Related Information" (see note 18).

Pending Accounting Pronouncements - The Financial Accounting Standards Board (FASB) issued SFAS 133, "Accounting for

Derivative Instruments and Hedging Activities" which will be effective for Carpenter's fiscal 2001. This standard requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in fair value of derivatives will be recorded each period in current earnings or comprehensive income. Carpenter anticipates that, due to its limited use of derivative instruments, the adoption of SFAS 133 will not have a significant effect on Carpenter's future results of operations or financial position.

2. Earnings Per Common Share

The computation of basic and diluted earnings per share for the years ended June 30, 1999, 1998 and 1997 follows:

(in millions, except per share data)

	1999	1998	1997
Basic EPS:			
Net income	$ 37.1	$ 84.0	$ 60.0
Dividends accrued on convertible preferred stock, net of tax benefits	(1.5)	(1.6)	(1.6)
Earnings available for common shareholders	$ 35.6	$ 82.4	$ 58.4
Weighted average common shares outstanding	22.1	20.5	17.6
Basic earnings per share	$ 1.61	$ 4.01	$ 3.32
Diluted EPS:			
Net income	$ 37.1	$ 84.0	$ 60.0
Assumed shortfall between common and preferred dividends	(.7)	(.6)	(.6)
Earnings available for common shareholders	$ 36.4	$ 83.4	$ 59.4
Weighted average common shares outstanding	22.1	20.5	17.6
Assumed conversion of preferred shares	.9	.9	.9
Effect of shares issuable under stock option plans	.1	.3	.3
Adjusted weighted average common shares	23.1	21.7	18.8
Diluted earnings per share	$ 1.58	$ 3.84	$ 3.16

3. Special Charge

During the third quarter of fiscal 1999, Carpenter recorded a pre-tax charge of $14.2 million ($8.5 million after-tax or $.37 per diluted share) related to a salaried work force reduction and a reconfiguration of its U.S. distribution network. The positions being eliminated include various salaried positions throughout the Specialty Alloys Operations and corporate offices. The charge consisted chiefly of various personnel-related costs for about 210 employees to cover severance payments, enhanced pension benefits, medical coverage and related items. Approximately $13.0 million of the charge will be paid from pension funds and, accordingly, this portion of the special charge reduced the prepaid pension cost account on the balance sheet. Through June 30, 1999, there was a reduction of approximately 150 employees. The remaining employees are expected to depart during fiscal 2000.

4. Acquisitions of Businesses

During the past three fiscal years, Carpenter acquired the businesses described below, which were accounted for by the purchase method of accounting:

Fiscal 1999

In April 1999, Carpenter finalized a joint venture with Kalyani Steels Ltd. that established two companies in India, at an initial cost of $10.7 million, including organization costs. The companies established are Kalyani Carpenter Special Steels Ltd. (KCSS), a specialty steel manufacturing company, and Kalyani Carpenter Metal Centres Ltd. (KCMC), a specialty steel distribution company. Carpenter owns 26 percent of KCSS and 51 percent of KCMC. The investment in KCSS exceeded Carpenter's share of the initial equity of KCSS by $6.0 million which is included in other assets in the consolidated balance sheet and is being amortized on a straight-line basis over 20 years.

In October 1998, Carpenter acquired the strip producing business of Telcon, Ltd., for $11.4 million of cash, including acquisition costs. This facility produces narrow strip for electronic applications using magnetic and controlled expansion alloys. Based upon a preliminary valuation, the fair value of the net assets acquired approximated the purchase price.

Fiscal 1999 included other acquisitions which were immaterial. The pro-forma impact of the fiscal 1999 acquisitions was not material.

4. Acquisitions of Businesses (continued)

Fiscal 1998

On February 19, 1998, Carpenter completed the acquisition of Talley Industries, Inc. ("Talley"). Carpenter acquired the outstanding common and preferred stock of Talley for $187.0 million of cash, including acquisition costs, and assumed Talley debt with a fair market value of $136.5 million. Talley had $35.1 million of cash at the initial acquisition date. The purchase price included $78.3 million of goodwill which is being amortized on a straight-line basis over 40 years.

Talley was a diversified company composed of a stainless steel products segment, a government products and services segment and an industrial products segment. Carpenter has retained the companies in the stainless steel products segment, and divested all of the companies in the other two segments. Accordingly, the divested segments were accounted for as net assets held for sale (see note 5).

On October 31, 1997, Carpenter acquired the net assets of Shalmet Corporation and its affiliates for $9.3 million in stock and cash, including acquisition costs, and assumed $4.1 million of Shalmet's debt. Shalmet converts semi-finished coil and bar to finished round bar and coil products. The fair value of the net assets acquired approximated the purchase price.

On September 30, 1997, Carpenter acquired four of the operating units of ICI Australia, Ltd., for $16.6 million of cash, including acquisition costs. These four operating units manufacture structural ceramic components and powder products. The purchase price included $4.9 million of goodwill, which is being amortized on a straight-line basis over 20 years.

Fiscal 1998 included other acquisitions which were immaterial.

4. Acquisitions of Businesses (continued)

Fiscal 1997

On June 19, 1997, Carpenter acquired the net assets of Rathbone Precision Metals, Inc., for $9.6 million in cash, including acquisition costs. Rathbone is a manufacturer of custom, cold-drawn metal shapes. The purchase price included goodwill of $6.8 million, which is being amortized on a straight-line basis over 20 years.

On February 28, 1997, Carpenter purchased all of the common stock of Dynamet Incorporated in exchange for approximately 2.8 million shares of Carpenter's treasury common stock with a fair market value of $99.5 million and $51.5 million of cash, including acquisition costs. Dynamet is a manufacturer of titanium bar and wire and powder products. The purchase price included goodwill of $81.0 million which is being amortized on a straight-line basis over 30 years.

The purchase prices have been allocated to the assets purchased and the liabilities assumed based upon the fair values on the dates of acquisition, as follows:

(in millions)	1999	1998	1997
Working capital, other than cash	$ 2.3	$ 34.7	$ 26.5
Property, plant and equipment	9.1	81.8	38.8
Prepaid pension cost	-	17.2	-
Goodwill	1.0	72.1	87.5
Other assets	10.7	11.1	27. 2
Noncurrent liabilities	-	(38.1)	(20.3)
Purchase price, net of cash received	$ 23.1	$178.8	$159.7

During fiscal 1999, adjustments for final purchase price allocations resulted in an increase in goodwill of $13.0 million and a reduction of deferred taxes of $10.4 million.

Deferred tax liabilities included in the allocation totaled $36.8 million in fiscal 1998 and $27.0 million in fiscal 1997. Debt included in the allocation was $141.7 million in fiscal 1998 and $10.2 million in fiscal 1997. No debt or deferred taxes were included in the allocation in fiscal 1999.

Notes to Consolidated Financial Statements

5. Net Assets Held for Sale

The eight businesses of the government products and services and industrial products segments of Talley Industries, Inc. (Talley), were sold as of June 30, 1999. The net income of all of the businesses in these segments was excluded from Carpenter's consolidated statement of income from the date of acquisition through December 31, 1998 and amounted to $2.7 million for fiscal 1998 and $1.5 million for fiscal 1999. Beginning January 1, 1999, the operating results for the remaining businesses have been included in Carpenter's consolidated statement of income until the dates of their sales.

Through December 31, 1998, changes in estimates for net cash proceeds on the sales of all of the businesses, interest costs and operating cash flows until the time of their sale were recorded as adjustments of goodwill.

A summary of activity for the past two fiscal years in the net assets held for sale follows:

(in millions)	1999	1998
Balance beginning of year	$130.2	$ -
Allocation of purchase price	-	150.9
Proceeds from sales of businesses	(134.0)	(41.4)
Net cash funded by Carpenter	10.3	14.1
Interest allocated	2.3	6.6
Changes in estimated net proceeds on sales:		
Charged to goodwill	(11.7)	-
Credited to pre-tax income	1.7*	-
Pre-tax income of businesses from January 1, 1999 to dates of sales	1.2*	-
Balance end of year	$ -	$130.2

* Included in other income and expense on the consolidated statement of income. In addition, other changes in the purchase price allocation subsequent to December 31, 1998, resulted in expense of $3.4 million which was also included in other income and expense.

