CARPENTER TECHNOLOGY CORP
Form DEF 14A
September 19, 2007
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PROXY STATEMENT PURSUANT TO SECTION 14(a)

OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

CARPENTER TECHNOLOGY CORPORATION

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

x No Fee Required

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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September 19, 2007

To Our Stockholders:

It is our pleasure to invite you to attend the 2007 Annual Meeting of Stockholders of Carpenter Technology Corporation, to be held at 11:00 a.m. on Monday, October 15, 2007. The meeting will be held at the Ritz Carlton New York City, Central Park, 50 Central Park South, New York, NY 10019.

Business scheduled for the Annual Meeting includes:

- The election of four directors to three-year terms expiring in 2010;
- Approval of the appointment of PricewaterhouseCoopers LLP as Carpenter s independent registered public accounting firm to perform its integrated audit for fiscal year 2008.

Information concerning these matters is included in the enclosed Notice of Annual Meeting and Proxy Statement. Also, at the meeting, I will respond to questions concerning Carpenter s operations.

If you plan to attend the meeting, please bring the admission ticket attached to your proxy card with you. If you are receiving this proxy statement by e-mail and wish to attend the meeting, you should print out the admission ticket attached to the e-mail. If your shares are held in the name of a broker, bank, or other nominee, and you wish to attend the meeting, you should obtain a letter from your broker, bank, or other nominee indicating that you are the beneficial owner of a stated number of shares of Carpenter stock as of the record date, August 17, 2007.

If you do not attend the meeting, you may vote over the Internet, by telephone, or by returning your proxy card. To ensure proper representation of your shares at the meeting, please follow the voting instructions beginning on page 1 of the Proxy Statement. You may also mark your proxy card, then sign, date, and return it at your earliest convenience.

I look forward to seeing you at the meeting.

Sincerely,

ANNE L. STEVENS
Chairman, President and
Chief Executive Officer

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Notice of Annual Meeting of Stockholders

on

October 15, 2007

CARPENTER TECHNOLOGY CORPORATION will hold its 2007 Annual Meeting of Stockholders at the Ritz Carlton New York City, Central Park, 50 Central Park South, New York, New York on Monday, October 15, 2007 at 11:00 a.m. We will vote on the following matters:

1. The election of four directors to three-year terms expiring in 2010;

2. Approval of the appointment of PricewaterhouseCoopers LLP, as Carpenter s independent registered public accounting firm to perform its integrated audit for the fiscal year ending June 30, 2008; and

3. Any other business that is properly presented at the meeting.

Only stockholders who were record owners at the close of business on August 17, 2007, may vote at the meeting. A list of those stockholders will be available at the meeting and also during the ten days before the meeting at the office of the Corporate Secretary, 2 Meridian Boulevard, 3rd Floor, Wyomissing, Pennsylvania.

Regardless of the number of shares that you own, it is important that your shares be represented at the meeting. You are encouraged to take advantage of the easy and cost-effective Internet and telephone voting that Carpenter offers. Please see page 1 of the Proxy Statement for Internet and telephone voting instructions. You may also vote by completing and signing the proxy card and returning it in the enclosed postage pre-paid envelope as soon as possible.

You are cordially invited to attend the meeting. If you plan to attend the meeting, please use the admission ticket attached to your proxy card or included in the e-mail by which you received this Proxy Statement or the letter you obtained from your broker. Upon presentation of proper identification, you may attend the meeting without an admission ticket.

By Order of the Board of Directors,

OLIVER C. MITCHELL, JR.
Senior Vice President - General Counsel and Secretary

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September 19, 2007

PROXY STATEMENT

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation of proxies for the Annual Meeting of Stockholders of Carpenter Technology Corporation on October 15, 2007, and any adjournment thereof. Selected information from Carpenter s 2007 Annual Report on Form 10-K, including financial statements, is being delivered along with this Notice and Proxy Statement, but is not incorporated as part of the Proxy Statement and is not to be considered part of the proxy solicitation material. These materials are being sent to stockholders on or about September 19, 2007. Carpenter Technology Corporation is referred to in this Proxy Statement as Carpenter or the Company .

Why Proxies are Being Solicited

Carpenter s Board of Directors is soliciting proxies so that every stockholder will have an opportunity to vote at the meeting, whether or not the stockholder attends the meeting in person. You are being asked to vote on two proposals:

- The election of four directors to three-year terms, which will expire in 2010;
- Approval of the appointment of PricewaterhouseCoopers LLP as Carpenter s independent registered public accounting firm to perform its integrated audit for fiscal year 2008.

Cost of Solicitation

Carpenter will pay the cost of preparing, assembling, and delivering the Notice of Annual Meeting, Proxy Statement and proxy card. Directors, officers, and regular employees of Carpenter may solicit proxies in person or by telephone without additional compensation. Carpenter will reimburse brokerage houses and other nominees for their expenses in forwarding proxy material to beneficial owners of Carpenter stock.

Who Can Vote

Stockholders who were record owners of Carpenter stock at the close of business on August 17, 2007, may vote at the meeting. On August 17, 2007, there were 26,140,530 shares of Carpenter common stock issued and outstanding and entitled to vote. Each share of common stock is entitled to one vote.

Each participant in the Savings Plan of Carpenter Technology Corporation (Savings Plan) may direct The Vanguard Group, Inc. (Vanguard), as trustee of the Savings Plan, how to vote the shares credited to the participant s account. Vanguard will vote the shares as directed and will treat any such directions it receives as confidential. Vanguard will vote any blank proxies or any shares for which no direction is received in the same proportion or manner as the directed shares. Directions must be received by Vanguard no later than Wednesday, October 10, 2007.

How to Vote

You may vote in one of four ways:

Vote Over the Internet

- *If your shares are held in the name of a broker, bank or other nominee*: Vote your Carpenter shares over the Internet by accessing the website given on the proxy card you received from such broker, bank, or other nominee. You will need the control number that appears on your proxy card when you access the web page.

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If your shares are registered in your name: Vote your Carpenter shares over the Internet by accessing the website at *www.proxyvote.com* and following the on-screen instructions. You will need the control number that appears on your proxy card when you access the web page.

Vote by Telephone (Touch-Tone Phone Only)

If your shares are held in the name of a broker, bank, or other nominee: Vote your Carpenter shares over the telephone by following the telephone voting instructions, if any, provided on the proxy card you received from such broker, bank or other nominee.

If your shares are registered in your name: Vote your Carpenter shares over the telephone by accessing the telephone voting system toll-free at 1-800-690-6903 and following the telephone voting instructions. The telephone instructions will lead you through the voting process. You will need the control number that appears on your proxy card when you call.

Based on your Internet and telephone voting, the proxy holders will vote your shares according to your directions.

Vote by Returning Your Proxy Card

You may vote by signing and returning your proxy card. The proxy holders will vote your shares according to your directions. If you sign and return your proxy card without specifying choices, your shares will be voted as recommended by the Board of Directors. If you wish to give a proxy to someone other than those designated on the proxy card, you may do so by crossing out the names of the designated proxies and inserting the name of another person. The person representing you should then present your signed proxy card at the meeting.

Vote by Ballot at the Meeting

You may also attend the meeting and vote by a ballot that you will receive at the meeting. Your admission ticket to the meeting is attached to your proxy card or in the e-mail by which you received this Proxy Statement.

If You Change Your Mind After Voting

You can revoke your proxy at any time before it is voted. Proxies are voted at the Annual Meeting. You can write to the Corporate Secretary, P.O. Box 14662, Reading, PA 19612-4662, stating that you wish to revoke your proxy and that you need another proxy card. More simply, you can vote again, either over the Internet or by telephone. Your last vote is the vote that will be counted. If you attend the meeting, you may vote by ballot, which will cancel your previous proxy vote.

Required Vote

Holders of a majority of the outstanding shares entitled to vote must attend or be represented by proxy at the Annual Meeting to constitute a quorum so that business may be conducted. Carpenter s By-Laws and Delaware law govern the vote needed to approve the proposals. Directors are elected by a plurality of the total votes cast. The affirmative vote of a majority of the votes cast is required to approve the appointment of the independent registered public accounting firm.

Abstentions as to any matter, and votes withheld for directors, are counted in determining the presence of a quorum, but are not included in the vote count for that matter, and will have no impact on the outcome of the approval of those matters. In the absence of instruction from broker clients who are the beneficial owners, brokers who hold shares in street name for clients have discretionary authority to vote on certain routine matters. Because brokers will have discretionary authority to elect directors and approve the appointment of PricewaterhouseCoopers LLP, we do not believe there will be any broker non-votes at the meeting.

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Stockholder Nominations to the Board of Directors

As described in its written charter, the Corporate Governance Committee is a standing committee of the Board of Directors which is, among other things, responsible for identifying qualified individuals to become members of the Board of Directors and recommending that the Board of Directors elect or nominate such qualified individuals for election at annual meetings of stockholders. The nominees for election to the Board of Directors listed in this Proxy Statement were recommended and nominated by the Corporate Governance Committee. All members of the Corporate Governance Committee have been determined by the Board of Directors to be independent under the listing requirements of the NYSE.

The Corporate Governance Guidelines of Carpenter provide that board candidates are considered based upon various criteria, such as their broad general training and experience in business, science, engineering, finance or administration, and their personal integrity and judgment. In Carpenter s view, the foremost responsibility of a Carpenter director is to represent the interests of stockholders as a whole. To accomplish this, Carpenter believes that directors must have time available to devote to Board activities. Accordingly, Carpenter seeks to attract and retain highly qualified directors who have sufficient time to attend to their substantial duties and responsibilities to Carpenter. Recent developments in corporate governance and financial reporting have resulted in an increased demand for such highly qualified and productive public company directors. Carpenter believes that there should be a majority of independent directors on the Board, and it is Carpenter s policy to avoid the nomination of outside professionals, including, but not limited to, lawyers, investment bankers, or accountants, whose firms provide services to Carpenter. In fiscal year 2007, the Corporate Governance Committee paid Spencer Stuart a fee of $116,600 to identify potential candidates for Board membership.

The Corporate Governance Committee will consider sound and meritorious nomination suggestions from stockholders and review such nominations pursuant to the same criteria applied to director-nominees nominated by the Corporate Governance Committee. Under Carpenter s By-Laws, all letters of recommendation for nomination at the 2008 Annual Meeting of Stockholders must be received by the Corporate Secretary at Carpenter s headquarters, P.O. Box 14662, Reading, PA 19612-4662, between July 17, 2008 and August 16, 2008. Your notice to the Corporate Secretary should contain your name, address, and number of shares of Carpenter stock you own, in addition to the following information:

For each person you propose to nominate for election or re-election as a director specify:

(i) name, age, business address, and residence address;

(ii) principal occupation or employment;

(iii) number of shares of Carpenter stock beneficially owned by the person; and

(iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Schedule 14A under the proxy rules.

A signed statement from the person recommended for nomination indicating that he or she consents to be considered as a nominee. Carpenter may require any proposed nominee to furnish other information reasonably necessary to determine the person s eligibility to serve as a director of Carpenter. Only individuals nominated in accordance with Carpenter s By-Laws and applicable Delaware law are eligible for election as a director.

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2008 Stockholder Proposals

If you wish to include a proposal in the Proxy Statement for the 2008 Annual Meeting of Stockholders, your written proposal must be received by Carpenter no later than May 16, 2008. The proposal should be mailed by certified mail, return receipt requested, and must comply in all respects with applicable rules and regulations of the Securities and Exchange Commission (the SEC), the laws of the State of Delaware, and Carpenter s By-Laws. Stockholder proposals may be mailed to the Corporate Secretary, Carpenter Technology Corporation, P.O. Box 14662, Reading, PA 19612-4662.

