

CARPENTER TECHNOLOGY CORP

Form 11-K

June 24, 2008

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 11-K**

**ANNUAL REPORT**

**Pursuant to Section 15(d) of the**

**Securities Exchange Act of 1934**

**For the fiscal year ended December 31, 2007**

**Commission File Number 1-5828**

**SAVINGS PLAN OF**  
**CARPENTER TECHNOLOGY CORPORATION**

(Full title of the plan)

# **CARPENTER TECHNOLOGY CORPORATION**

(Name of issuer of the securities held pursuant to the plan)

**P.O. Box 14662**

**Reading, Pennsylvania**

(Address of principal executive office of the issuer)

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Financial Statements and Exhibits

(a) Financial Statements

The financial statements filed as part of this report are listed in the Index to Financial Statements included herein.

(b) Exhibits

23.1 Consent of Independent Registered Public Accounting Firm

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**SAVINGS PLAN OF CARPENTER TECHNOLOGY CORPORATION**

**INDEX TO FINANCIAL STATEMENTS**

**FORM 11-K ANNUAL REPORT**

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**Report of Independent Registered Public Accounting Firm**

To the Participants and Administrator of  
the Savings Plan of Carpenter Technology Corporation  
Reading, Pennsylvania

We have audited the accompanying statements of net assets available for benefits of the Savings Plan of Carpenter Technology Corporation (Plan) as of December 31, 2007 and 2006 and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Savings Plan of Carpenter Technology Corporation as of December 31, 2007 and 2006, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedule of assets (held at end of year) as of December 31, 2007 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplementary schedule is the responsibility of the Plan's management. The supplementary schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Beard Miller Company LLP

Beard Miller Company LLP  
Reading, Pennsylvania  
June 24, 2008

**Table of Contents*****Savings Plan of Carpenter Technology Corporation*****Statements of Net Assets Available for Benefits**

December 31, 2007 and 2006

| <b>Dollars in thousands</b>                                                                    | <b>2007</b> | <b>2006</b> |
|------------------------------------------------------------------------------------------------|-------------|-------------|
| <b><i>Assets</i></b>                                                                           |             |             |
| Investments, at fair value                                                                     | \$ 511,595  | \$ 401,773  |
| Receivables:                                                                                   |             |             |
| Participant contribution                                                                       | 544         | 457         |
| Employer contribution                                                                          | 182         | 174         |
| Total receivables                                                                              | 726         | 631         |
| Net assets reflecting all investments at fair value                                            | 512,321     | 402,404     |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts | 278         | 985         |
| Net assets available for benefits                                                              | \$ 512,599  | \$ 403,389  |

*See notes to financial statements.*

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**Table of Contents***Savings Plan of Carpenter Technology Corporation***Statements of Changes in Net Assets Available for Benefits**

Years Ended December 31, 2007 and 2006

| Dollars in thousands                                  | 2007       | 2006       |
|-------------------------------------------------------|------------|------------|
| <b>Additions</b>                                      |            |            |
| Investment Income:                                    |            |            |
| Net appreciation in fair value of investments         | \$ 32,199  | \$ 42,252  |
| Interest and dividends                                | 20,337     | 13,822     |
|                                                       | 52,536     | 56,074     |
| Contributions:                                        |            |            |
| Participant                                           | 12,617     | 11,512     |
| Participant Rollover                                  | 1,534      | 1,762      |
| Employer                                              | 5,187      | 4,953      |
|                                                       | 19,338     | 18,227     |
| Transfers in (Note 1)                                 | 63,844     |            |
| Total additions                                       | 135,718    | 74,301     |
| <b>Deductions</b>                                     |            |            |
| Benefits paid to participants                         | 26,214     | 23,501     |
| Administrative expenses                               | 294        | 167        |
| Total deductions                                      | 26,508     | 23,668     |
| Net increase                                          | 109,210    | 50,633     |
| Net assets available for benefits - beginning of year | 403,389    | 352,756    |
| Net assets available for benefits - end of year       | \$ 512,599 | \$ 403,389 |