Notes to Consolidated Financial Statements

6. Inventories

(in millions)	June 30 1999	June 30 1998
Finished and purchased products	$142.6	$169.1
Work in process	167.3	183.3
Raw materials and supplies	41.5	46.2
Total at current cost	351.4	398.6
Less excess of current cost over LIFO values	101.1	131.5
	$250.3	$267.1

Current cost of LIFO-valued inventories was $294.9 million at June 30, 1999, and $352.2 million at June 30, 1998.

7. Property, Plant and Equipment

(in millions)	June 30 1999	June 30 1998
Land	$ 13.9	$ 9.5
Buildings and building equipment	220.0	204.6
Machinery and equipment	923.9	836.0
Construction in progress	96.0	54.7
Total at cost	1,253.8	1,104.8
Less accumulated depreciation and amortization	503.4	460.7
	$ 750.4	$ 644.1

The estimated useful lives of depreciable assets are as follows: land improvements - 20 years; buildings and equipment - 20 to 45 years; machinery and equipment - 5 to 30 years; autos and trucks - 3 to 6 years; office furniture and equipment - 3 to 10 years. Effective April 1, 1999, Carpenter changed its estimates of the useful lives of certain major manufacturing equipment from 20 to 30 years. This change recognizes the current expectations of economic useful lives for this equipment and resulted in a reduction of depreciation expense of $1.8 million or $.04 per diluted share during the fourth quarter of fiscal 1999.

8. Accrued Liabilities

(in millions)	June 30 1999	June 30 1998
Compensation	$27.5	$35.0
Employee benefits	20.9	14.8
Interest	8.5	8.5
Income taxes	2.1	-
Environmental costs	1.9	4.9
Other	17.3	24.5
	$78.2	$87.7

9. Debt Arrangements

Carpenter has a $250 million financing arrangement with four banks, providing for the availability of $200 million of revolving credit and $50 million under lines of credit. Interest is based on short-term market rates. As of June 30, 1999, there was $140.0 million outstanding under the revolving credit agreement, and no borrowings under the lines of credit or commercial paper.

For the years ended June 30, 1999, 1998 and 1997, interest cost totaled $34.8 million, $31.1 million and $22.3 million, of which $5.5 million, $2.1 million and $2.4 million, respectively, were capitalized.

The weighted average interest rates for short-term borrowings during fiscal 1999 and 1998 were 5.5 percent and 6.0 percent, respectively.

Long-term debt outstanding at June 30, 1999 and 1998, consists of the following:

(in millions)	1999	1998

Medium-term notes at 6.28% to 7.10% due from April 2003 to 2018	$ 198.0	$ 198.0
9% Sinking fund debentures due 2022, callable beginning in March 2002 at 104.2%; sinking fund requirements are $5.0 million annually from 2003 to 2021	99.6	99.6
Medium-term notes at 6.78% to 7.80% due from August 1999 to 2005	70.0	80.0
10.75% Senior notes due 2003, redeemed during 1999, financed with short-term debt	-	23.2
Other	2.8	6.2
Total	370.4	407.0
Less amounts due within one year	15.4	36.3
Long-term debt, net of current portion	$ 355.0	$ 370.7

Aggregate maturities of long-term debt for the four years subsequent to June 30, 2000, are $10.4 million in fiscal 2001, $25.2 million in fiscal 2002, $45.2 million in fiscal 2003, and $.2 million in fiscal 2004.

Carpenter's financing arrangements contain restrictions on the total amount of debt and the minimum tangible net worth allowed.

10. Financial Instruments

The carrying amounts and estimated fair values of Carpenter's financial instruments were as follows:

	June 30			
(in millions)	1999		1998	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	$ 5.5	$ 5.5	$ 52.4	$ 52.4
Company-owned life insurance	$ 19.7	$ 19.7	$ 81.1	$ 81.1
Short-term debt	$ 140.0	$ 140.0	$ 119.8	$ 119.8
Long-term debt	$ 370.4	$ 364.5	$ 407.0	$ 425.0
Futures contracts and commodity price swaps	$ -	$ 1.7*	$ -	$ (3.9)*
Foreign currency forward contracts	$ .8	$ .8	$ .2	$ .2

*The unrealized gains and (losses) on futures contracts are deferred and will be included in cost of sales when the related transactions are completed.

The carrying amounts for cash, cash equivalents and short-term debt approximate their fair values due to the short maturities of these instruments. The carrying amount for company-owned life insurance is based on cash surrender values determined by the insurance carriers.

The fair value of long-term debt as of June 30, 1999 and 1998, was determined by using current interest rates and market values of similar issues.

The fair value of raw material futures contracts and commodity price swaps was based on quoted market prices for these instruments. The notional amounts of these instruments were $17.0 million and $15.4 million at June 30, 1999 and 1998, respectively. These financial instruments have various maturity dates ranging from 1999 to 2003.

The fair value of foreign currency forward contracts represents the amount to be exchanged if the existing contracts were settled at year end, based on market quotes. The notional amounts of these contracts, principally in the Euro, were $14.0 million and $5.5 million at June 30, 1999 and 1998, respectively. The foreign currency forward contracts have various maturity dates in 1999 and 2000.

Carpenter is exposed to credit risk related to its financial instruments in the event of non-performance by the counterparties. Carpenter does not generally require collateral or other security to support these financial instruments. However, the counterparties to these transactions are major institutions deemed credit worthy by Carpenter. Carpenter does not anticipate non-performance by the counterparties.

11. Common Stock

Common Stock Authorization:

During 1998, Carpenter's shareholders approved an amendment to the Restated Certificate of Incorporation which increased the number of authorized shares of common stock from 50 million shares to 100 million shares.

Common Stock Repurchase Program:

On August 6, 1998, Carpenter rescinded the 1989 stock repurchase program and approved a new stock repurchase program for up to 1.2 million, or 5 percent, of the outstanding shares of Carpenter's common stock. The shares may be purchased over time and held as treasury shares. Since August 6, 1998, .9 million shares had been repurchased at a total cost of $34.5 million. In addition, treasury shares increased by $.5 million as a result of employee benefit plan transactions.

Common Stock Purchase Rights:

Carpenter has issued one common stock purchase right ("Right") for every outstanding share of common stock. Except as otherwise provided in the Rights Agreement, the Rights will become exercisable and separate Rights certificates will be distributed to the shareholders: (1) 10 days following the acquisition of 20 percent or more of Carpenter's common stock, (2) 10 business days (or such later date as the Board may determine) following the commencement of a tender or exchange offer for 20 percent or more of Carpenter's common stock, or (3) 10 days after Carpenter's Board of Directors determines that a holder of 15 percent or more of Carpenter's shares has an interest adverse to those of Carpenter or its shareholders (an "adverse person"). Upon distribution, each Right would then entitle a holder to buy from Carpenter one newly issued share of its common stock for an exercise price of $145.

11. Common Stock (continued)

After distribution, upon: (1) any person acquiring 20 percent of the outstanding stock (other than pursuant to a fair offer as determined by the Board), (2) a 20 percent holder engaging in certain self-dealing transactions, (3) the determination of an adverse person, or (4) certain mergers or similar transactions between Carpenter and holder of 20 percent or more of Carpenter's common stock, each Right (other than those held by the acquiring party) entitles the holder to purchase shares of common stock of either the acquiring company or Carpenter (depending on the circumstances) having a market value equal to twice the exercise price of the Right. The Rights may be redeemed by Carpenter for $.025 per Right at any time before they become exercisable. The Rights Agreement expires on June 26, 2006.

12. Stock-Based Compensation

Carpenter has three stock-based compensation plans for officers and key employees: a 1993 plan, a 1982 plan and a 1977 plan.

1993 Plan:

The 1993 plan provides that the Board of Directors may grant incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock and performance share awards, and determine the terms and conditions of each grant. In fiscal 1998, the plan was amended to provide the Chief Executive Officer with limited authority to grant stock options and restricted stock. As of June 30, 1999 and 1998, 463,415 and 1,050,255 shares, respectively, were reserved for options and share awards which may be granted under this plan.