Under Carpenter s By-Laws, stockholder proposals that are not included in the proxy materials may be presented at the 2008 Annual Meeting of Stockholders only if they meet the above requirements and the Corporate Secretary is notified in writing of the proposals between July 17, 2008 and August 16, 2008. For each matter that you wish to bring before the meeting, provide the following information:

(i) a brief description of the business and the reason for bringing it to the meeting;

(ii) your name and record address;

(iii) the number of shares of Carpenter stock that you own; and

(iv) any material interest (such as financial or personal interest) that you have in the matter.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Listed below are the only individuals and entities known by Carpenter to own more than 5% of the outstanding common stock of the company as of August 17, 2007 (assuming that their holdings have not changed from such other date as may be shown below):

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent [(1)] of Class
FMR Corp. (Fidelity Investments) 82 Devonshire Street Boston, MA 02109	2,225,000[(2)]	8.5%
State Street Corporation One Lincoln Street Boston, MA 02111	1,412,000[(3)]	5.4%

(1) The percentages are calculated on the basis of shares of common stock outstanding as of August 17, 2007.

(2) This information was supplied to Carpenter as of June, 2007 by FMR Corp (FMR). FMR is an investment advisor registered under the Federal Investment Advisors Act. It furnishes investment advice to investment companies and serves as investment manager to certain other investment vehicles, including commingled group trusts. In its role as investment advisor and investment manager, FMR possesses sole voting power and investment power over all of these shares of Carpenter stock. The investment companies and investment vehicles own all these shares of Carpenter stock. FMR disclaims beneficial ownership of these shares.

(3) This information was supplied to Carpenter as of June, 2007 by State Street Corporation (State Street). State Street is an investment advisor registered under the Federal Investment Advisors Act. It furnishes investment advice to investment companies and serves as investment manager to certain other investment vehicles, including commingled group trusts. In its role as investment advisor and investment manager, State Street possesses sole voting power and investment power over all of these shares of Carpenter stock. The investment companies and investment vehicles own all these shares of Carpenter stock. State Street disclaims beneficial ownership of these shares.

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SECURITY OWNERSHIP OF MANAGEMENT

The following table shows the ownership of Carpenter common stock as of August 17, 2007, by each director, any person acting as Carpenter s Chief Executive Officer during fiscal year 2007, any person acting as Carpenter s Chief Financial Officer during fiscal year 2007, the other three most highly compensated executive officers during fiscal year 2007 and any other officers during fiscal year 2007 who are considered to be Named Executive Officers under applicable regulations (the Named Executive Officers) and the directors and executive officers as a group. Except as noted below, the directors and executive officers have sole voting and investment power over these shares of common stock.

Director and Executive Officer Stock Ownership

Name	Number of Shares Beneficially Owned(1)	Director Stock Units(2)	Shares and Units Beneficially Owned(1)	Percentage of Outstanding Shares(3)(4)
Anderson, Jr., C. G.	7,000	5,183	12,183	0.0%
Anderson, P. M.	0	171	171	0.0%
Inglis, I. M.	6,300(5)	2,957	9,257(5)	0.0%
McMaster, R. R.	0	171	171	0.0%
Pratt, G. A.	100	6,228	6,328	0.0%
Stephans, P. N.	56,400(5)	2,957	59,357(5)	0.2%
Stevens, A. L.	18,459(6)	n/a	18,459(6)	0.1%
Turner, K. C.	8,506	7,721	16,227	0.0%
Wadsworth, J.	100	867	967	0.0%
Ward, Jr., S. M.	4,866	7,555	12,421	0.0%
Christiansen, D. A.	23,249(6)	n/a	23,249(6)	0.1%
Fitzpatrick, J. M.	0	0	0	0.0%
Kornblatt, M. D.	0	n/a	0	0.0%
Oates, D. M.	41,102	n/a	41,102	0.2%
Shor, M. L.	27,359(6)	n/a	27,359(6)	0.1%
Simons, R. L.	10,247(6)	n/a	10,247(6)	0.0%
Torcolini, R. J.	25,471(5)	n/a	25,471(5)	0.1%
All directors and executive officers as a group (22 in all)	269,105(5)(6)	33,810	302,915(5)(6)	1.0%

(1) The amounts include the following shares of common stock that the individuals have the right to acquire by exercising outstanding stock options within 60 days after August 17, 2007:

C. G. Anderson, Jr.	6,000
P. M. Anderson	0
I. M. Inglis	6,000
R. R. McMaster	0
G. A. Pratt	0
P. N. Stephans	0
A. L. Stevens	0
K. C. Turner	7,000
J. Wadsworth	0
S. M. Ward, Jr.	2,000
D. A. Christiansen	0
J. M. Fitzpatrick	0
M. D. Kornblatt	0
D. M. Oates	0
M. L. Shor	0
R. L. Simons	0
R. J. Torcolini	22,800

All directors and executive officers as a group (22 in all) 43,800

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(2) These stock units convert to an equivalent number of shares of common stock upon the director s retirement or termination of service as allowed under the plan. The value of the stock units tracks the value of the common stock, but the units have no voting rights.

(3) Ownership is rounded to the nearest 0.1% and is less than 0.1% except where stated. Stock units are not included in the calculation of percentage of outstanding shares owned.

(4) The percentages are calculated on the basis of the common stock outstanding plus the common stock that would be outstanding if the individual s options were exercised.

(5) Voting and investment power is shared with respect to the following shares of common stock:

I. M. Inglis	200
P. N. Stephans	31,900
R. J. Torcolini	2,671
All directors and executive officers as a group	34,771

(6) The amounts include the following shares of common stock held in the Savings Plan:

D. A. Christiansen	310
M. L. Shor	364
R. L. Simons	47
A. L. Stevens	22
All executive officers as a group	3,172

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Carpenter s Board of Directors consists of ten directors serving in three classes. Each class of directors serves for a period of three years. The term of office of one class of directors expires each year at the Annual Meeting.

Messrs. Inglis, Stephans, Ward and Ms. Turner have been nominated for election at the 2007 Annual Meeting of Stockholders. If elected, their terms will expire at the 2010 Annual Meeting. The biographical summaries of the nominees and the remaining six directors whose terms are continuing appear below. Unless otherwise directed by the stockholders, the shares represented by the proxies will be voted for the four nominees. Each nominee has consented to being nominated as a director and, as far as the Board and Management are aware, will serve as a director if elected.

The Board of Directors recommends that you vote FOR the election of Messrs. Inglis, Stephans, and Ward and Ms. Turner.

Nominees Terms to Expire 2010

I. MARTIN INGLIS, age 56, is Executive Vice President and Chief Financial Officer of Battelle, a $4 billion Research and Development enterprise headquartered in Columbus, Ohio. Previously, he had retired as Group Vice President, Business Strategy for Ford Motor Company. He joined Ford of Europe in London in 1971 and held various finance and operations positions in international and domestic markets during his career. Mr. Inglis was named head, Global Products and Business Strategy and elected a corporate Vice President in 1996; President, Ford South America in 1999; head, Ford North America in 2000; Chief Financial Officer in 2001; and Group Vice President, Business Strategy in 2002. Mr. Inglis also serves on the Advisory Board of three venture funds (Fletcher Spaght, Reservoir Ventures, and Battelle Ventures) and is the Audit Chairman of Brookhaven Science Associates LLC; Battelle Energy Associates LLC; and UT-B LLC. He holds a bachelor s degree in business economics from Strathclyde University, Glasgow, Scotland. Mr. Inglis has been a director of Carpenter since 2003 and is Chairman of the Audit/Finance Committee.

PETER N. STEPHANS, age 64, is Chairman and Chief Executive Officer of Trigon Holding, Inc., parent company for its subsidiary manufacturing forged and machined components for aerospace and medical applications and its subsidiary that designs, develops and markets orthopedic implants. Prior to Trigon, Mr. Stephans served as President and Chief Operating Officer of Dynamet Incorporated, a privately-held titanium processor that Carpenter purchased in 1997. He was appointed Vice President and Technical Director in October 1972 and Executive Vice President in October 1982. He began his career at IBM Corporation, ultimately serving as Manufacturing Manager for one of the company s divisions in New York. Mr. Stephans holds a bachelor s and master s degree in electrical engineering from the South Dakota School of Mines and Technology. He also serves on the Boards of Directors/Trustees of Washington and Jefferson College and World Affairs Council of Pittsburgh. Mr. Stephans has been a director of Carpenter since 2003 and is a member of the Audit/Finance Committee.

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KATHRYN C. TURNER, age 59, is Chairperson, Chief Executive Officer and President of Standard Technology, Inc. Ms. Turner founded Standard Technology, Inc., a management and technology solutions firm with a focus in the healthcare sector, in 1985. Standard Technology, Inc. is headquartered in Falls Church, VA, with employees in approximately 12 states. Ms. Turner also serves on the Board of Directors of Conoco Phillips and Schering-Plough Corporation (both of which are listed on the NYSE and are subject to the periodic reporting requirements of the Exchange Act), and the Children s Hospice International, and she has served as a director for the Urban League (Northern Virginia Chapter). In 1994, she received a Presidential appointment to serve on the President s Export Council, after serving a one-year term on the ExIm Bank Advisory Committee. In 1993, she was appointed to the Commission on the Future of Worker-Management Relations, a joint commission of the Departments of Labor and Commerce, established by President Clinton. In 1992, she was the first woman appointed by Secretary Cheney to the Defense Policy Advisory Committee on Trade (DPACT). Ms. Turner is the 1998 Black Engineer Entrepreneur of the Year, a 1994 recipient of the Northern Virginia Urban League s Shining Star Award, and a 1994 recipient of the National Association of Black Telecommunications Professionals, Inc. s Granville T. Woods Award. Ms. Turner has been a director of Carpenter since 1994, and is a member of the Human Resources and the Corporate Governance Committees.

STEPHEN M. WARD, JR., age 52, is the retired President and Chief Executive Officer of Lenovo Corporation, the international PC company formed by the acquisition of IBM s PC business by Lenovo of China. Prior to joining Lenovo, he was senior vice president and general manager of IBM s Personal Systems Group, responsible for the Personal Computing Division, the Retail Store Solutions Division and the Printing Systems Division. In his 26-year career with IBM, Mr. Ward also served as IBM s chief information officer and vice president, Business Transformation, directing business process and information technology investments. Mr. Ward was also general manager of IBM s Global Industrial Sector, responsible for the marketing, sales, and service of IBM e-business solutions. In the mid-1990 s, he served as vice president, Information Technology and was later named general manager, IBM ThinkPad, in the IBM Personal Computer Company. He first joined IBM in Tucson, Arizona as an engineer in the Storage Products Division. He held various management positions in manufacturing, production control and project development for disk drive, tape and optical storage projects and software development, and was also an assistant to the IBM chairman at company headquarters in Armonk, New York. He holds a B.S. degree in mechanical engineering from California Polytechnic State University at San Luis Obispo. Mr. Ward is also a member of the Board of eZopen, a maker of enterprise software, where he serves on the Audit Committee, and e-lnk, a maker of electronic paper displays. Mr. Ward has been a director of Carpenter since 2001, and is Chairman of the Human Resources Committee and a member of the Corporate Governance Committee.

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Incumbent Directors to Continue in Office

The following are the other directors whose terms continue after the Annual Meeting, as indicated:

Terms to Expire 2009

CARL G. ANDERSON, JR., age 62, is the former Chairman of the Board, President and Chief Executive Officer of Arrow International, Inc., a leading manufacturer of medical devices. He previously served as Vice-Chairman of the Board of Directors and General Manager of Arrow s Critical Care Business. From 1997 to 2002, he was President and Chief Executive Officer of ABC School Supply Inc., a manufacturer and marketer of educational products. Prior to joining ABC School Supply in May 1997, Mr. Anderson served as Vice President General Manager of the Retail Consumer Products Division of James River Corporation from 1994 to 1997 and as Vice President of Marketing from May 1992 to August 1994. He was Vice President and General Manager at Nestle Foods Corporation from 1984 to 1992 and a marketing executive at Procter & Gamble from 1972 to 1984. Mr. Anderson served as a director of Arrow International, Inc. (which is listed on NASDAQ and is subject to the periodic reporting requirements of the Exchange Act), a director of IWT Tesoro (IWTT), and as a trustee of Lafayette College and Alvernia College. Mr. Anderson has been a director of Carpenter since 2003 and is a member of the Audit/Finance Committee.