*See notes to financial statements.*

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### ***Savings Plan of Carpenter Technology Corporation***

#### **Notes to Financial Statements**

December 31, 2007 and 2006

#### **Note 1 - Description of Plan**

The following description of the Savings Plan of Carpenter Technology Corporation (the Plan) provides only general information. A more comprehensive description of the Plan's provisions can be found in the Plan document, which is available to participants upon request from Carpenter Technology Corporation, or any participating affiliate (collectively referred to as the Company).

#### **General**

The Plan is a profit-sharing and stock bonus plan which covers substantially all domestic non union employees of the Company. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

#### **Transfers In**

As a result of the Company's decision to spin off and merge into the Plan a portion of the Employee Stock Ownership Plan of Carpenter Technology Corporation, a qualified plan, assets of certain participants in that plan, having a fair value of \$63,844,000, were transferred into the Plan on March 19, 2007. Upon transfer, participants may direct these assets to the investment fund(s) of their choice.

#### **Contributions**

Each year, participants may contribute up to 35% of annual compensation on a pretax basis, and up to 35% of annual compensation on an after-tax basis, as defined in the Plan. The combined contributions cannot exceed 35% of total compensation. Participants who are age 50 or older may make catch-up contributions, which are additional pretax contributions. Participants may also contribute amounts representing distributions from other qualified pension plans. The Company contributes an amount equal to 3% of each employee's base pay. Contributions are subject to certain limitations.

#### **Participant's Accounts**

Several accounts are maintained for each participant, which are participant directed, as follows:

Employee pretax salary deferral account - credited with participant before tax contributions

Employee after tax account - credited with participant after tax contributions

Company basic contribution account - credited with Company contributions

Rollover contribution account - credited with participant rollover contributions

Interplan transfer accounts - credited with transfers from other Carpenter Plans





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***Savings Plan of Carpenter Technology Corporation***

**Notes to Financial Statements**

December 31, 2007 and 2006

**Note 1 - Description of Plan (Continued)**

**Vesting**

All contributions and Plan earnings thereon are 100% vested and nonforfeitable.

**Participant Loans**

Loans are available from various participant accounts in a particular hierarchy for active employees of the Company. Participants are subject to certain restrictions on their number of loans, amount and terms of repayment. Interest is charged at the prime rate for commercial lenders at the time the loan is initiated, plus 1%. Loan repayments are required with each pay, and payment in full is required at the time of the participant's separation from service.

**Benefits Paid to Participants**

Benefits paid to participants include participant distributions and withdrawals. Participants are entitled to a lump sum distribution upon separation from service. Upon separation, a participant may elect to defer such distribution, provided the account balance is at least \$5,000. The total distribution of benefits to all separated participants must occur by April 15 of the year following the year in which the participant attains age 70 1/2. Hardship and non-hardship in-service withdrawals, and withdrawals after age 59 1/2 are permitted subject to certain restrictions. Benefits paid to participants are in cash, except that distribution of accounts which consist of investments in the Carpenter Technology Stock Fund shall be made in shares of the Company's common stock or cash, at the participant's option.

**Administrative Expenses**

Investment management fees, trustee fees, and transaction fees are paid by the Plan. A portion of these fees are netted against investment income. All other fees are paid by the Company.

**Plan Termination**

The Company has the right under the Plan to discontinue or change its contributions at any time and to terminate the Plan subject to the provisions of ERISA and any contractual obligations.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Accounting**

The financial statements of the Plan are prepared under the accrual method of accounting.

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### ***Savings Plan of Carpenter Technology Corporation***

#### **Notes to Financial Statements**

December 31, 2007 and 2006

#### **Note 2 - Summary of Significant Accounting Policies (Continued)**

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

##### **Investment Valuation and Income Recognition**

The Plan's investments in registered investment companies and employer securities are stated at fair value, by reference to quoted market prices. Participant loans are valued at cost, which approximates fair value.