Stock option grants under this plan must be at no less than market value on the date of grant, are exercisable after one year of employment following the date of grant, and will expire no more than ten years after the date of grant.

Restricted stock awards vest over periods ranging from one to five years from the date of grant. When restricted shares are issued, deferred compensation is recorded in the shareholders' equity section of the consolidated balance sheet. The deferred compensation is charged to expense over the vesting period. During fiscal 1999, 1998 and 1997, $.4 million, $.5 million and $.6 million, respectively, were charged to expense for vested restricted shares.

Performance share awards are earned only if Carpenter achieves certain performance levels over a three-year period. The awards are payable in shares of common stock

12. Stock-Based Compensation (continued)

and expensed over the three-year performance period. In June 1998 and 1997, 41,700 and 24,700 performance share awards, respectively, were granted contingent on performance over the three fiscal years after grant. During fiscal 1999, 1998 and 1997, $.5 million, $1.0 million and $.3 million, respectively, were charged to expense for earned performance shares.

1982 and 1977 Plans:

The 1982 plan expired in June 1992; however, all outstanding unexpired options granted prior to that date remain in effect. Under the 1982 and 1977 plans, options are granted at the market value on the date of grant, and are exercisable after one year of employment following the date of grant and expire ten years after grant. At June 30, 1999 and 1998, 2,120 and 1,420 shares, respectively, were reserved for options which may be granted under the 1977 plan.

Carpenter has a stock-based compensation plan which provides for the granting of stock options and other market-based units to non-employee Directors. Options are granted at the market value on the date of the grant and are exercisable after one year of Board service following the date of grant.

Options expire ten years after the date of grant. At June 30, 1999 and 1998, 85,000 and 109,000 shares, respectively, were reserved for options which may be granted under this plan.

A summary of the option activity under all plans for the past three years follows:

	Number of Shares	Weighted Average Exercise Price
Balance June 30, 1996	813,506	$29.77
Granted	315,600	$43.17
Exercised	(132,595)	$28.06
Cancelled	(7,100)	$34.73
Balance June 30, 1997	989,411	$34.24
Granted	339,700	$49.65
Exercised	(172,167)	$30.53
Cancelled	(5,000)	$41.16
Balance June 30, 1998	1,151,944	$39.30
Granted	597,500	$28.80
Exercised	(13,940)	$30.67
Cancelled	(13,760)	$49.16
Balance June 30, 1999	1,721,744	$35.65

12. Stock-Based Compensation (continued)

Following is a summary of stock options outstanding at June 30, 1999:

Outstanding Options

Exercise Price Range	Number Outstanding at 06/30/99	Weighted Average Remaining Life	Weighted Average Exercise Price
$19 -$30	757,709	8.22	$ 27.69
$31 -$40	398,035	6.70	$ 33.38
$41 -$51	566,000	8.54	$ 47.90
	1,721,744		$ 35.65

Of the options outstanding at June 30, 1999, 1,205,275 relate to the 1993 plan, 83,267 relate to the 1982 plan, 304,700 relate to the 1977 plan and 128,502 relate to the plan for non-employee Directors.

Exercisable Options

Exercise Price Range	Number Exercisable at 06/30/99	Weighted Average Exercise Price
$19 -$30	188,709	$ 25.42
$31 -$40	371,535	$ 33.23
$41 -$51	564,000	$ 47.91
	1,124,244	$ 39.28

12. Stock-Based Compensation (continued)

Carpenter accounts for its stock option plans in accordance with APB Opinion 25, "Accounting for Stock Issued to Employees," and related interpretations. Under APB Opinion 25, no compensation cost is recognized because the exercise price of Carpenter's employee stock options equals the market price of the underlying stock at the date of the grant. Had compensation cost for Carpenter's stock option plans been determined based on the fair value at the grant date for awards in accordance with SFAS 123, "Accounting for Stock-based Compensation," net income would have been reduced by $1.6 million, $1.1 million and $.9 million, and diluted earnings per share would have been reduced by $.07, $.05 and $.05 in fiscal 1999, 1998 and 1997, respectively.

These pro forma adjustments were calculated using the Black-Scholes option pricing model to value all stock options granted since July 1, 1996. A summary of the assumptions and data used in these calculations follows:

	1999	1998	1997
Weighted average exercise price of options exercisable	$39.28	$34.98	$30.05
Weighted average fair value per share of options	$10.12	$ 7.59	$ 7.93
Fair value assumptions:			
Risk-free interest rate	5.4%	5.6%	6.3%
Expected volatility	20.3%	18.3%	20.6%
Expected life of options	5 years	5 years	5 years
Expected dividends	2.7%	2.9%	4.2%

13. Pension and Other Postretirement Benefits

Carpenter provides several noncontributory defined benefit pension plans and postretirement benefit plans to a majority of its employees. The following provides a reconciliation of benefit obligations, plan assets, and funded status of the plans.

13. Pension and Other Postretirement Benefits (continued)

(in millions)	Pension Plans 1999	Pension Plans 1998	Other Postretirement Plans 1999	Other Postretirement Plans 1998
Change in projected benefit obligation				
Projected benefit obligation at beginning of year	$585.8	$482.4	$ 170.5	$ 140.8
Service cost	17.6	15.1	2.9	2.4
Interest cost	39.6	36.6	11.4	10.3
Plans of acquired companies	-	45.4	-	7.7
Change in purchase price allocation	(28.4)	-	-	-
Special termination benefits(a)	12.8	-	-	-
Plan amendments	3.2	-	-	-
Actuarial loss	3.7	37.5	6.6	17.6
Benefits paid	(42.1)	(31.2)	(8.6)	(8.3)
Projected benefit obligation at end of year	$592.2	$585.8	$ 182.8	$ 170.5

Change in plan assets				
Fair value of plan assets at beginning of year	$920.1	$721.0	$ 61.2	$ 45.6
Actual return on plan assets	151.1	177.5	19.3	15.8
Company contributions	.4	.3	8.4	8.1
Plans of acquired companies	-	54.4	-	-
Change in purchase price allocation	(47.0)	-	-	-
Benefits paid from plan assets	(42.9)	(33.1)	(8.6)	(8.3)
Fair value of plan assets at end of year	$981.7	$920.1	$ 80.3	$ 61.2
Funded status of the plans	$389.5	$334.3	$(102.5)	$(109.3)
Unrecognized transition asset	(5.6)	(8.5)	-	-
Unrecognized prior service cost (benefit)	30.4	29.6	(9.0)	(9.7)
Unrecognized net gain	(292.3)	(234.5)	(34.7)	(29.1)
Prepaid (accrued) benefit cost	$122.0	$120.9	$(146.2)	$(148.1)
Principal actuarial assumptions at June 30:				
Discount rate	7.0%	7.0%	7.0%	7.0%
Long-term rate of compensation increase	4.5%	4.5%	-	-
Long-term rate of return on plan assets	9.0%	9.0%	9.0%	9.0%

(a) Benefits provided to employees terminated as a result of a salaried work force reduction and reconfiguration of distribution network. See note 3 to the consolidated financial statements.

Notes to Consolidated Financial Statements

13. Pension and Other Postretirement Benefits (continued)

Pension and other postretirement plans included the following net credits and costs components:

	Pension Plans			Other Postretirement Plans		
(in millions)	1999	1998	1997	1999	1998	1997
Service cost	$ 17.6	$ 15.1	$13.4	$ 2.9	$ 2.4	$ 2.4
Interest cost	39.6	36.6	32.7	11.4	10.3	10.6
Expected return on plan assets	(80.9)	(66.5)	(52.9)	(5.5)	(4.1)	(3.1)
Amortization of transition asset	(2.9)	(2.9)	(2.9)	-	-	-
Amortization of prior service cost	2.4	2.4	2.4	(.7)	(.6)	.2
Amortization of net gain	(9.7)	(6.4)	(1.8)	(1.3)	(1.5)	(1.4)
Change in purchase price allocation	4.8	-	-	-	-	-
Net(credit) cost	$(29.1)	$(21.7)	$(9.1)	$ 6.8	$ 6.5	$ 8.7

Pension Plans

Carpenter has several underfunded plans. As of June 30, 1999 and 1998, the projected benefit obligation of the underfunded plans was $26.7 million and $23.7 million, the total fair value of assets was $2.0 million and $2.0 million, and the accumulated benefit obligation was $22.8 million and $20.5 million, respectively.