DR. PHILIP M. ANDERSON, age 59, is a professor of physics at Ramapo College of New Jersey, where he has taught since 1990. He holds more than 100 foreign and 34 U.S. patents, and was named Inventor of the Year by the New Jersey Inventor s Hall of Fame in 2001. He also is a respected consultant on technical and intellectual property on new technology and product development for Fortune 100 companies, with particular emphasis on security systems, medical devices, sensors, magnetics, acoustics and materials. Prior to teaching, he was founder, president and chief executive officer of Identitech Corp., 1986-1988; and new venture manager and senior research physicist at Allied Corp. (now Honeywell Corp.) from 1979-1986. Dr. Anderson received his B.A. in physics in 1970 from Widener University, M.S. degrees in both physics and electrical engineering from Drexel University in June 1977, and a Ph.D. in physics from Drexel in 1979. He served as a pilot in the U.S. Air Force and National Guard from 1970-1975. He currently is a director of Aerco International, and is a former director of Sigma-Netics. From 1997-2001, he was a member of the Peer Review Board of the U.S. Army s ARDEC, Picatinny Arsenal. Dr. Anderson has been a director of Carpenter since April, 2007 and is a member of Carpenter s Corporate Governance and Human Resources Committees.

DR. JEFFREY WADSWORTH, age 57, is Executive Vice President for Laboratory Operations at Battelle, a $4 billion Research and Development enterprise headquartered in Columbus, Ohio. He formerly was Director of Oak Ridge National Laboratory and Chief Executive Officer and President of UT-Battelle LLC and Senior Vice President for U.S. Department of Energy Science Programs at Battelle. Previously, he was director of Homeland Security Programs at Battelle and part of the White House Transition Planning Office for the newly formed U.S. Department of Homeland Security. From 1992 to 2002, Dr. Wadsworth was at the Lawrence Livermore National Laboratory in Livermore, California and from 1995 he was deputy director for Science and Technology. Prior to that, he was with Lockheed Missiles and Space Company, Research and Development Division. He was elected to the National Academy of Engineering in 2005, and has been elected Fellow of several technical societies. Dr. Wadsworth holds a bachelor s degree in metallurgy, Ph.D., D.Met and D.Eng. degrees from Sheffield University, England. Dr. Wadsworth has been a director of Carpenter since January, 2006.

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Terms to Expire 2008

ROBERT R. McMASTER, age 59, held various positions at KPMG from May 1970 to June 1997, including Ohio Valley Area Managing Partner. He served from 1992 to 1997 as a member of KPMG s Management Committee. From June 1997 to February 2005, McMaster was chairman and chief executive officer of Westward Communications, and president and chief executive officer of its successor company, ASP Westward Holdings, publishers of community newspapers in Texas, Arkansas, and Colorado. He is also a director of Sally Beauty Holdings (chairman, Audit Committee; member, Finance Committee) (which is listed on the NYSE and is subject to the periodic reporting requirements of the Exchange Act), Dominion Homes Inc., (member Audit Committee) (which is listed on NASDAQ and is subject to the periodic reporting requirements of the Exchange Act), and Minimally Invasive Devices, LLC. He also is a former board member of American Eagle Outfitters, Inc. He is active in a wide variety of community affairs organizations in the Columbus, Ohio, region. He received his B.S. magna cum laude, in accounting from Miami University, Oxford, Ohio, in 1970, and is the recipient of the Haskins & Sells Foundation Award for excellence in accounting. He has been a director of Carpenter since April, 2007 and is a member of Carpenter s Audit/Finance Committee.

ANNE L. STEVENS, age 57, is Chairman, President and Chief Executive Officer of Carpenter Technology Corporation. Ms. Stevens held various management positions at Ford Motor Company, most recently serving as Executive Vice President of Ford Motor Company and Chief Operating Officer of Ford in The Americas, with responsibility for Ford s North and South American product development, vehicle launch, manufacturing and material purchasing activities. She joined Ford in 1990 as a marketing specialist in the Plastics Products division. Among her positions at the Company, she served as Group Vice President for business operations in Canada, Mexico and South America. As Vice President of North American Vehicle Operations, she was responsible for nearly thirty plants in Canada, Mexico and the United States. Before joining Ford, Ms. Stevens held engineering, manufacturing and marketing positions for over ten years at Exxon Corporation. She earned a B.S. in Mechanical and Materials Engineering from Drexel University and did post graduate work at Rutgers University. She also received an honorary Ph.D. in Communication Sciences from Central Michigan University. Ms. Stevens has been a member of the Board of Directors of Lockheed Martin since 2002. Lockheed Martin is listed on the NYSE and is subject to the periodic reporting requirements of the Exchange Act. She is a member of the National Academy of Engineering and received a distinguished service citation from the Automotive Hall of Fame. She has been named four times to Fortune magazine s list of 50 Most Powerful Women in Business and was named by Automotive News as a 2005 Leading Woman in the North American Automotive Industry . Ms. Stevens has been a director of Carpenter since November, 2006.

GREGORY A. PRATT, age 58, is Vice Chairman and a director of OAO Technology Solutions, Inc. (OAOT), an information technology and professional services company. He joined OAOT in 1998 as President and CEO after OAOT acquired Enterprise Technology Group, Inc., a software engineering firm founded by Mr. Pratt. Mr. Pratt served as President and COO of Intelligent Electronics, Inc. from 1991 through 1996, and was co-founder, and served variously as CFO and President of Atari (US) Corporation from 1984 through 1991. He also serves as a director and audit committee chairman of AmeriGas Propane, Inc. AmeriGas Propane, Inc. is listed on the NYSE and is subject to the periodic reporting requirements of the Exchange Act. Mr. Pratt has been a director of Carpenter since 2002, is a member of the Human Resources Committee, and chairs the Corporate Governance Committee.

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CORPORATE GOVERNANCE

In accordance with the General Corporation Law of the State of Delaware and Carpenter s Certificate of Incorporation and By-Laws, Carpenter s business, property and affairs are managed under the direction of the Board of Directors. Although Carpenter s non-management directors are not involved in day-to-day operating details, they are kept informed of Carpenter s business through written reports and documents provided to them regularly, as well as by operating, financial and other reports presented by Carpenter s officers at meetings of the Board of Directors and its various committees.

Meetings of the Board of Directors

The Board of Directors held thirteen meetings during fiscal year 2007. In addition, there were twenty-six committee meetings. The policy of Carpenter is to require attendance and active participation by directors at Board and committee meetings. The average attendance for Carpenter s directors at these meetings was over 90%. Each director attended at least 75% of the total number of meetings of the Board and the Committees on which the director served during fiscal year 2007. Directors are encouraged to attend the Annual Meeting of Stockholders, and all of Carpenter s directors except Ms. Turner attended the 2006 annual meeting.

Meetings of the Non-Management Directors

Pursuant to Carpenter s Corporate Governance Guidelines and the Corporate Governance Standards of the NYSE, the non-management directors of the Board meet in an executive session at least twice per year to: (a) review the performance of the Chief Executive Officer, and (b) address any other matters affecting Carpenter that may concern individual directors. In fiscal year 2007, the non-management directors met in executive session seven times. When meeting in executive session, the senior person present who was the chair of a standing committee was chosen to preside over these sessions. In most executive sessions, the presiding person was Gregory A. Pratt.

Communication with the Board of Directors

Stockholders may communicate with the full Board of Directors by sending a letter to Carpenter Technology Board of Directors, c/o Corporate Secretary, P.O. Box 14662, Reading, PA 19612-4662. Carpenter s Corporate Secretary will review the correspondence and forward it to the Chair of the appropriate committee or to any individual director or directors to whom the communication is directed, unless the communication is unduly hostile, threatening, illegal, does not reasonably relate to Carpenter or its business, or is similarly inappropriate. In addition, interested parties may contact the non-management directors as a group by sending a written communication to the Corporate Secretary as directed above. Such communication should be clearly addressed to the non-management directors. Stockholders and other interested parties may also communicate with the Audit/Finance Committee by sending an e-mail to boardauditcommittee@cartech.com.

Independence of the Board of Directors

The Board of Directors is composed of a majority of directors who qualify as independent directors (Independent Directors) pursuant to the rules adopted by the SEC, the corporate governance standards promulgated by the NYSE, and the regulations adopted by the Internal Revenue Service. The board committee structure includes Audit/Finance, Human Resources and Corporate Governance Committees consisting entirely of Independent Directors as required by the Corporate Governance Standards of the NYSE.

In determining independence pursuant to the Corporate Governance Standards of the NYSE, each year the Board affirmatively determines whether directors have a material relationship with Carpenter. When assessing the materiality of a director s relationship with Carpenter, the Board considers all relevant facts and circumstances, not merely from the director s standpoint, but from that of the persons or organizations with which the director has an affiliation, and the frequency or regularity of the services, whether the services are being carried out at arm s length in the ordinary course of business and whether the services are being provided substantially on the same terms to Carpenter as those prevailing at the time from unrelated parties for comparable transactions.

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Applying these standards, the Board has determined that the following directors are independent: C. Anderson, P. Anderson, Inglis, McMaster, Pratt, Turner and Ward. Mr. Stephans is considered independent for all purposes except participation on the Human Resources Committee.

Independence of the Audit/Finance Committee Members

Directors on Carpenter s Audit/Finance Committee must satisfy the requirements of the Corporate Governance Standards of the NYSE and the independence requirements promulgated under the Exchange Act, in addition to the more general independence requirements described above. In determining whether a director is independent for purposes of each of the above stated guidelines, the Board must affirmatively determine that the directors on the Audit/Finance Committee do not, among other things, accept any consulting, advisory, or other compensatory fee from Carpenter.

Applying these standards, the Board has determined that all of the directors on the Audit/Finance Committee are independent.

Code of Ethics

The Board of Directors adopted a Code of Ethics for the Chief Executive Officer and Senior Financial Officers of Carpenter Technology Corporation. There were no waivers of the Code in fiscal year 2007 or through the date of this Proxy Statement.

Director Training and Education

The Directors are encouraged to attend educational seminars presented by accredited third party organizations and Carpenter provides training to the Board on various corporate governance topics from time to time.

Committees of the Board

The Board of Directors has three standing Committees: Audit/Finance, Corporate Governance and Human Resources. No member of any committee may be an employee or former employee of Carpenter. During fiscal year 2007, the Board also established an Executive Search Committee for the purpose of identifying and recommending a new Chief Executive Officer. The Executive Search Committee consisted of Ms. Turner and Messrs. C. Anderson, Pratt, Stephans and Ward.

Corporate Governance Guidelines and Charters

Carpenter s Corporate Governance Guidelines, as well as the charters for all the Board committees and the Company s Code of Ethics and any information regarding any waivers of the Code, are available on Carpenter s website at www.cartech.com. Copies will also be mailed to stockholders upon written request to the Corporate Secretary, Carpenter Technology Corporation, P.O. Box 14662, Reading, PA 19612-4662.

Transactions with Related Persons

In November 2006, Anne L. Stevens became Carpenter s Chairman of the Board of Directors, President and Chief Executive Officer. To facilitate Ms. Stevens relocation to a residence closer to Carpenter s principal executive offices in Reading, Pennsylvania, the Company purchased Ms. Stevens residence in Ypsilanti, Michigan for its fair market value of approximately $410,000. The fair market value of Ms. Stevens former residence was determined by an independent, third-party assessor.

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BOARD COMMITTEES

Committee and Members	Selected Functions of the Committee	2007 Meetings
Audit/Finance Committee I. Martin Inglis, Chairperson Carl G. Anderson, Jr. Robert R. McMaster Peter N. Stephans	Reviews the adequacy of Carpenter s financial reporting, accounting systems and controls Exercises sole authority regarding the appointment, compensation and termination of the independent registered public accounting firm Pre-approves all audit and permissible non-audit services performed by the independent registered public accounting firm Recommends and oversees the independent registered public accounting firm for integrated audits Reviews Carpenter s internal and external auditing procedures and security of information systems Reviews Carpenter s environmental and legal compliance activities Maintains a direct line of communication with the independent registered public accounting firm and the Director-Internal Audit and reviews audit issues and management responses Reviews and recommends actions to the Board of Directors relating to Carpenter s capital structure, pension fund asset management, and dividend policy Reviews and approves Carpenter s annual audited financial statements and quarterly financial statements with management and the independent registered public accounting firm Reviews and approves earnings press releases and financial information and earnings guidance, if any, provided to analysts and rating agencies Establishes procedures for the receipt and treatment of reports received from employees of Carpenter or others regarding compliance with legal or ethical requirements, violations of Carpenter s codes of conduct, questionable accounting, internal accounting controls, or auditing matters	10

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Committee and Members	Selected Functions of the Committee	2007 Meetings
Corporate Governance Committee Gregory A. Pratt, Chairperson Philip M. Anderson Kathryn C. Turner Stephen M. Ward, Jr.	Reviews and recommends proposed changes to the Certificate of Incorporation and By-Laws Reviews stockholder proposals Recommends Board size, composition, and committee structure Reviews, evaluates, and recommends nominees for election or re-election to the Board and assignment to the Committees Applies the standards for independence imposed by Carpenter s listing agreement with the NYSE and all applicable laws in connection with the director process Maintains guidelines for directors duties and obligations Develops and recommends to the Board of Directors a set of corporate governance principles applicable to the corporation Oversees the evaluation of the Board and committees Reviews succession planning for the Chief Executive Officer Reviews directors compensation	6
Human Resources Committee Stephen M. Ward, Jr., Chairperson Philip M. Anderson Gregory A. Pratt Kathryn C. Turner	Oversees Carpenter s various benefit and pension plans Reviews officers succession and development plans Administers stock and stock option plans Reviews Carpenter s progress on equal opportunity matters, employee health and safety, and workers compensation costs Reviews and establishes the salary and compensation package of the CEO and other executive officers; approves salary and other compensation of other corporate officers	4
***Human Resources Compensation Subcommittee** Marillyn A. Hewson, Chairperson Gregory A. Pratt Kathryn C. Turner	Reviews and establishes the salary and compensation package of the CEO and other executive officers; approves salary and other compensation of other corporate officers	6

* After October 2006, the duties of the Human Resources Compensation Subcommittee were taken on by the Human Resources Committee and the Subcommittee was disbanded.

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Director Compensation Program

No director who is an employee of Carpenter is compensated as a member of the Board. Compensation for non-employee directors consists of an annual retainer of $90,000, plus travel expenses, where appropriate, for attending all Board of Directors and committee meetings. Each Committee Chairperson receives an additional annual cash retainer of $10,000. At least 50% of the $90,000 annual retainer for Board service is paid in stock units that convert to an equivalent number of shares of common stock following death, disability or retirement or termination of service as allowed under the plan. The value of these stock units will vary depending on the fair market value of the shares of Carpenter s common stock. At the director s election, the remaining 50% of the retainer is paid in cash or deferred and paid in either cash or common stock at the time of distribution. The Directors may also receive up to 2,000 stock options upon joining the Board and up to 4,000 stock options annually on or about the date of the Annual Meeting of Stockholders (Annual Meeting).

The following table summarizes the compensation of Carpenter s directors for fiscal year 2007.

Fiscal Year 2007 Director Compensation

Cash retainer	$45,000
Stock retainer	$45,000
Committee Chairperson retainer	$10,000
Deferred compensation plan	Cash retainer is deferrable as cash or stock units. Deferred cash earnings are at the Company s Five-Year Medium Term Note Borrowing Rate for any such medium term note that would have been issued on November 15 of the prior Plan Year. Deferred stock unit earnings are in the form of dividend equivalent stock units, which are credited to a director s account.
Stock Options	Each director received 2,000 stock options upon election to the Board and each director received 2,000 stock options on October 30, 2006.

Under Carpenter s Stock-Based Compensation Plan for Non-Employee Directors (Director Stock Plan), one-half of a director s $90,000 annual retainer is credited in the form of stock units to the director s account on the date of the Annual Meeting. The number of stock units is determined by dividing one-half the retainer by that date s close price on the NYSE. These stock units are vested after completion of one year of board service following the grant date.

Under Carpenter s Deferred Compensation Plan for Non-Management Directors (Director Cash Deferral Plan), non-employee directors may elect to defer up to 100% of their cash retainer as cash or, under the Director Stock Plan, as stock units. They may also defer up to 100% of their committee chairperson retainer as cash.

Interest is credited semi-annually under the Director Cash Deferral Plan at the Company s Five-Year Medium Term Note Borrowing Rate, as provided by one of the company s investment bankers on November 15 of the prior Plan Year. Carpenter distributes a participating director s deferred cash compensation at the director s election in a lump sum, or in 10 or 15 annual installments, commencing on the date or Event elected.

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The number of stock units credited under the Director Stock Plan is determined by dividing the amount of deferred cash compensation by the close price on the NYSE on the date the compensation would otherwise have been paid to the director. Dividend equivalents on stock units are paid on the last day of each calendar quarter and are reinvested and credited as additional stock units to a director s account.

Directors may receive Awards of stock options and stock units, voluntarily defer the cash retainer into stock units and earn performance units under the Director Stock Plan.

Stock options generally become exercisable during the 10-year period following the grant date after completion of one year of additional Board service. Stock units credited to a director s account on the Annual Meeting date, as well as their related dividend equivalents, vest after completion of one year of additional Board service, or earlier death, disability or retirement from the Board. Stock units credited to a director s account as a result of voluntary cash deferrals are immediately vested.

All vested stock units are converted into Carpenter common shares and distributed in their entirety upon a director s separation from service due to death, disability or retirement. Upon a change in control, all earned stock units vest (unearned stock units under an incomplete Performance Period are paid in cash at pro-rata target levels) and stock options become immediately exercisable.

In the event of separation from service for any reason other than death, disability, retirement, or change in control, unvested and unearned stock units, and unexercisable options are forfeited. A director will have a three-month period following such separation to exercise any options that were not forfeited. In the event of removal for cause, all existing stock options and unvested stock units shall be forfeited.

FY 2007 Director Compensation Table

Name	Fees Earned or Paid in Cash [1] ($)	Stock Awards [2] ($)	Option Awards [3] ($)	Non-Equity Incentive Plan Compensation [4] ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings [5] ($)	All Other Compensation [6] ($)	Total ($)
Anderson, Jr., Carl G.	$ 45,000	$ 45,000	$ 80,827	$ 0	$ 0	$ 4,547	$ 175,374
Fitzpatrick, J. Michael	$ 2,528	$ 14,301	$ 0	$ 0	$ 0	$ 1,937	$ 18,766
Hewson, Marillyn	$ 17,050 [7]	$ 14,301	$ 0	$ 0	$ 0	$ 2,500	$ 33,851
Inglis, I. Martin	$ 51,900 [8]	$ 45,000	$ 80,827	$ 0	$ 0	$ 2,691	$ 180,418
Pratt, Gregory A.	$ 55,000 [9]	$ 152,740	$ 80,827	$ 0	$ 0	$ 5,416	$ 293,983
Turner, Kathryn C.	$ 48,100 [10]	$ 45,000	$ 80,827	$ 0	$ 0	$ 7,313	$ 181,240
Wadsworth, Jeffrey	$ 45,000	$ 45,000	$ 161,654	$ 0	$ 0	$ 664	$ 252,318
Ward, Jr., Stephen M.	$ 51,900 [11]	$ 45,000	$ 80,827	$ 0	$ 0	$ 7,151	$ 184,878
Stephans, Peter N.	$ 45,000	$ 45,000	$ 80,827	$ 0	$ 0	$ 2,691	$ 173,518
Anderson, Philip	$ 8,384	$ 8,384	$ 22,381	$ 0	$ 0	$ 0	$ 39,149
McMaster, Robert	$ 8,384	$ 8,384	$ 22,381	$ 0	$ 0	$ 0	$ 39,149

1. Includes the aggregate dollar amount of fiscal year 2007 fees earned in cash for services as a director, including annual retainer fees and committee chairperson fees. The annual retainer paid to directors is based on the twelve-month period beginning on the date of each Annual Meeting. The cash portion of a director s retainer is paid quarterly in arrears. These amounts include compensation deferred, if any, under the Director s Cash Deferral Plan.

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2. Includes the amount recognized in accordance with Statement of Financial Accounting Standards (FAS) 123R in Carpenter s financial statements for the fiscal year ended June 30, 2007, for stock units granted to the directors under the Director Stock Plan. Carpenter recognizes expense monthly by amortizing on a straight-line basis the total issued dollar amount of the stock awards associated with the annual retainer.

The table shows the dollar amount of the portion of a director s annual retainer that is credited in the form of stock units to his/her account on the date of the Annual Meeting. The number of stock units credited to a director s account is determined by dividing the dollar amount by that date s close price on the NYSE. These stock units are subject to forfeiture if a director separates from board service prior to the date of the next Annual Meeting for any reason other than death, disability, retirement, or change in control.

The outstanding number of stock units credited to each director under the Director Stock Plan as of June 30, 2007, was C. Anderson-5,104; P. Anderson-171; J. M. Fitzpatrick-0; M. Hewson-0; I. M. Inglis-2,957; R. McMaster-171; G. Pratt-6,228; P. Stephans-2,957; K. Turner-7,721; J. Wadsworth-867; and S. Ward-7,555. C. Anderson, I. M. Inglis, G. Pratt, P. Stephans, K. Turner, J. Wadsworth and S. Ward were each credited with 395.4306 stock units on October 16, 2006, the date of the Annual Meeting, with a grant date value of $45,000. P. Anderson and R. McMaster were each credited with 170.8803 stock units on April 24, 2007, the effective date of their joining Carpenter s Board, with a grant date value of $21,575.34, which represents the prorated amount of their annual retainer credited as stock units. G. Pratt was granted a special award of 1,000 stock units in recognition of exceptional services provided in his role as a director during the year. The grant date value of the stock units credited was $107,740, based on the NYSE close price of Carpenter s common stock on October 30, 2006. These units are fully vested. J. M. Fitzpatrick and M. Hewson retired from Carpenter s board effective October 16, 2006. The respective stock unit balance credited to each director was converted into Carpenter common stock and distributed to them in accordance with previous deferral elections made by each for such distribution. For J. M. Fitzpatrick, a total of 7,088 stock units were converted into common shares, with a distribution of 6,316 shares being made effective October 31, 2006 and 772 shares being made effective May 1, 2007. For M. Hewson, a total of 6,955 stock units were converted into common shares, with a distribution of 2,765 shares being made effective October 31, 2006 and 4,190 shares being made effective January 2, 2007.

3. Represents the expense recognized in accordance with FAS 123R in Carpenter s financial statements for the fiscal year ended June 30, 2007, for options granted to C. Anderson, I. M. Inglis, G. Pratt, P. Stephans, K. Turner, J. Wadsworth and S. Ward on October 31, 2006, and to P. Anderson and R. McMaster on May 1, 2007. Carpenter recognizes expense ratably in monthly increments over the one-year vesting period. The assumptions used in determining the fair value of the options is set forth in Note 16 to the financial statements contained in Carpenter s Annual Report on Form 10-K for the fiscal year ended June 30, 2007. During fiscal year 2007, C. Anderson, I. M. Inglis, G. Pratt, P. Stephans, K. Turner, J. Wadsworth and S. Ward each received an annual award of 2,000 options with a grant date value of $121,241. J. Wadsworth received an additional award of 2,000 options with a grant date value of $121,241 in recognition of the fact that he did not receive the standard award of 2,000 options when he initially joined the Board. P. Anderson and R. McMaster each received an initial award of 2,000 options with a grant date value of $134,285. The outstanding number of shares subject to stock options granted to each director as of June 30, 2007 was C. Anderson-8,000; P. Anderson-2,000; J. M. Fitzpatrick-0; M. Hewson-0; I. M. Inglis-8,000; R. McMaster-2,000; G. Pratt-2,000; P. Stephans-2,000; K. Turner-8,000; J. Wadsworth-4,000; and S. Ward-2,000.