During fiscal 1999, adjustments for final purchase price allocations resulted in an increase in goodwill of $10.3 million. Additional purchase price adjustments resulted in a charge to pre-tax income of $4.8 million which was included in other income and expense on the consolidated statement of income.

During fiscal 1997 Carpenter established a separate account within a pension plan to fund certain postretirement medical benefit payments. As a result, the Plan is required to fully vest certain participants in their accrued pension benefits.

Carpenter also maintains defined contribution pension and savings plans for substantially all domestic employees. Company contributions were $7.1 million in fiscal 1999, $6.8 million in fiscal 1998 and $5.3 million in fiscal 1997. There were 1,437,110 common shares reserved for issuance under the savings plans at June 30, 1999.

13. Pension and Other Postretirement Benefits (continued)

Other Postretirement Plans

The postretirement benefit plans consist of health care and life insurance plans. Prior to June 1999, Carpenter paid claims incurred for most retired employees. Beginning in June 1999, benefit payments are being paid by a Voluntary Employee Benefit Association (VEBA). Carpenter contributes discretionary amounts, not to exceed the amount deductible for tax purposes, into the VEBA. Plan assets are invested in trust-owned life insurance.

The assumed health care cost trend rate for fiscal years after 1999 is 6 percent. The health care cost trend rate has a significant effect on the amounts reported. If the assumed health care cost trend rate was increased by 1 percent, the projected benefit obligation at June 30, 1999 would have increased by $18.1 million and the postretirement benefit expense for fiscal 1999 would have increased by $1.7 million. If the assumed health care cost trend rate was decreased by 1 percent, the projected benefit obligation at June 30, 1999 would have decreased by $15.5 million and the postretirement benefit expense for fiscal 1999 would have decreased by $1.4 million.

14. Employee Stock Ownership Plan

Carpenter has a leveraged employee stock ownership plan ("ESOP") to assist certain employees with their future retiree medical obligations. Carpenter issued 461.5 shares of convertible preferred stock at $65,000 per share to the ESOP in exchange for a $30.0 million 15-year 9.345% note which is included in the shareholders' equity section of the consolidated balance sheet as deferred compensation. The preferred stock is recorded net of related issuance costs.

Principal and interest obligations on the note are satisfied by the ESOP as Carpenter makes contributions to the ESOP and dividends are paid on the preferred stock. As payments are made on the note, shares of preferred stock are allocated to participating employees' accounts within the ESOP.

Carpenter contributed $1.5 million in fiscal 1999, $1.4 million in fiscal 1998 and $1.3 million in fiscal 1997 to the ESOP. Compensation expense related to the plan was $1.7 million in fiscal 1999, $1.8 million in fiscal 1998 and $1.9 million in fiscal 1997.

As of June 30, 1999, the ESOP held 425.8 shares of the convertible preferred stock, consisting of 179.4 allocated shares and 246.4 unallocated shares. Each preferred share is convertible into 2,000 shares of common stock. There are 851,650 common shares reserved for issuance under the ESOP at June 30, 1999. The shares of preferred stock pay a

14. Employee Stock Ownership Plan (continued)

cumulative annual dividend of $5,362.50 per share, are entitled to vote together with the common stock as a single class and have 2,600 votes per share. The stock is redeemable at Carpenter's option at $67,600 per share, declining to $65,000 per share by 2001.

15. Supplemental Data

(in millions)	1999	1998	1997
Cost Data:			
Research and development costs	$ 14.0	$ 14.6	$ 13.0
Repairs and maintenance costs	$ 61.4	$ 63.7	$ 58.3
Cash Flow Data:			
Cash paid during the year for:			
Interest payments, net of amounts capitalized	$ 28.3	$ 25.6	$ 18.7
Income tax payments, net of refunds	$ 19.1	$ 54.2	$ 23.9
Non-cash investing and financing activities:			
Treasury stock issued for business acquisitions	$ -	$ 1.0	$ 99.5
Debt assumed in business acquisitions	$ -	$141.7	$ 10.2

16. Income Taxes

Provisions for income taxes consisted of the following:

(in millions)	1999	1998	1997
Current:			
Federal	$18.2	$32.0	$25.9
State	3.6	3.1	2.4
Foreign	3.1	3.2	2.5
Deferred:			
Federal	(5.0)	9.6	4.9
State	(1.2)	4.1	1.8
Foreign	-	.9	.4
	$18.7	$52.9	$37.9

16. Income Taxes (continued)

The following is a reconciliation of the statutory federal income tax rate to the actual effective income tax rate:

(% of pre-tax income)	1999	1998	1997
Federal tax rate	35.0%	35.0%	35.0%
Increase (decrease) in taxes resulting from:			

State income taxes, net of federal tax benefit	3.8	2.7	2.8
Goodwill amortization	3.9	1.3	0.7
Nontaxable income	(2.7)	(1.7)	(2.0)
Federal and state tax law changes	(0.8)	-	0.3
Settlement of prior years' tax issues	(5.6)	-	-
Other, net	(0.1)	1.4	1.9
Effective tax rate	33.5%	38.7%	38.7%

Deferred taxes are recorded based upon temporary differences between financial statement and tax bases of assets and liabilities. The following deferred tax liabilities and assets were recorded as of June 30, 1999 and 1998:

(in millions)	1999	1998
Deferred tax liabilities:		
Depreciation	$150.9	$148.5
Prepaid pensions	61.1	49.8
Net assets held for sale	-	20.3
Intangible assets	12.5	13.6
Inventories	11.9	12.1
Other	5.8	8.1
Total deferred tax liabilities	242.2	252.4
Deferred tax assets:		
Postretirement provisions	53.2	53.6
Other reserve provisions	38.8	32.0
Valuation allowance	(.9)	(.9)
Total deferred tax assets	91.1	84.7
Net deferred tax liability	$151.1	$167.7

17. Commitments and Contingencies

Environmental

Carpenter is subject to various stringent federal, state and local environmental laws and regulations. The liability for future environmental remediation costs is evaluated by management on a quarterly basis. Carpenter accrues amounts for environmental remediation costs which represent management's best estimate of the probable and reasonably estimable costs relating to environmental remediation. For the years ended June 30, 1998 and 1997, $8.1 million and $5.9 million, respectively, were charged to cost of sales for environmental remediation costs. No expense was recognized in fiscal 1999. The liability recorded for environmental cleanup costs remaining at June 30, 1999 and 1998, was $9.7 million and $10.0 million, respectively. The estimated range of the reasonably possible future costs of remediation at Carpenter-owned operating facilities and superfund sites is between $9.7 million and $13.0 million.

During fiscal years 1998 and 1997, Carpenter entered into partial settlements of litigation relating to insurance coverages for certain superfund sites and recognized income before income taxes of $4.6 million and $3.0 million, respectively. No income was recognized in fiscal 1999. During fiscal 1999 and 1998, approximately $1.8 million and $9.4 million, respectively, of cash was received under these settlements for the superfund sites. No cash was received in fiscal 1997. The remaining discounted amounts receivable for recoveries from these settlements at June 30, 1999 and 1998, were $.4 million and $2.2 million, respectively.

Estimates of the amount and timing of future costs of environmental remediation requirements are necessarily imprecise because of the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology and the identification of presently unknown remediation sites and the allocation of costs among the potentially responsible parties. Based upon information presently available, such future costs are not expected to have a material effect on Carpenter's competitive or financial position. However, such costs could be material to results of operations in a particular future quarter or year.

Other

On January 15, 1999, the Bridgeport, Connecticut, Port Authority issued a Notice of Condemnation for the taking of Carpenter's former plant site in that city. On August 6, 1999, the Port Authority filed a Certificate of Taking, acquiring fee simple ownership of the property. The proposed compensation for the site is $2.5 million and the

17. Commitments and Contingencies (continued)

Port Authority has stated its intention to seek reimbursement of any additional site remediation costs. The carrying value for the site on Carpenter's books is approximately $14 million and is based upon a recent appraisal and arms-length negotiated selling prices with interested parties. Carpenter has begun legal proceedings in court to obtain a fair value for the property and requested a permanent injunction barring condemnation or, in the alternative, a declaratory judgment absolving Carpenter from any remediation costs caused by the Port Authority's development efforts. While the ultimate outcome of these proceedings is undeterminable, in the opinion of management the Port Authority's proposed compensation and remediation reimbursement are unreasonable and will not be upheld and accordingly, no provision has been made for an impairment in carrying value.