4. Carpenter s directors did not earn Non-Equity Incentive Plan Compensation in fiscal year 2007.

5. Carpenter s directors do not participate in a company-sponsored pension plan. No deferred compensation earnings for fiscal year 2007 exceeded 120% of the Applicable Federal Rate published by the IRS.

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6. Includes the aggregate dollar amount of dividend equivalents paid in fiscal year 2007 on the stock unit balance credited to each director s account. Dividend equivalents are paid on the last day of each calendar quarter using the most recent dividend amount declared by the Board for dividend payments on the company s common stock. Dividend equivalents are reinvested in the form of stock units, with the number of units credited being determined by dividing the dollar amount by the close price on the NYSE on the dividend equivalent payment date.

7. Includes regular retainer and pro-rated chairperson retainer for service as chairperson of the Human Resources Committee during part of fiscal year 2007.

8. Includes regular retainer and pro-rated chairperson retainer for service as chairperson of the Audit/Finance Committee during part of fiscal year 2007.

9. Includes regular retainer and pro-rated chairperson retainer for service as chairperson of the Audit/Finance and Corporate Governance Committees during fiscal year 2007.

10. Includes regular retainer and pro-rated chairperson retainer for service as chairperson of the Corporate Governance Committee during part of fiscal year 2007.

11. Includes regular retainer and pro-rated chairperson retainer for service as chairperson of the Human Resources Committee during part of fiscal year 2007.

AUDIT/FINANCE COMMITTEE REPORT

The information contained in this report shall not be deemed to be soliciting material or filed or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that Carpenter specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended, or the Exchange Act.

The Board of Directors has charged the Audit/Finance Committee with a number of responsibilities, including review of the adequacy of Carpenter s financial reporting and internal controls over financial reporting, the integrity of the financial statements of the Company and the independence and performance of Carpenter s independent registered public accounting firm. Management is responsible for the preparation, presentation and integrity of Carpenter s financial statements; accounting and financial reporting principles; establishing and maintaining disclosure controls and procedures; establishing and maintaining internal control over financial reporting; evaluating the effectiveness of disclosure controls and procedures; evaluating the effectiveness of internal control over financial reporting; and evaluating any change in internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting. The independent registered public accounting firm is responsible for performing an independent audit of the consolidated financial statements and expressing an opinion on the conformity of those financial statements with generally accepted accounting principles, as well as expressing an opinion on (i) management s assessment of the effectiveness of internal control over financial reporting and (ii) the effectiveness of internal control over financial reporting.

The Committee has a direct line of communication with Carpenter s independent registered public accounting firm and the Director-Internal Audit. The Board has affirmatively determined that each of the members of the Committee is independent pursuant to the Corporate Governance Standards of the NYSE and the rules of the SEC. Furthermore, the Board has affirmatively determined that all members of the Audit/Finance Committee have no material relationship with Carpenter and are financially literate pursuant to the requirements of the NYSE. Messrs. Inglis, McMaster and C. Anderson each qualify as an audit committee financial expert under the standards promulgated under the Exchange Act. The Board has adopted a written Audit/Finance Committee Charter, and this report is made pursuant to that Charter. A copy of the Charter is posted on Carpenter s website at www.cartech.com. The Audit/Finance Committee appoints the independent registered public accounting firm to be retained to audit Carpenter s consolidated financial statements, and once retained, the independent registered public accounting firm reports directly to the Audit/Finance Committee. The Audit/Finance Committee is responsible for approving both audit and non-audit services to be provided by the independent registered public accounting firm.

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In the discharge of its responsibilities, the Audit/Finance Committee has reviewed and discussed with management and the independent registered public accounting firm Carpenter s audited financial statements for fiscal year 2007. In addition, the Committee has discussed with the independent registered public accounting firm matters such as the quality (in addition to acceptability), clarity, consistency, and completeness of Carpenter s financial reporting, as required by U.S. Auditing Standards Section AU380, Communication with Audit Committees.

The Audit/Finance Committee met with management periodically during fiscal year 2007 to consider the adequacy of Carpenter s internal controls, and discussed these matters and the overall scope and plans for the audit of Carpenter with Carpenter s independent registered public accounting firm, PricewaterhouseCoopers LLP. The Audit/Finance Committee also discussed with senior management and PricewaterhouseCoopers LLP Carpenter s disclosure controls and procedures and the certifications by Carpenter s Chief Executive Officer and Chief Financial Officer, which are required by the SEC under the Sarbanes-Oxley Act of 2002 for certain of Carpenter s filings with the SEC. In particular, the Audit/Finance Committee was kept apprised by senior management of the progress of the evaluation of Carpenter s system of internal control over financial reporting and provided oversight and advice to management during the process. In connection with this oversight, the Audit/Finance Committee received periodic updates provided by senior management and PricewaterhouseCoopers LLP at several committee meetings during the year. At the conclusion of the process, senior management provided the Audit/Finance Committee with, and the Audit/Finance Committee reviewed, a report on the effectiveness of Carpenter s internal control over financial reporting. The Audit/Finance Committee also reviewed the report of PricewaterhouseCoopers LLP related to (i) the consolidated financial statements and financial statement schedule, (ii) management s assessment of the effectiveness of internal control over financial reporting, and (iii) the effectiveness of internal control over financial reporting.

The Audit/Finance Committee has considered the compatibility of the provision of non-audit services with the independent registered public accounting firm s maintenance of independence and has received from PricewaterhouseCoopers LLP written disclosures and a letter concerning the independent registered public accounting firm s independence from Carpenter, as required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees. These disclosures have been reviewed by the Audit/Finance Committee and discussed with PricewaterhouseCoopers LLP.

Based on these reviews and discussions, the Committee has recommended to the Board that the audited financial statements be included in Carpenter s 2007 Annual Report on Form 10-K, for filing with the SEC.

SUBMITTED BY THE AUDIT/FINANCE COMMITTEE OF THE BOARD OF DIRECTORS

I. Martin Inglis, Chairperson	Robert R. McMaster
Carl G. Anderson, Jr.	Peter N. Stephans

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Human Resources Compensation Subcommittee (until October, 2006), and thereafter, the Human Resources Committee reviewed and determined compensation arrangements for Carpenter s Chief Executive Officer and its other executive officers and administered the equity compensation plans. All members of the Human Resources Compensation Subcommittee and the Human Resources Committee were independent directors as determined by the Board under applicable regulations.

No member of the Human Resources Compensation Subcommittee or, after October, 2006, the Human Resources Committee during fiscal year 2007 was a current or former officer or employee of Carpenter or any of its subsidiaries. No member of the Human Resources Compensation Subcommittee or the Human Resources Committee had any relationship requiring disclosure by Carpenter under the proxy rules promulgated under the Exchange Act.

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COMPENSATION DISCUSSION AND ANALYSIS

Introduction. This Compensation Discussion and Analysis (CD&A) provides an overview of the Company s executive compensation program together with a description of the material factors underlying the decisions which resulted in the compensation provided to the Company s Chairman, President and Chief Executive Officer (CEO), Chief Financial Officer (CFO), and certain other executive officers (collectively, the Named Executive Officers (NEOs)) for fiscal year 2007 (as presented in the tables which follow this CD&A). The following discussion and analysis contains statements regarding future individual and Company performance targets and goals. Any discussion of Company targets and goals are intended to apply only to the Company s compensation programs and should not be considered to be projections of the Company s performance. The Company specifically cautions investors not to apply these statements to other contexts.

Human Resources Committee and Human Resources Compensation Subcommittee. The Human Resources Committee (the Committee) of the Board of Directors is composed of four non-employee directors, all of whom are independent under the New York Stock Exchange listing standards and the Internal Revenue Code. The current Committee members are Stephen M. Ward, Jr. (Chairperson), Gregory A. Pratt and Kathryn C. Turner (all appointed in October, 2006) and Dr. Philip Anderson (appointed in April, 2007). The Committee has responsibility for determining and implementing the Company s philosophy with respect to executive compensation. To implement this philosophy, the Committee oversees the establishment and administration of the Company s executive compensation program. The Committee operates under a written charter adopted by the Board of Directors. A copy of this charter is available on the Company s website at www.cartech.com.

In May, 2006 the Human Resources Committee established the Human Resources Compensation Subcommittee (the Subcommittee) with responsibility for determining and implementing the Company s philosophy with respect to executive compensation for fiscal year 2007. The Subcommittee was established to ensure that all of the directors responsible for determining the fiscal year 2007 compensation for executives were fully independent under applicable standards and regulations. The Subcommittee was composed of up to four non-employee directors, all of whom, during their tenure on the Subcommittee, were independent under the New York Stock Exchange listing standards and the Internal Revenue Code. The Subcommittee members were Marillyn Hewson (Chairperson), Kathryn C. Turner, Gregory A. Pratt and, from May, 2006 until August, 2006, Dr. Jeffrey Wadsworth. The Subcommittee continued to function until October, 2006 when the current Committee was appointed during the Board s annual organizational meeting. The Committee and the Subcommittee were both responsible for the compensation of the NEOs at times during fiscal year 2007 and are sometimes jointly referred to in this Proxy Statement as the Compensation Committees .

Compensation Philosophy and Objectives. For many years and continuing in fiscal year 2007**,** the guiding principles of the Company s executive compensation philosophy have been that the executive compensation program should tie executive compensation to the long-term performance of the Company and to allow the Company to motivate, attract and retain a team of high quality executives who will create long-term value for the Stockholders.

The Company s executive compensation program is designed to fulfill the following objectives:

- Link executive pay to the Company s long-term financial performance, enhanced stockholder value and the achievement of the Company s strategic business objectives;
- Reward sustained corporate, functional, and/or individual performance with an appropriate base salary and incentive payout;
- Motivate, attract, and retain highly effective executives and promote long-term performance; and
- Stimulate ownership in the Company at levels commensurate with the executive s position.

The Compensation Committees developed an executive compensation program that rewards the attainment of annual financial performance goals that are designed to improve total Stockholder return. To that end, the Committee believes that the executive compensation program should include both cash and equity-based compensation to reward superior performance. The Committee continually monitors the effectiveness of the program to ensure that it provides competitive compensation equivalent on an aggregate basis to the median of an appropriate peer group for target performance, that it rewards performance that exceeds the approved targets with compensation in the top quartile and that it pays lower compensation for performance that does not achieve approved targets. No performance based compensation is paid if minimum threshold goals are not achieved. The Committee, however, retains the discretion to alter the compensation packages established for NEOs in response to major changes that may significantly affect the Company s business during the fiscal year, either positively or negatively, such as a significant, unforeseen Company, industry or world event affecting key markets.

The Committee annually evaluates the components of the compensation program as well as the desired mix of compensation among these components. The Committee believes that a substantial portion of the compensation paid to the NEOs should be incentive based and only earned if the Company achieves designated operating and financial objectives. Emphasis is placed on stock-based compensation and performance measures, in an effort to more closely align compensation with Stockholder interests and to link executives compensation to the Company s performance. The Committee does not have a specific policy allocating compensation on a percentage basis between short term cash compensation and long-term equity-based compensation. The allocation results from a combination of the Committee s intent to tie a significant portion of a NEO s compensation to Company performance and a comparison to target market median benchmarks for each element of compensation.