Carpenter is also defending various claims and legal actions, and is subject to commitments and contingencies which are common to its operations. Carpenter provides for costs relating to these matters when a loss is probable and the amount is reasonably estimable. The effect of the outcome of these matters on Carpenter's future results of operations and liquidity cannot be predicted because any such effect depends on future results of operations and the amount and timing (both as to recording future charges to operations and cash expenditures) of the resolution of such matters. While it is not feasible to determine the outcome of these matters, in the opinion of management, any total ultimate liability will not have a material effect on Carpenter's financial position, results of operations or cash flows.

18. Business Segments and Geographic Data

Carpenter adopted SFAS 131, "Disclosures about Segments of an Enterprise and Related Information", beginning in fiscal 1999. SFAS 131 requires companies to disclose segment information on the same basis as that used internally by executive management to evaluate segment performance. Carpenter is organized on a product basis and managed in three segments: Specialty Alloys, Titanium Alloys and

Engineered Products. For the following segment reporting, the Specialty Alloys and Titanium Alloys segments have been aggregated into one reportable segment (Specialty Metals) because of the similarities in products, processes, customers and distribution methods.

Specialty Metals includes the manufacture and distribution of stainless, titanium, high temperature, electronic, tool and other alloys in bar, wire, rod, and strip forms. Sales are distributed both directly from producing plants and from a Carpenter operated distribution network.

18. Business Segments and Geographic Data (continued)

Engineered Products includes structural ceramic products, ceramic cores for the casting industry, metal-injection molded products, tubular metal products for nuclear and aerospace applications, custom shaped bar and ultra hard wear materials.

The accounting policies of both reportable segments are the same as those described in the Summary of Significant Accounting Policies. Carpenter evaluates segment performance based upon income before interest and income taxes (EBIT) and return on assets. The Specialty Metals segment includes costs of most corporate functions. No allocation of these costs has been made to the Engineered Products Segment. The primary corporate costs not included in the Specialty Metals segment are those for certain corporate owned life insurance programs and the earnings effects of the sales of the Talley businesses. Sales between the segments are generally made at market-related prices. Corporate assets are primarily cash and cash equivalents, the Talley assets held for sale, corporate owned life insurance, and other investments.

Carpenter's sales are not materially dependent on a single customer or small group of customers.

Geographic Data

(in millions)	1999	1998	1997
Net Sales (a):			
United States	$ 851.9	$ 997.1	$ 821.2
Europe	101.4	91.7	51.4
Mexico	43.8	45.6	34.7
Canada	16.3	17.4	14.1
Asia Pacific	12.2	11.8	8.8
Other	11.1	13.1	8.8
Consolidated	$1,036.7	$1,176.7	$ 939.0
Long-lived assets:			
United States	$1,139.5	$1,027.3	$ 802.6
Europe	12.8	4.8	4.3
Mexico	14.2	14.8	13.3
Canada	.9	.4	.4
Asia Pacific	.2	1.1	.2
Other	17.5	5.0	-
Consolidated	$1,185.1	$1,053.4	$ 820.8

(a) Net sales are attributed to countries based on the location of the customer.

18. Business Segments and Geographic Data (continued)

Segment Data

(in millions)	1999	1998	1997
Net sales:			
Specialty Metals	$ 886.4	$1,035.2	$ 842.0
Engineered Products	153.7	144.4	99.5
Intersegment	(3.4)	(2.9)	(2.5)
Consolidated net sales	$1,036.7	$1,176.7	$ 939.0
Income before income taxes:			
Specialty Metals, including corporate costs	$ 75.4(a)	$ 151.4	$ 108.4
Engineered Products	4.6	9.2	4.4
Other corporate income, net	2.5	2.2	1.6
Eliminations	-	(.2)	(.1)
Consolidated EBIT	82.5	162.6	114.3
Interest expense	(29.3)	(29.0)	(19.9)
Interest income	2.6	3.3	3.5
Consolidated income before income taxes	$ 55.8	$ 136.9	$ 97.9
Total Assets:			
Specialty Metals	$1,411.2	$1,324.6	$1,082.6
Engineered Products	151.6	145.1	113.6
Corporate assets	45.0	229.2	26.8
Consolidated total assets	$1,607.8	$1,698.9	$1,223.0
Depreciation:			
Specialty Metals	$ 46.0	$ 42.1	$ 33.2
Engineered Products	5.8	4.7	3.6
Consolidated depreciation	$ 51.8	$ 46.8	$ 36.8
Amortization of intangible assets:			
Specialty Metals	$ 11.6	$ 9.4	$ 4.3
Engineered Products	2.3	2.0	1.6
Consolidated amortization	$ 13.9	$ 11.4	$ 5.9
Capital expenditures:			
Specialty Metals	$ 141.9	$ 87.6	$ 85.0
Engineered Products	11.1	11.4	8.6
Corporate	.1	.5	-
Consolidated capital expenditures	$ 153.1	$ 99.5	$ 93.6

(a) Includes special charge of $14.2 million for salaried work force reduction and reconfiguration of distribution network. See note 3 to the consolidated financial statements.

SUPPLEMENTARY DATA

Quarterly Financial Data (Unaudited)

Quarterly sales and earnings results are usually influenced by seasonal factors. The first fiscal quarter (three months ending September 30) is typically the lowest because of annual plant vacation and maintenance shutdowns in this period by Carpenter and by many of its customers. This seasonal pattern can be disrupted by economic cycles or special accounting adjustments.

(dollars and shares in millions, except per share amounts)	First Quarter	Second Quarter	Third Quarter(a)	Fourth Quarter
Results of Operations				
Fiscal 1999				
Net sales	$ 250.3	$ 248.7	$ 271.8	$ 265.9
Gross profits	$ 66.7	$ 65.6	$ 63.9	$ 67.0
Net income	$ 12.2	$ 12.2	$ 1.2	$ 11.5
Fiscal 1998				
Net sales	$ 249.5	$ 280.0	$ 329.0	$ 318.2
Gross profits	$ 70.3	$ 77.4	$ 88.1	$ 92.6
Net income	$ 17.1	$ 18.7	$ 22.1	$ 26.1
Earnings Per Common Share				
Fiscal 1999				
Basic earnings	$ .52	$ .54	$ .04	$ .51
Diluted earnings	$ .51	$ .53	$ .04	$ .50
Fiscal 1998				
Basic earnings	$ .86	$ .93	$ 1.07	$ 1.13
Diluted earnings	$ .82	$ .89	$ 1.02	$ 1.08
Weighted Average Common Shares Outstanding				
Fiscal 1999				
Basic	22.7	22.0	21.9	21.9
Diluted	23.7	22.9	22.8	22.8
Fiscal 1998				
Basic	19.5	19.6	20.3	22.8
Diluted	20.7	20.7	21.5	24.0

(a) Fiscal 1999 includes a special charge of $14.2 million ($8.5 million after-tax or $.37 per diluted share) related to a salaried work force reduction and a reconfiguration of the U.S. distribution network.

Item 9. Disagreements on Accounting and Financial Disclosure

Not Applicable

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required as to directors is incorporated herein by reference to the 1999 definitive Proxy Statement under the caption "Election of Directors."

Information concerning Carpenter's executive officers appears in Part I of this Annual Report on Form 10-K.

Information concerning a director's failure to timely file a Form 4 report as required under Section 16(a) of the Exchange Act is incorporated herein by reference to the 1999 definitive Proxy Statement under the caption "Section 16(a) Beneficial Ownership Reporting Compliance."

Item 11. Executive Compensation

The information required by this item is incorporated herein by reference to the 1999 definitive Proxy Statement under the caption "Executive Compensation."

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item is incorporated herein by reference to the 1999 definitive Proxy Statement under the captions "Ownership of Carpenter Stock by Certain Beneficial Owners" and "Ownership of Carpenter Stock by Directors and Officers."