The Company has minimum stock ownership guidelines for its NEOs. Such ownership is intended to link, on a long-term basis, the financial interests of the NEOs with those of the Stockholders in general. Stock ownership is determined based on the market value of restricted and unrestricted shares held in the name of the executive, but not the value of unexercised stock options. The stock ownership guidelines are as follows: Chief Executive Officer, three times base salary; Senior Vice Presidents and other Executive Officers, 1.5 times base salary; and other corporate Vice Presidents, one times base salary. These guidelines have been met or exceeded as of June 30, 2007 for all NEOs, except Ms. Stevens due to her short time in her position.

The Compensation Committees believe that granting restricted stock and stock options to NEOs aligns the interests of Stockholders with those of executives and promotes management ownership in the Company. In prior years when restricted stock awards were granted to NEOs, half of each award became vested after the passage of five years of continued employment and the other half was earned upon the attainment of certain financial performance criteria related to return on net assets (RONA) and vested ratably over a two-year period after being earned. For fiscal year 2007, more of the long term equity compensation of the NEOs was tied to Company performance by making 75% of the restricted stock awards contingent upon attainment of RONA financial performance targets for fiscal year 2007 with a two-year ratable vesting period. The remaining 25% of the restricted stock awards vest after three years of continued employment.

Compensation Committee Process. The Compensation Committees meet as often as necessary to perform their duties and responsibilities. The Committee has the authority, in its discretion, to retain and terminate consultants, attorneys and other advisors to assist in the evaluation of compensation for the NEOs. The Committee has sole authority to approve the fees and other retention terms of any such advisors.

During fiscal year 2007, the Committee met five times and the Subcommittee met six times. The Committee regularly meets in executive session without management present. The Committee usually meets with the CEO, the Senior Vice President Organizational Effectiveness, Strategy and Corporate Staffs (SVP-HR) and the Vice President, General Counsel and Secretary. When appropriate, the Committee also meets with other executive officers and outside advisors.

The Committee s meeting agenda is normally established by the Committee Chairperson in consultation with the CEO and SVP-HR. Committee members receive and review materials in advance of each meeting. Depending on the meeting s agenda, such materials may include: financial reports regarding the Company s performance, reports on achievement of corporate objectives, reports detailing executives stock ownership and options, safety performance, tally sheets setting forth total compensation and information regarding the compensation programs and levels of compensation at certain peer group companies.

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Role of Executive Officers in Compensation Decisions. The Committee reviews and approves all compensation decisions for the CEO, CFO and all other NEOs. In this regard, the CEO and SVP-HR provide the Committee with their evaluations of the NEOs performance, business goals and objectives and recommendations regarding salary levels and equity awards.

Executive Compensation Consultant. To assist the Compensation Committees in carrying out their responsibilities in fiscal year 2007, the Compensation Committees engaged Towers Perrin, an executive compensation consulting firm, to conduct a competitive assessment of the Company s compensation program for the NEOs. Towers Perrin acts as an independent advisor to the Compensation Committees and does provide other consulting services to the Company. The Committee determined that no conflict exists between the services provided by Towers Perrin to the Compensation Committees and those services provided to the Company generally.

In advising the Compensation Committees regarding fiscal year 2007 compensation for NEOs, Towers Perrin developed competitive compensation levels by establishing a benchmark match for each NEO position in the competitive market. To provide a broad perspective of the market, competitive levels were developed at the 25^{th}, 50^{th} and 75^{th} percentiles for the following elements of pay:

(i) base salary;

(ii) target annual cash incentive bonus;

(iii) target total cash compensation (base salary plus target annual cash bonus);

(iv) expected value of long-term incentives; and

(v) target total direct compensation (target total cash compensation plus the expected value of long-term incentives).

In establishing an appropriate industry peer group, Towers Perrin utilized, and the Subcommittee agreed to, a group of Selected Peers consisting of 71 public companies with revenues of $500 million - $3 billion which were involved in one of the following industries which were considered to be representative of the markets served by the Company and from which it could be expected to attract its executives: aerospace and defense; automotive and transportation; chemicals; construction; electronics and scientific equipment; industrial manufacturing; or metals and mining (the Selected Peers). Towers Perrin also provided a comparison against a broader market group of companies from general industry (General Industry Peer Group). Specific benchmark levels were developed using regression analysis by Towers Perrin to size adjust the market data to reflect the Company s corporate revenue or the individual business unit revenue when appropriate.

Market-Based Compensation Strategy. For FY 2007, the Compensation Committees adopted the following market-based compensation strategy:

- Pay levels are evaluated and calibrated relative to the Selected Peers as the primary group against which to compare executive compensation packages. In addition, General Industry Peer Group data is reviewed as an additional comparison point and to ensure robust competitive data.

- Base salary, target total cash compensation levels (base salary plus target annual cash bonus) and target total direct compensation (target total cash compensation plus the expected value of long-term incentives) for NEOs are compared to the 50^{th} percentile of the Selected Peers. Compensation is considered to be competitive if it is within 15 percent above or below the 50^{th} percentile.

The Compensation Committees compare executive compensation to the Selected Peers and the General Industry Peer Group in order to benchmark peer group compensation, but base their ultimate compensation decisions upon each NEO s performance, responsibilities, experience, time in position and other internal equity considerations.

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Components of Compensation. For the fiscal year ended June 30, 2007, the principal components of compensation for NEOs were:

(i) base salary;

(ii) annual cash incentive bonus;

(iii) long term incentives;

(iv) retirement benefits; and

(v) perquisites.

The Company entered into an employment agreement with Anne L. Stevens, Chairman, President and Chief Executive Officer, when she was retained in November, 2006. The Subcommittee determined that it was appropriate to enter into an employment agreement with Ms. Stevens in order to retain her for a minimum period and to ensure that she would not compete with the Company if she left her employment. This agreement also provides for post-employment severance payments and benefits in the event of employment termination under certain circumstances in order to attract her to the position by providing a minimum level of income and benefit protection. The Committee believes that this agreement serves to align the CEO s interests with those of the Stockholders and provides an incentive to her to remain with the Company. In addition, Richard L. Simons, the Acting Chief Financial Officer at the end of fiscal year 2007, has a severance arrangement with the Company entered into when he was hired as Vice President and Corporate Controller in 2006. The severance arrangement provides that Mr. Simons is entitled to receive $200,000 if his employment is terminated by the Company within five years of his hire date without good cause. The Company had no employment contracts with any other NEOs during fiscal year 2007. For more information regarding these potential severance payments and benefits, see Employment Agreements and Potential Payments Upon Termination .

Base Salary. The Company provides NEOs with base salaries to compensate them for services rendered during the year. The Committee believes that competitive salaries must be paid in order to attract and retain high quality executives. Normally the Committee reviews NEO salaries at the end of each fiscal year, with any adjustments to base salary becoming effective on July 1 of the succeeding fiscal year.

The Subcommittee determined that in fiscal year 2007 base salary and target total cash compensation levels (base salary plus target annual cash bonus) should be compared to the 50th percentile of the Selected Peers. The Selected Peers data produced by Towers Perrin indicated that the base salary levels for the NEOs as a group, were generally consistent with the 50th percentile of the Selected Peers. The Subcommittee determined that base salary increases ranging from 6-8% for Messrs. Oates, Shor, Christiansen and Simons were appropriate and that their base salaries, as adjusted, were within the appropriate range considering their performance and experience and in light of other internal equity considerations. Mr. Simons, the Acting Chief Financial Officer, received no change to his compensation upon assuming the additional duties of Acting Chief Financial Officer in May, 2007.

Chairman, President and Chief Executive Officer Anne L. Stevens began her employment during fiscal year 2007. She was identified and recruited through the efforts of an outside search consultant. The base salary for Ms. Stevens was within the median compensation range for similar positions and was consistent with market-based compensation.

Annual Cash Bonus. Annual cash bonuses are included as part of the executive compensation program because the Compensation Committees believe that a significant portion of each NEO s potential compensation should be contingent on the successful financial performance of the Company. Accordingly, the Company maintains an Executive Bonus Compensation Plan (the EBCP) under which NEOs are eligible to receive an annual cash incentive bonus based upon the achievement of performance measures determined from time to time. For fiscal year 2007, corporate performance goals for return on net assets (RONA) and earnings per share (EPS) were established as the key measures for the EBCP for Ms. Stevens and Messrs. Simons and Christiansen, with performance targets weighted 50% to RONA and 50% to EPS. In addition to the corporate RONA and EPS goals, a portion of the EBCP awards for Messrs. Oates and Shor for fiscal year 2007 was based upon achieving operating income goals established for the business units that they respectively managed. The performance targets for Messrs. Oates and Shor were weighted 40% to RONA, 40% to the EPS target and 20% to the operating income target of their respective business units. The EPS component of the EBCP is determined based upon the EPS of the Company achieved for fiscal year 2007. The RONA calculation is determined by dividing the after tax net income of the Company by its total net assets as of the end of fiscal year 2007. The operating income component is determined based upon the operating income of the relevant business unit for fiscal year 2007 as calculated under generally accepted accounting principles. The performance goals for fiscal year 2007 were set at three levels: Threshold, Target and Maximum. At the Threshold level, the bonus would pay 50% of the Target bonus. At the Maximum level, the bonus would pay up to 200% of the Target bonus. No cash bonus is earned if performance does not achieve the Threshold level. Awards are typically forfeited following termination of employment prior to the end of the performance period, except in the event of death, disability or, unless otherwise determined by the Committee, retirement, in which case, the award is prorated and paid at the time it would have been paid had no separation occurred.

Generally, the Committee sets the target levels so that the relative difficulty of achieving the targets is consistent among the NEOs in any one year and from year to year. In making this determination, the Committee may consider specific circumstances experienced by the Company in prior years or which are expected to face the Company in the coming year. At the beginning of each fiscal year, the Committee determines target levels of performance for each performance metric. After the fiscal year end, the Committee assesses and verifies the actual results versus the original goals to determine the final awards. The Committee must approve all awards before they are paid to any NEOs. Due to competitive sensitivity and confidentiality of Company projections and internal business unit results, the specific numeric performance targets for fiscal year 2007 are not presented in this discussion. Such targets and the Company s actual performance results, however, are reviewed and approved by the Committee and/or the Board s Audit/Finance Committee.

The target total cash compensation (base salary plus target cash bonus) is intended, in general, to pay at market levels at the 50th percentile upon achievement of target performance goals. The Compensation Committees determined that the target total cash compensation for the NEOs was generally at the market level at the 50th percentile and made no changes from the prior year to the percentages of base salary that each NEO could receive upon attainment of the performance targets.

Long-Term Incentives. The Committee believes that equity-based incentives are an important link between the Stockholders interests and those of the executives. The Company has established the Stock-Based Incentive Compensation Plan for Officers and Key Employees (Stock Plan) in order to provide equity compensation to executives and other employees. Performance-based restricted stock grants under the Stock Plan are used to allow executives to receive shares of the Company s stock only to the extent that they achieve pre-set performance goals. The Committee believes that a portion of the benefits realized from long-term equity-based incentive awards helps motivate executives to remain with the Company and further contributes to financial growth. The long-term incentive program administered by the Committee under the Stock Plan offers annual grants that vary in size based on the Company s and the executive s performance.

Equity grants to NEOs are generally made by the Committee each year as part of the normal annual compensation review cycle. The grants for a particular year generally occur in July or August after the Company s full year financial results are known and have been verified by the Committee. In addition to the annual equity awards, the Committee may approve stock option and restricted stock awards for newly hired executives or in recognition of an executive s expansion of responsibilities or for retention purposes. Such grants to a NEO must be approved by the Committee and this authority to make such grants is not delegated to the Chief Executive Officer.

If stock options are granted, the exercise price is set at fair market value on the grant date as described in the applicable plan. The Committee may, in its discretion, delay the effective grant date of options to correspond with the end of blackout periods during which the Company s executives are not permitted to trade in Company securities, but such a delay may not be implemented in order for executives to achieve a more favorable exercise price for the stock option awards.