Item 13. Certain Relationships and Related Transactions

Not applicable

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Documents Filed as Part of this Report:

(1) The following consolidated financial statement schedule should be read in conjunction with the consolidated financial statements (see Item 8. Financial Statements):

Report of Independent Accountants on Financial Statement Schedule
Schedule II - Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable or the required information is contained in the consolidated financial statements or notes thereto.

Report of Independent Accountants on Financial Statement Schedule

To the Board of Directors of
Carpenter Technology Corporation:

Our audits of the consolidated financial statements referred to in our report dated July 27, 1999, except as to the information presented in Note 17 for which the date is August 6, 1999, appearing in this Annual Report on Form 10-K also included an audit of the Financial Statement Schedule listed in Item 14(a) of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

s/PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
2400 Eleven Penn Center
Philadelphia, Pennsylvania
July 27, 1999, except as to the
information presented in
Note 17 for which the date is
August 6, 1999

(2) The following documents are filed as exhibits:

2. Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession
3. Articles of Incorporation and By-Laws of the Company
4. Instruments Defining the Rights of Security Holders, Including Indentures
10. Material Contracts
12. Computation of Ratios of Earnings to Fixed Charges
23. Consent of Independent Accountants
24. Powers of Attorney

27. Financial Data Schedule
99. Additional Exhibits

(b) Reports on Form 8-K:

A Current Report on Form 8-K, dated May 12, 1999, was filed on behalf of Carpenter on May 19, 1999. The Report covered Item 5, Other Events. No financial statements were filed with this Report.

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.

CARPENTER TECHNOLOGY CORPORATION

By s/G. Walton Cottrell

G. Walton Cottrell
Sr. Vice President - Finance &
Chief Financial Officer

Date: September 24, 1999

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

s/Robert W. Cardy --------------------- Robert W. Cardy	Chairman and Chief Executive Officer and Director (Principal Executive Officer)	September 24, 1999
s/Dennis M. Draeger --------------------- Dennis M. Draeger	President and Chief Operating Officer	September 24, 1999
s/G. Walton Cottrell --------------------- G. Walton Cottrell	Sr. Vice President - Finance & Chief Financial Officer	September 24, 1999
s/Edward B. Bruno --------------------- Edward B. Bruno	Vice President and Corporate Controller (Principal Accounting Officer)	September 24, 1999
* --------------------- Marcus C. Bennett	Director	September 24, 1999
* --------------------- William S. Dietrich II	Director	September 24, 1999
* --------------------- C. McCollister Evarts, M.D.	Director	September 24, 1999
*	Director	September 24, 1999

J. Michael Fitzpatrick

*	Director	September 24, 1999
William J. Hudson, Jr.		
*	Director	September 24, 1999
Robert J. Lawless		
*	Director	September 24, 1999
Marlin Miller, Jr.		
*	Director	September 24, 1999
Robert N. Pokelwaldt		
*	Director	September 24, 1999
Peter C. Rossin		
*	Director	September 24, 1999
Kathryn C. Turner		
*	Director	September 24, 1999
Kenneth L. Wolfe		

Original Powers of Attorney authorizing John R. Welty to sign this Report on behalf of: Marcus C. Bennett, William S. Dietrich II, C. McCollister Evarts, M.D., J. Michael Fitzpatrick, William J. Hudson, Jr., Robert J. Lawless, Marlin Miller, Jr., Robert N. Pokelwaldt, Peter C. Rossin, Kathryn C. Turner and Kenneth L. Wolfe are being filed with the Securities and Exchange Commission.

*By s/John R. Welty

John R. Welty
Attorney-in-fact

CARPENTER TECHNOLOGY CORPORATION AND SUBSIDIARIES

SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS

(in millions)

Column A	Column B	Column C		Column D	Column E
	Balance	Additions			
Description	at Beginning of Period	Charged to Costs & Expenses	Charged to Other Accounts(1)	Deductions(2)	Balance at End of Period
Year ended June 30, 1999:					

Allowance for doubtful accounts receivable	$ 1.9	$ 0.8	$ 0.1	$(0.9)	$ 1.9
	=====	=====	=====	======	=====
Year ended June 30, 1998:					
Allowance for doubtful accounts receivable	$ 1.4	$ 0.7	$ 0.4	$(0.6)	$ 1.9
	=====	=====	=====	======	=====
Year ended June 30, 1997:					
Allowance for doubtful accounts receivable	$ 1.2	$ 0.3	$ 0.5	$(0.6)	$ 1.4
	=====	=====	=====	======	=====

(1) Includes beginning balances of acquired businesses and recoveries of accounts previously written off, net of collection expenses.

(2) Doubtful accounts written off.

EXHIBIT INDEX

Exhibit No.	Title	Page
2.	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	
A.	Agreement and Plan of Merger among Carpenter Technology Corporation, Score Acquisition Corp. and Talley Industries, Inc. dated September 25, 1997 is incorporated herein by reference to Exhibit (c)(1) to Schedule 14d-1 relating to Talley Industries, Inc. filed on October 2, 1997 by Carpenter and Score Acquisition Corp.	
B.	Agreement and Plan of Merger dated January 6, 1997, by and among Dynamet Incorporated, Shareholders of Dynamet Incorporated and Carpenter is incorporated herein by reference to Exhibit 1 to Carpenter's Current Report on Form 8-K filed on March 27, 1997.	
3.	Articles of Incorporation and By-Laws	
A.	Restated Certificate of Incorporation is incorporated herein by reference to Exhibit 3 of Carpenter's Form 10-Q Quarterly Report for the quarter ended September 30, 1998.	
B.	By-Laws, amended as of December 5, 1996, are incorporated herein by reference to Exhibit 3B of Carpenter's 1996 Annual Report on Form 10-K and to Exhibit 3 of Carpenter's Form 10-Q Quarterly Report for the quarter ended December 31, 1996.	
4.	Instruments Defining Rights of Security Holders, Including Indentures	
A.	Restated Certificate of Incorporation and By-Laws set forth in Exhibit Nos. 3A and 3B, above.	
B.	Rights Agreement relating to Rights distributed to holders of Carpenter's Stock, amended as of April 23, 1996, is incorporated by reference to Carpenter's Current Report on Form 8-K filed May 3, 1996.	
C.	Carpenter's Registration Statement No. 333-44757, as filed on Form S-3 on January 22, 1998, and amended on February 13, 1998, with respect to issuance of Common Stock and unsecured debt is incorporated herein by reference.	
D.	Prospectus, dated February 13, 1998 and Prospectus Supplement, dated March 31, 1998, File No. 333-44757, with respect to issuance of $198,000,000 of Medium Term Notes are incorporated by reference.	
E.	Indenture dated January 12, 1994, between Carpenter and U.S. Bank Trust National Association, formerly	

known as First Trust of New York, National Association, as successor Trustee to Morgan Guaranty Trust Company of New York, related to Carpenter's i) $100,000,000 of unsecured medium term notes registered on Registration Statement No. 33-51613 and ii) $198,000,000 of unsecured medium term notes registered on Registration Statement No. 333-44757 is incorporated by reference to Carpenter's Report on Form 10-Q Quarterly Report for the period ended December 31, 1993.

F. Forms of Fixed Rate and Floating Rate Medium-Term Note, Series B are incorporated by reference to Exhibit 20 to Carpenter's Current Report on Form 8-K filed on April 15, 1998.

G. Pricing Supplements No. 1 through 25 dated and filed from April 2, 1998 to June 11, 1998, supplements to Prospectus dated February 13, 1998 and Prospectus Supplement dated March 31, 1998, File No. 333-44757 with respect to issuance of $198,000,000 of Medium Term Notes are incorporated herein by reference.

10. Material Contracts

A. Supplemental Retirement Plan for Executive Officers, amended as of April 23, 1996, is incorporated herein by reference to Exhibit No. 10A to Carpenter's 1996 Annual Report on Form 10-K.

B. Management and Officers Capital Appreciation Plan, an Incentive Stock Option Plan, amended as of August 9, 1990, is incorporated herein by reference to Exhibit No. 10B to Carpenter's 1990 Annual Report on Form 10-K.