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The Subcommittee reviewed information provided by Towers Perrin and determined its long-term incentive approach for fiscal year 2007. In order to provide incentive for superior performance and in consideration of external research and key internal factors, the Subcommittee approved the following approach for fiscal year 2007:

Seventy-five percent of a NEO s long-term incentive was to be delivered in restricted stock which may be earned upon attainment of Company RONA financial performance goals. The restricted stock, to the extent earned, will vest equally over the two years following the end of fiscal year 2007. Awards are typically forfeited following termination of employment prior to the end of the performance period, except in the event of death, disability or, unless otherwise determined by the Committee, retirement, in which case, the award is prorated and paid at the time it would have been paid had no separation occurred.

Twenty-five percent of a NEO s long-term incentive was delivered in shares of restricted stock which will vest on June 30, 2009 (three years after the end of fiscal year 2006). At the end of fiscal year 2006, the Subcommittee granted the following restricted stock awards to the NEOs which will vest on June 30, 2009 (three years after the end of fiscal year 2006), contingent upon continued employment: Dennis M. Oates, 2,250 shares; Michael L. Shor, 2,250 shares; David A. Christiansen, 938 shares; and Richard L. Simons, 563 shares. These shares represent 25% of the long-term incentive bonus compensation payable to the NEOs for fiscal year 2007.

Award levels were calibrated to deliver generally a median level (50^{th} percentile) of total target direct compensation (sum of base salary, annual target cash bonus and expected value of long-term incentives) as compared to the Selected Peers.

For fiscal year 2007, the Subcommittee determined that the performance measure for the NEOs to achieve the performance-based portion of their restricted stock awards was based upon attaining the same corporate RONA financial goal used for the EBCP cash incentive bonus.

The target long-term incentive is intended to pay generally at market levels at the 50^{th} percentile of the Selected Peers upon achievement of target performance goals. The Subcommittee determined that the value of the performance-based portion of the target long-term incentive based on the then current share price for the NEOs was generally at the market level at the 50^{th} percentile and made no changes to the number of shares of Company stock that each NEO could receive upon attainment of the performance targets. No performance-based restricted stock awards would be earned if the Threshold performance level was not attained.

During fiscal year 2007, the Subcommittee granted an award of 10,000 shares of restricted stock to Ms. Stevens in conjunction with the commencement of her employment. Those shares will vest if her employment continues for three years after her hire date.

In October 2006, the Subcommittee granted the following awards of restricted stock which will vest if employment continues for three years after the grant date to the following NEOs: Dennis M. Oates, 5,000 shares; Michael L. Shor, 5,000 shares; David A. Christiansen, 3,000 shares; and Richard L. Simons, 2,000 shares. These shares were granted to promote long-term dedication to the Company and to discourage loss of key executives to competitors during a period of management change.

On June 27, 2007, the Committee granted options to purchase 14,250 shares of stock to Ms. Stevens as part of her compensation package for fiscal year 2008. The options have an exercise price of $128.34 per share, based on the closing value of the Company s stock on that date. These options will vest ratably over three years. Stock options were considered to be an appropriate compensation element since their value to the executive is directly related to appreciation in the price of the Company s stock. No other stock options were granted to any NEOs during the reporting period.

All of the outstanding restricted stock held by Robert J. Torcolini, the former Chief Executive Officer, vested immediately in conjunction with his retirement as of December 31, 2006. Mr. Torcolini also received 4,048 shares of earned restricted stock in July, 2007 as a pro-rata share of his performance-based restricted stock opportunity for fiscal year 2007. All such shares vested immediately. All of the outstanding restricted stock held by Dr. J. Michael Fitzpatrick, the former Vice Chairman, vested immediately upon his departure from the Company effective November 1, 2006, as part of his separation package. In consideration of the accelerated vesting of their restricted stock grants, Mr. Torcolini and Dr. Fitzpatrick agreed not to compete with the Company nor solicit its employees.

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Tax Deductibility of Compensation. To the extent NEO total compensation subject to Internal Revenue Code Section 162(m) exceeds $1 million, it will not be deductible for federal income tax purposes except for the portion of such compensation that is performance-based as defined in Code Section 162(m). Cash bonuses and restricted stock are performance-based only if such compensation is earned based on the achievement of objective performance goals under stockholder approved plans. The EBCP for cash bonuses and the Stock Plan for equity compensation are intended to qualify as performance-based compensation plans under Section 162(m) of the Internal Revenue Code and were approved by the Company Stockholders in October, 2006. Restricted stock awards that are solely time vested are not performance-based. The Committee intends to maintain flexibility to pay compensation that may not be entirely deductible for tax purposes when sound direction of the Committee would make that advisable. In fiscal year 2007, certain portions of the compensation paid to Dennis M. Oates and Michael L. Shor were not deductible under Section 162(m).

Retirement and Post-Employment Benefits. The General Retirement Plan for Employees of Carpenter Technology Corporation (GRP) provides retirement benefits to employees, including the NEOs, at age 65 (with five years of service), or as early as age 55 (with ten years of service); or at any age with 30 years of service. Such benefits are based on either: (1) a fixed monthly rate for each year of service; or (2) the product of 1.3% times each of the first 20 years of service, plus 1.4% times each year of service over 20, multiplied by the individual s highest average earnings. This average is calculated from the highest five annual periods (during the last twenty years of service) that end on the individual s retirement date. For pension purposes, earnings include all salaries, bonuses, and other cash compensation. The benefits to which NEOs are entitled under the GRP is discussed in more detail elsewhere in this Proxy Statement under the heading Tax-Qualified Defined Benefit Pension Plan .

The Company has two supplemental plans for those participants in the GRP whose benefits are reduced by limitations under the Internal Revenue Code: the Benefit Equalization Plan (BEP) and the Earnings Adjustment Plan (EAP). These two plans will restore amounts lost under the GRP because of Code limitations. In general, benefits under these plans are subject to the same administrative rules as the GRP. All of the NEOs are entitled to benefits under the BEP and the EAP in order to ensure that their post-retirement income reflects the value of their actual earnings during active employment.

Certain executives, including all the NEOs, have been designated by the Board of Directors as participants under the Supplemental Retirement Plan for Executives (SRP) in order to provide a minimum level of post-retirement income in exchange for long-term dedication to the Company at a managerial level. This supplemental benefit is payable for a fixed term of 15 years, commencing in the seventh month following eligibility for GRP monthly payments (unless a disabled participant elects a later date). The total benefits a participant will receive from the aggregate of all of these retirement plans, plus primary Social Security will be approximately 60% of the participant s average earnings (similar to earnings calculated under the GRP) if retirement occurs with 30 years of service.

The Officers Supplemental Retirement Plan (OSRP) provides supplemental pension benefits to participants including the NEOs who have benefits reduced under the GRP because of amounts deferred under the Deferred Compensation Plan for Officers and Key Employees (Deferred Compensation Plan) (discussed below) in order to ensure that their post-retirement income reflects the value of their actual earnings during active employment. The OSRP restores reductions that occur under the GRP as a result of these deferrals, without regard to any limitations of the Internal Revenue Code. Benefits under the OSRP are subject to the same administrative rules as the GRP.

The benefits to which NEOs are entitled under the BEP, EAP, SRP and OSRP are discussed in more detail elsewhere in this Proxy Statement under the heading Non-Qualified Defined Benefit Pension Plans .

Special Severance Agreements. The Company has Special Severance Agreements in place with all the NEOs. Under these agreements, if the NEO s employment is terminated following a change in control of the Company, the NEO will receive his/her (1) pro-rata salary and pro-rata bonuses through the termination date, (2) pension and other benefits through the termination date, and (3) the vesting of all restricted stock and stock options. In addition, if the termination is by the Company, other than for cause, or by the NEO for good reason, the NEO will receive (1) a lump sum payment equal to three years salary (two years for Mr. Simons) and full annual bonus (computed without regard to actual attainment of relevant performance goals) and (2) an enhanced pension benefit paid as a lump sum from general assets. The Special Severance Agreements also provide for the gross up of taxes payable under

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Section 280G of the Code. These agreements are intended to encourage NEOs to remain with the Company and continue to perform their duties if there is a pending or potential change in control and to afford them income protection in the event that their positions are terminated or significantly changed after a change in control. The terms of these Special Severance Agreements are discussed in more detail elsewhere in this Proxy Statement under the heading Employment and Potential Payments Upon Termination.

Savings Plan of Carpenter Technology Corporation. The Savings Plan is a profit sharing and employee stock ownership plan. The Company contributes 3% of the eligible pay of each eligible employee (including all NEOs) to the Plan. The Company s contribution is invested, as the employee selects, into one or more pre-established investment funds. If the Company s contribution for an employee under the Savings Plan is limited by the Internal Revenue Code, the employee will receive these lost Savings Plan contributions under the Deferred Compensation Plan (discussed below). In addition, an employee may authorize the Company to make contributions, including salary deferrals, limited to 35% of eligible pay.

Employee Stock Ownership Plan. The Carpenter Technology Corporation Employee Stock Ownership Plan (ESOP) was established in 1991. The trustee of the ESOP, State Street Bank and Trust Company, purchased approximately 461 shares of series A convertible preferred stock from the Company at a price of $65,000 per share, or an aggregate purchase price of approximately $30 million, for a 15-year note issued by the trustee to the Company and a small amount of cash. The ESOP ended as of December 31, 2006. In March, 2007, the preferred stock was converted into common stock of the Company and distributed into the Savings Plan accounts of the Company employees participating in the ESOP.

Deferred Compensation Plan. The Company sponsors a non-qualified cash deferral plan for executives to supplement the Savings Plan. Executives annually may elect to defer up to 35% of base pay and 100% of bonus compensation to be paid at a date or event specified in the election. The Company also makes a 3% contribution to this plan for base pay not eligible for Company contribution under the Savings Plan.

Perquisites. The Company provides the NEOs with a limited number of perquisites and other personal benefits that the Compensation Committees believe are reasonable and consistent with its overall compensation program to better enable the Company to attract and retain key executives. The Compensation Committees have determined that the perquisites described below are advantageous to the Company by allowing each NEO to devote his/her time and attention to improving the performance of the Company by minimizing distractions related to certain types of personal matters.

The NEOs are provided the following perquisites, all of which are quantified in the Summary Compensation Table:

- Tax preparation expenses up to $1,500 annually
- Financial and tax planning expenses up to $8,000 annually
- Medical examination (annual or bi-annual, depending on age)
- Employment relocation expenses

COMPENSATION COMMITTEE REPORT

The Human Resources Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with the Company s management. Based on such review and discussions, the Human Resources Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

This report is respectfully submitted by the members of the Human Resources Committee of the Board of Directors.

Stephen M. Ward, Jr., Chairperson Gregory A. Pratt

Philip M. Anderson	Kathryn C. Turner

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EXECUTIVE COMPENSATION

The following table contains information concerning the compensation paid by Carpenter for services rendered during the fiscal year ended June 30, 2007, by Carpenter s Chief Executive Officers, Chief Financial Officers and each of the other Named Executive Officers.

Table of Abbreviations

BEP Benefit Equalization Plan

Board Carpenter s Board of Directors

Carpenter or Company - Carpenter Technology Corporation

Committee Human Resources Committee of the Board

Compensation Committees Committee and Subcommittee

EAP Earnings Adjustment Plan

EBCP Executive Bonus Compensation Plan

GRP General Retirement Plan for Employees of Carpenter

NEO Named Executive Officer(s)

NQDCP Deferred Compensation Plan for Officers and Key Employees (non-qualified)

OSRP Officers and Key Employees Supplemental Retirement Plan

Savings Plan The Savings Plan of Carpenter (401(k) plan)

SRP Supplemental Retirement Plan for Executives

Stock Plan Stock-Based Incentive Compensation Plan for Officers and Key Employees

Subcommittee Subcommittee of the Committee

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FY 2007 Summary Compensation Table

Name and Principal Position [1] (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Stock Awards [2] ($) (e)	Option Awards [3] ($) (f)	Non-Equity Incentive Plan Compensation [4] ($) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings [5] ($) (h)	All Other Compensation [6] ($) (i)	Total ($) (j)
Stevens, Anne Chairman, President and Chief Executive Officer	2007	$ 516,539	$ 0	$ 470,569	$ 0.00	$ 389,470	$ 51,703	$ 227,653	$ 1,655,934
Oates, Dennis Senior Vice President Specialty Alloys Operations	2007	$ 388,269	$ 0	$ 813,308	$ 0.00	$ 207,266	$ 312,760	$ 39,804	$ 1,761,407
Shor, Michael Senior Vice President Engineered Products Operations	2007	$ 378,271	$ 0	$ 791,868	$ 0.00	$ 39,030	$ 766,063	$ 38,610	$ 2,013,842
Christiansen, David Vice President, General Counsel and Secretary	2007	$ 258,846	$ 0	$ 357,616	$ 0.00	$ 97,585	$ 332,282	$ 32,751	$ 1,079,080
Kornblatt, M. David Former Sr. Vice President-Finance and Chief Financial Officer	2007	$ 301,846	$ 50,000.00 [7]	$ 0	$ 0.00	$ 0	$ 0	$ 18,558	$ 370,404
Simons, Richard Vice President and Corporate Controller - Acting Chief Financial Officer	2007	$ 224,135	$ 0	$ 255,918	$ 0.00	$ 67,599	$ 43,437	$ 24,283	$ 615,372
Torcolini, Robert Former Chairman, President and Chief Executive Officer	2007	$ 467,468	$ 0	$ 2,904,332	$ 0.00	$ 0	$ 3,711,501	$ 465,065	$ 7,548,366
Fitzpatrick, J. Michael Former Vice Chairman	2007	$ 196,154	$ 0	$ 668,009	$ 0.00	$ 0	$ 0	$ 676,613	$ 1,540,776

1. We have included eight officers in the compensation table. Mr. Torcolini served as Chairman, President and CEO from July 1, 2006 through October 31, 2006 and as a Special Advisor to the Board of Directors from November 1, 2006 through December 31, 2006. He retired effective January 1, 2007. Ms. Stevens was appointed Chairman, President and Chief Executive Officer effective November 1, 2006. Mr. Kornblatt served as Senior Vice President, Finance and Chief Financial Officer from July 5, 2006 through May 7, 2007, at which time he voluntarily terminated employment with the Company. At that time, Mr. Simons was appointed Acting Chief Financial Officer effective May 7, 2007 until July 6, 2007. Dr. Fitzpatrick served as a member of the Board of Directors and as Vice Chairman and an Executive Officer of the Company until his separation of employment effective November 1, 2006.

2. Includes the expenses recognized during fiscal year 2007 in accordance with FAS 123R in the financial statements for restricted stock awards. Performance-based restricted shares and time-based restricted shares are earned and/or awarded in accordance with the Stock-Based Incentive Compensation Plan for Officers and Key Employees. The assumptions used in determining the fair value of stock awards are set forth in Note 16 to the financial statements contained in Carpenter s Annual Report on Form 10-K for the fiscal year ended June 30, 2007. Carpenter recognizes expenses ratably over a three-year period for performance-based restricted shares, and three or five year vesting periods for time-based restricted shares. Vesting was accelerated on all of Mr. Torcolini s outstanding restricted stock to coincide with his retirement. Vesting was accelerated on all of Dr. Fitzpatrick s outstanding restricted stock as part of his separation package.

3. Options on 14,250 shares were granted to Ms. Stevens effective June 27, 2007, and will become exercisable in equal annual installments on the first, second and third anniversaries of the grant date. There were no expenses recognized in accordance with FAS 123R in the financial statements for stock option awards granted during the fiscal year ended June 30, 2007. Stock options are granted in accordance with the terms of the Stock Plan.

4. Represents annual cash bonuses earned under the EBCP.

5. Shows the aggregate change in the accumulated benefit under all defined benefit plans (including non-qualified supplemental plans) from June 30, 2006 to June 30, 2007. The amounts were computed using the same assumptions used for financial statement reporting purposes under FAS 87 described in Note 12 to the financial statements contained in Carpenter s Annual Report on Form 10-K for the fiscal year ended June 30, 2007. Amounts paid under the plans use assumptions contained in the plans and may be different than those used for financial statement reporting purposes. The Company does not provide any above market or preferential earnings on deferred compensation pursuant to the terms of the Deferred Compensation Plan for Officers and Key Employees previously discussed.

6. Other income and benefits include: financial and tax counseling and tax preparation, insurance premiums, dividend equivalents on unvested restricted stock, relocation/temporary living reimbursement and tax gross-ups, contributions to the 401(k) Savings Plan and the Deferred Compensation Plan for Officers and Key Employees and unused earned vacation. Not all of the listed income and/or benefits were provided to each NEO. Ms. Stevens received a relocation/temporary living expense payment of $165,671 and a relocation tax gross-up payment of $32,444. Mr. Torcolini received a payment of $425,000 in lieu of a potential fiscal year 2007 cash bonus performance award. Dr. Fitzpatrick received a separation payment of $633,333 and a payment of $33,967 for unused earned vacation. Company contributions to Retirement and 401(k) Plans were made as follows: A. Stevens - $15,496; D. Oates - $11,648; M. Shor - $11,348; and R. Torcolini - $14,221. Dividend equivalents on restricted shares were paid as follows: D. Oates - $27,394; M. Shor - $22,519; D. Christiansen - $10,063; and R. Torcolini - $20,588.

7. Represents a payment to Mr. Kornblatt as part of his initial employment package.

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FY 2007 Grants of Plan-Based Awards Table

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards [1] Threshold [2]	Target	Maximum [3]	Estimated Future Payouts Under Equity Incentive Plan Awards [4] Threshold	Target	Maximum	All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards [5]
		($)	($)	($)	(#)	(#)	(#)	(#)	(#)	($ / Sh)	($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(m)
Stevens, Anne	11/1/2006							10,000 [6]	0	$ 0	$ 1,037,300
Chairman, President and	6/27/2007	$ 437,750	$ 875,500	$ 1,751,000	4,560	9,120	18,240				
Chief Executive Officer	6/27/2007							3,040 [6]			$ 390,154
	6/27/2007								14,250 [7]	$ 128	$ 1,033,500
	6/29/2007							5,397 [8]			$ 559,831
Oates, Dennis	7/16/2006							2,250 [6]	0	$ 0	$ 241,920
Senior Vice President	10/16/2006							5,000 [6]			$ 569,000
Specialty Alloys Operations	6/29/2007							3,470 [8]			$ 394,886
Shor, Michael	7/16/2006							2,250 [6]	0	$ 0	$ 241,920
Senior Vice President	10/16/2006							5,000 [6]			$ 569,000
Engineered Products Operations	6/29/2007							3,470 [8]			$ 394,886
	7/25/2007	$ 136,990	$ 273,980	$ 547,960	1,955	3,910	7,820				
Christiansen, David	7/16/2006							938 [6]	0	$ 0	$ 100,854
Vice President, General Counsel	10/16/2006							3,000 [6]			$ 341,400
and Secretary	6/29/2007							1,446 [8]			$ 164,555
	7/25/2007	$ 66,300	$ 132,600	$ 265,200	815	1,630	3,260				
Kornblatt, M. David	7/5/2006							2,000 [9]	0	$ 0	$ 236,320
Former Sr. VP-Finance and Chief Financial Officer	10/16/2006							5,000 [9]			$ 569,000
Simons, Richard	7/16/2006							563 [6]	0	$ 0	$ 60,534
Vice President and	10/16/2006							2,000 [6]			$ 227,600
Corporate Controller	6/29/2007							867 [8]			$ 98,665
Acting Chief Financial Officer	7/25/2007	$ 46,360	$ 92,720	$ 185,440	490	980	1,960				
Torcolini, Robert Former Chairman, President and Chief Executive Officer	6/29/2007							4,048 [10]	0	$ 0	$ 460,662
Fitzpatrick, J. Michael Former Vice Chairman								0	0	$ 0	$ 0

1. Describes the annual targets for cash bonuses payable under the EBCP based on fiscal year 2008 performance. Payments are earned based on annual performance versus stated objectives. Payments are typically forfeited following termination of employment prior to the end of the performance period, except in the event of death, disability or, unless otherwise determined by the Human Resources Committee, retirement, in which case, the award is prorated and paid at the time it would have been paid had no separation occurred. No amounts are shown for Dennis M. Oates for fiscal year 2008 due to his departure from the Company in July, 2007.

2. The Threshold is the minimum amount payable for a certain level of performance stated and approved by the Board or its designated Committee each fiscal year. If performance falls below the Threshold performance level established by the Committee for fiscal year 2008, no amount will be paid. If a bonus is earned, the minimum payment is 50% of the Target percentage.

3. If the performance metric established by the Committee for fiscal year 2008 is achieved or exceeded, the maximum payment is 200% of the Target percentage.

4. Describes the annual targets for the grant of restricted stock under the Officer and Key Employee Stock Plan (Stock Plan) based on fiscal year 2008 performance. If earned, restricted stock is granted subject to a two-year time-based vesting schedule, with 50% of the Award vesting on the first anniversary of the grant date and the remaining 50% vesting on the second anniversary of the grant date. In the event of separation during the performance period due to death, disability or retirement, a participant or his/her estate is eligible to receive at the end of the performance period a prorated payout of any earned restricted stock, which will vest immediately. No amounts are shown for Dennis M. Oates for fiscal year 2008 due to his departure from the Company in July, 2007.

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5. The assumptions used for determining the grant date fair value are set forth in Note 16 to the financial statements contained in Carpenter s Annual Report on Form 10-K for the fiscal year ended June 30, 2007.

6. Reflects the number of restricted shares granted under the Stock Plan during fiscal year 2007. The shares are subject to a three-year time-based vesting schedule. The shares will vest in full if the recipient remains an active employee for three years following the grant date. In the event of separation of service due to death, disability, retirement or change in control, the shares will become immediately vested.

7. Reflects the number of stock options granted to Anne L. Stevens under the Stock Plan during fiscal year 2007 as part of her fiscal year 2008 compensation package. Option awards have a ten year maximum term and may become exercisable ratably over a three-year period following the grant date. Options will expire 90 days following termination of employment, except in the case of death, disability, or retirement. In the event of death or disability, all options that were granted more than 12 months prior to the event become fully vested and exercisable by the participant or his/her estate for the remainder of the original term. In the event of retirement, all unexercisable options granted more than 12 months before such retirement date shall become fully vested and exercisable by the participant or his/her estate for the remainder of the original term, however, the Committee reserves the right to determine that unvested options are forfeited. Upon a change in control, all outstanding options become fully vested and immediately exercisable.

8. Reflects the number of restricted shares granted under the Stock Plan for performance in fiscal year 2007. The number of shares granted to each recipient represents 77.1% of his/her respective performance Target established for fiscal year 2007. The shares are subject to a two-year time-based vesting schedule, with 50% vesting on each of the first and second anniversary dates of the award.

9. Mr. Kornblatt terminated employment prior to the vesting dates of these restricted stock awards and was not eligible for accelerated vesting. The shares were forfeited effective May 7, 2007.

10. Reflects the number of restricted shares granted under the Stock Plan for performance in fiscal year 2007. Mr. Torcolini retired effective January 1, 2007. The number of shares received is prorated based on his length of service in fiscal year 2007 and represents 77.1% of his prorated performance Target established for fiscal year 2007. The shares are immediately vested as a result of his retirement.

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FY 2007 Outstanding Equity Awards At Fiscal Year-End Table

Option Awards					Stock Awards			
Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercised Options	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price	Option Expiration	Number of Shares or Units of Stock That Have Not Vested [1]	Market Value of Shares or Units of Stock That Have Not Vested [2]	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That H
(#)	(#)	(#)	($)	Date	(#)	($)	(#)	