C. Incentive Stock Option Plan for Officers and Key Employees, amended as of August 9, 1990, is incorporated herein by reference to Exhibit No. 10C to the Company's 1990 Annual Report on Form 10-K.

D. Directors Retirement Plan is incorporated herein by reference to Exhibit No. 10E to Carpenter's 1983 Annual Report on Form 10-K.

E. Deferred Compensation Plan for Nonmanagement Directors of Carpenter Technology Corporation, amended as of December 7, 1995, is incorporated herein by reference to Exhibit No. 10E to Carpenter's 1996 Annual Report on Form 10-K.

F. Deferred Compensation Plan for Corporate and Division Officers of Carpenter Technology Corporation, amended as of April 1, 1997, is incorporated by reference to Exhibit E-9 to Carpenter's 1997 Annual Report on Form 10-K.

G. Executive Annual Compensation Plan, amended as of July 1, 1997 is incorporated by reference to Exhibit E-20 to Carpenter's 1997 Annual Report on Form 10-K.

H. Non-Qualified Stock Option Plan For Non-Employee Directors, as amended, is incorporated herein by reference to Appendix A of Carpenter's 1997 Proxy Statement.

I. Officers' Supplemental Retirement Plan of Carpenter Technology Corporation is incorporated herein by reference to Exhibit 10I to Carpenter's 1990 Annual Report on Form 10-K.

J. Trust Agreement between Carpenter and the Chase Manhattan Bank, N.A., dated September 11, 1990 as amended and restated on May 1, 1997, relating in part to the Supplemental Retirement Plan for Executive Officers, Deferred Compensation Plan for Corporate and Division Officers and the Officers' Supplemental Retirement Plan of Carpenter Technology Corporation is incorporated by reference to Exhibit E-28 to Carpenter's 1997 Annual Report on Form 10-K.

K. Indemnification Agreements, entered into between Carpenter and each of the directors and the following executive officers: Robert W. Cardy, Dennis M. Draeger, G. Walton Cottrell, Nicholas F. Fiore, Robert W. Lodge and John R. Welty are incorporated by reference to the form attached to Carpenter's 1993 Form 10-K.

L. Stock-Based Incentive Compensation Plan for Officers and Key Employees, amended as of June 27, 1996, is incorporated herein by reference to Appendix A to the 1996 Proxy Statement.

M. Stock Purchase Agreement dated July 28, 1993, between Carpenter Technology Corporation, Carpenter Investments, Inc. and the shareholders of Aceros Fortuna, S.A. de C.V. and Movilidad Moderna, S.A. de C.V. with respect to the purchase of all the capital stock of Aceros Fortuna and Movilidad Moderna is incorporated by reference to Exhibit 1 to Carpenter's Form 8-K Current Report dated July 28, 1993.

N. Special Severance Agreements entered into between Carpenter and each of the following executive officers: Robert W. Cardy, Dennis M. Draeger, G. Walton Cottrell, Nicholas F. Fiore, Robert W. Lodge, and John R. Welty are incorporated herein by reference to the form of agreement attached to Carpenter's 1995 Form 10-K.

O. Trust Agreement between Carpenter and the Chase Manhattan Bank, N.A., dated December 7, 1990 as amended and restated on May 1, 1997, relating in part to the Directors' Retirement Plan and the Deferred Compensation Plan for Nonmanagement Directors, is

	incorporated by reference to Exhibit E-83 to Carpenter's 1997 Annual Report on Form 10-K.	
P.	Underwriting Agreement dated March 10, 1998 between Carpenter and J.P. Morgan Securities Inc.; Credit Suisse First Boston Corporation; Bear, Stearns & Co. Inc. and Paine Webber Incorporated is incorporated herein by reference to Carpenter's Form 8-K/A filed on March 19, 1998.	
Q.	Distribution Agreement dated March 31, 1998 between Carpenter and Credit Suisse First Boston Corporation and J.P. Morgan Securities Inc. is incorporated by reference to Exhibit 1 to Carpenter's Current Report on Form 8-K filed on April 15, 1998.	
12.	Computations of Ratios of Earnings to Fixed Charges	E-6
23.	Consent of Experts and Counsel	
	Consent of Independent Accountants	E-7
24.	Powers of Attorney	
	Powers of Attorney in favor of G. Walton Cottrell or John R. Welty.	E-8
27.	Financial Data Schedule	E-15
99.	Additional Exhibits	
	Agreement to Furnish Debt Instruments	E-16

Exhibit 12

Carpenter Technology Corporation
Computations of Ratios of Earnings to Fixed Charges -- unaudited
Five years Ended June 30, 1999

(dollars in millions)

	1999	1998(b)	1997	1996	1995
Fixed charges:					
Interest costs (a)	$ 34.8	$ 31.2	$ 22.3	$ 19.3	$ 17.8
Interest component of non-capitalized lease rental expense (c)	3.2	2.9	2.4	2.0	2.4
Total fixed charges	$ 38.0	$ 34.1	$ 24.7	$ 21.3	$ 20.2
Earnings as defined:					
Income before income taxes	$ 55.8	$136.9	$ 97.9	$ 95.2	$ 74.6
Add: Loss in less-than-fifty-percent-owned entities and loss on sale of partial interest in less-than-fifty-percent owned entities	0.0	3.4	1.2	4.3	3.0
Fixed charges less interest capitalized	32.5	32.0	22.3	21.0	17.0
Amortization of capitalized interest	2.0	1.9	1.9	2.1	1.9
Earnings as defined	$ 90.3	$174.2	$123.3	$122.6	$ 96.5
Ratio of earnings to fixed charges	2.4x	5.1x	5.0x	5.7x	4.8x

(a) Includes interest capitalized relating to significant construction projects, and amortization of debt discount and debt expense.

(b) Excludes interest and earnings related to net assets held for sale.

(c) One-third of rental expense which approximates the interest component of non-capitalized leases.

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Carpenter Technology Corporation and subsidiaries on Forms S-8 and S-3 (File Nos. 2-83780, 2-81019, 2-60469, 33-42536, 33-65077, 33-54045, 333-43017, 333-55667 and 333-55669) of our reports dated July 27, 1999, except as to the information presented in Note 17 for which the date is August 6, 1999, on our audits of the consolidated financial statements and financial statement schedule of Carpenter Technology Corporation and subsidiaries as of June 30, 1999 and 1998, and for the years ended June 30, 1999, 1998 and 1997, which reports are included in this Annual Report on Form 10-K.

s/PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
2400 Eleven Penn Center
Philadelphia, Pennsylvania
September 24, 1999

CARPENTER TECHNOLOGY CORPORATION

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned in his capacity as a Director of Carpenter Technology Corporation does hereby appoint G. Walton Cottrell and John R. Welty or either of them his true and lawful attorneys to execute in his name, place and stead, in his capacity as Director of said Company, the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K, for the year ended June 30, 1999, of said Company, and any and all amendments to said Annual Report and all instruments necessary or incidental in connection therewith and to file the same with the Securities and Exchange Commission. Said attorneys shall individually have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever requisite or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys.

IN TESTIMONY WHEREOF, the undersigned has executed this instrument this 12th day of August, 1999.

____
Marcus C. Bennett
Director

CARPENTER TECHNOLOGY CORPORATION

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned in his capacity as a Director of Carpenter Technology Corporation does hereby appoint G. Walton Cottrell and John R. Welty or either of them his true and lawful attorneys to execute in his name, place and stead, in his capacity as Director of said Company, the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K, for the year ended June 30, 1999, of said Company, and any and all amendments to said Annual Report and all instruments necessary or incidental in connection therewith and to file the same with the Securities and Exchange Commission. Said attorneys shall individually have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever requisite or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys.

IN TESTIMONY WHEREOF, the undersigned has executed this instrument this 12th day of August, 1999.

____
William S. Dietrich II
Director

CARPENTER TECHNOLOGY CORPORATION

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned in his capacity as a Director of Carpenter Technology Corporation does hereby appoint G. Walton Cottrell and John R. Welty or either of them his true and lawful attorneys to execute in his name, place and stead, in his capacity as Director of said Company, the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K, for the year ended June 30, 1999, of said Company, and any and all amendments to said Annual Report and all instruments necessary or incidental in connection therewith and to file the same with the Securities and Exchange Commission. Said attorneys shall individually have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever requisite or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys.

IN TESTIMONY WHEREOF, the undersigned has executed this instrument this 11th day of August, 1999.

____
C. McCollister Evarts, M.D.
Director

CARPENTER TECHNOLOGY CORPORATION

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned in his capacity as a Director of Carpenter Technology Corporation does hereby appoint G. Walton Cottrell and John R. Welty or either of them his true and lawful attorneys to execute in his name, place and stead, in his capacity as Director of said Company, the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K, for the year ended June 30, 1999, of said Company, and any and all amendments to said Annual Report and all instruments necessary or incidental in connection therewith and to file the same with the Securities and Exchange Commission. Said attorneys shall individually have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever requisite or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys.

IN TESTIMONY WHEREOF, the undersigned has executed this instrument this 12th day of August, 1999.

____
J. Michael Fitzpatrick
Director

CARPENTER TECHNOLOGY CORPORATION

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned in his capacity as a Director of Carpenter Technology Corporation does hereby appoint G. Walton Cottrell and John R. Welty or either of them his true and lawful attorneys to execute in his name, place and stead, in his capacity as Director of said Company, the Annual Report pursuant to Section l3 or l5(d) of the Securities Exchange Act of l934 on Form l0-K, for the year ended June 30, l999, of said Company, and any and all amendments to said Annual Report and all instruments necessary or incidental in connection therewith and to file the same with the Securities and Exchange Commission. Said attorneys shall individually have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever requisite or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys.

IN TESTIMONY WHEREOF, the undersigned has executed this instrument this 12th day of August, l999.

____
William J. Hudson, Jr.
Director

CARPENTER TECHNOLOGY CORPORATION

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned in his capacity as a Director of Carpenter Technology Corporation does hereby appoint G. Walton Cottrell and John R. Welty or either of them his true and lawful attorneys to execute in his name, place and stead, in his capacity as Director of said Company, the Annual Report pursuant to Section l3 or l5(d) of the Securities Exchange Act of l934 on Form l0-K, for the year ended June 30, l999, of said Company, and any and all amendments to said Annual Report and all instruments necessary or incidental in connection therewith and to file the same with the Securities and Exchange Commission. Said attorneys shall individually have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever requisite or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys.

IN TESTIMONY WHEREOF, the undersigned has executed this instrument this 9th day of August, 1999.

____
Robert J. Lawless
Director

CARPENTER TECHNOLOGY CORPORATION

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned in his capacity as a Director of Carpenter Technology Corporation does hereby appoint G. Walton Cottrell and John R. Welty or either of them his true and lawful attorneys to execute in his name, place and stead, in his capacity as Director of said Company, the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K, for the year ended June 30, 1999, of said Company, and any and all amendments to said Annual Report and all instruments necessary or incidental in connection therewith and to file the same with the Securities and Exchange Commission. Said attorneys shall individually have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever requisite or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys.

IN TESTIMONY WHEREOF, the undersigned has executed this instrument this 12th day of August, 1999.

____
Marlin Miller, Jr.
Director

CARPENTER TECHNOLOGY CORPORATION

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned in his capacity as a Director of Carpenter Technology Corporation does hereby appoint G. Walton Cottrell and John R. Welty or either of them his true and lawful attorneys to execute in his name, place and stead, in his capacity as Director of said Company, the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K, for the year ended June 30, 1999, of said Company, and any and all amendments to said Annual Report and all instruments necessary or incidental in connection therewith and to file the same with the Securities and Exchange Commission. Said attorneys shall individually have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever requisite or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys.

IN TESTIMONY WHEREOF, the undersigned has executed this instrument this 12th day of August, 1999.

____
Robert N. Pokelwaldt
Director

CARPENTER TECHNOLOGY CORPORATION

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned in his capacity as a Director of Carpenter Technology Corporation does hereby appoint G. Walton Cottrell and John R. Welty or either of them his true and lawful attorneys to execute in his name, place and stead, in his capacity as Director of said Company, the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K, for the year ended June 30, 1999, of said Company, and any and all amendments to said Annual Report and all instruments necessary or incidental in connection therewith and to file the same with the Securities and Exchange Commission. Said attorneys shall individually have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever requisite or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys.

IN TESTIMONY WHEREOF, the undersigned has executed this instrument this 5th day of August, 1999.

____
Peter C. Rossin
Director

CARPENTER TECHNOLOGY CORPORATION

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned in his capacity as a Director of Carpenter Technology Corporation does hereby appoint G. Walton Cottrell and John R. Welty or either of them his true and lawful attorneys to execute in his name, place and stead, in his capacity as Director of said Company, the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K, for the year ended June 30, 1999, of said Company, and any and all amendments to said Annual Report and all instruments necessary or incidental in connection therewith and to file the same with the Securities and Exchange Commission. Said attorneys shall individually have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever requisite or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys.

IN TESTIMONY WHEREOF, the undersigned has executed this instrument this 12th day of August, 1999.

____
Kathryn C. Turner
Director

CARPENTER TECHNOLOGY CORPORATION

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned in his capacity as a Director of Carpenter Technology Corporation does hereby appoint G. Walton Cottrell and John R. Welty or either of them his true and lawful attorneys to execute in his name, place and stead, in his capacity as Director of said Company, the Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K, for the year ended June 30, 1999, of said Company, and any and all amendments to said Annual Report and all instruments necessary or incidental in connection therewith and to file the same with the Securities and Exchange Commission. Said attorneys shall individually have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever requisite or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys.

IN TESTIMONY WHEREOF, the undersigned has executed this instrument this 6th day of August, 1999.

____
Kenneth L. Wolfe
Director

```
<ARTICLE> 5
<MULTIPLIER> 1,000,000


<PERIOD-TYPE>                   12-MOS
<FISCAL-YEAR-END>                          JUN-30-1999
<PERIOD-START>                             JUL-01-1998
<PERIOD-END>                               JUN-30-1999
<CASH>                                               6
<SECURITIES>                                         0
<RECEIVABLES>                                      151
<ALLOWANCES>                                         0
<INVENTORY>                                        250
<CURRENT-ASSETS>                                   423
<PP&E>                                            1254
<DEPRECIATION>                                     503
<TOTAL-ASSETS>                                    1608
<CURRENT-LIABILITIES>                              295
<BONDS>                                            355<F1>
<PREFERRED-MANDATORY>                                0
<PREFERRED>                                         27
<COMMON>                                           115
<OTHER-SE>                                         491
<TOTAL-LIABILITY-AND-EQUITY>                      1608
<SALES>                                           1037
<TOTAL-REVENUES>                                  1037
<CGS>                                              774
<TOTAL-COSTS>                                      774
<OTHER-EXPENSES>                                   178
<LOSS-PROVISION>                                     0
<INTEREST-EXPENSE>                                  29
<INCOME-PRETAX>                                     56
<INCOME-TAX>                                        19
<INCOME-CONTINUING>                                 37
<DISCONTINUED>                                       0
<EXTRAORDINARY>                                      0
<CHANGES>                                            0
<NET-INCOME>                                        37
<EPS-BASIC>                                       1.61<F2>
<EPS-DILUTED>                                     1.58
<FN>
<F1>REPRESENTS LONG-TERM DEBT, NET OF CURRENT PORTION
<F2>REPRESENTS BASIC EPS AS REQUIRED UNDER FAS 128
</FN>
```

Exhibit 99

AGREEMENT TO FURNISH DEBT INSTRUMENTS

Pursuant to Instruction 3(b)(4)(iii) to Item 601 of Regulation S-K, Carpenter has not included as an Exhibit any instrument with respect to long-term debt if the total amount of debt authorized by such instrument does not exceed 10% of the total assets of Carpenter. Carpenter agrees, pursuant to this Instruction, to furnish a copy of any such instrument to the Securities and Exchange Commission upon request of the Commission.

CARPENTER TECHNOLOGY CORPORATION

By s/John R. Welty
John R. Welty
Vice President, General Counsel
and Secretary