The Plan accounts for fully benefit-responsive investment contracts in accordance with FASB Staff Position AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the "FSP"). The FSP defines the circumstances in which an investment contract is considered fully benefit-responsive and provides certain reporting and disclosure requirements for fully benefit-responsive investment contracts in defined contribution plans. As required by the FSP, investments in the accompanying Statements of Net Assets Available for Benefits include fully benefit-responsive investment contracts recognized at fair value. AICPA Statement of Position

94-4-1, *Reporting of Investment Contracts Held by Health and Welfare Benefit Plans and Defined Contribution Pension Plans*, as amended, requires fully benefit-responsive investment contracts to be reported at fair value in the Plan's Statement of Net Assets Available for Benefits with a corresponding adjustment to reflect these investments at contract value.

The common collective trust funds are valued at unit value, which represents fair value of the underlying assets. The fair value of the underlying assets which are deemed fully benefit-responsive investment contracts is calculated by discounting the related cash flows based on current yields of similar investments with comparable durations.

Purchases and sales of investments are recorded on a trade-date basis. Gain or loss on sales of investments is based on average cost. Dividend income is recorded on the ex-dividend date. Income from other investments is recorded as earned on an accrual basis.

**Table of Contents*****Savings Plan of Carpenter Technology Corporation*****Notes to Financial Statements**

December 31, 2007 and 2006

**Note 2 - Summary of Significant Accounting Policies (Continued)****Investment Valuation and Income Recognition (Continued)**

The net appreciation or depreciation in the fair value of investments in the statements of changes in net assets available for benefits consists of realized gains and losses and unrealized appreciation and depreciation on investments.

**Payment of Benefits**

Benefits are recorded when paid.

**Investment Risks**

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is reasonably possible that changes in these risks in the near term could materially affect the amounts reported in participant account balances, and in the statements of net assets available for benefits.

**New Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board issued Statement on Financial Accounting Standards No. 157 ( SFAS 157 ), Fair Value Measurements. SFAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurement. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company does not believe the adoption of SFAS 157 will have a material impact on the Plan's financial statements, but will require expanded disclosures in the notes to the financial statements.

**Note 3 - Investments**

The following table presents fair value of investments at December 31:

| <b>Dollars in thousands</b>                                            | <b>2007</b>       | <b>2006</b>       |
|------------------------------------------------------------------------|-------------------|-------------------|
| Registered investment companies, as determined by quoted market prices | \$ 328,618        | \$ 267,429        |
| Employer securities, as determined by quoted market prices             | 84,530            | 45,099            |
| Common collective trust*                                               | 86,612            | 78,985            |
| Participant loans (at cost, which approximates fair value)             | 11,835            | 10,260            |
|                                                                        | <b>\$ 511,595</b> | <b>\$ 401,773</b> |

\* Contract value (in thousands) at December 31, 2007 and 2006, respectively, is \$86,890 and \$79,970.

**Table of Contents****Savings Plan of Carpenter Technology Corporation****Notes to Financial Statements**

December 31, 2007 and 2006

**Note 3 - Investments (Continued)**

The following table presents investments that represent 5% or more of the Plan's net assets at December 31:

| Dollars in thousands                   | 2007      | 2006      |
|----------------------------------------|-----------|-----------|
| Standish Mellon Stable Value Fund*     | \$ 86,612 | \$ 78,985 |
| Carpenter Technology Stock Fund        | 84,530    | 45,099    |
| Vanguard 500 Index Fund                | 72,667    | 71,428    |
| American Funds EuroPacific Growth Fund | 45,842    | 28,012    |
| Dodge & Cox Stock Fund                 | 33,256    | 34,602    |
| Vanguard Mid-Cap Index Fund            | 31,747    | 23,729    |
| PIMCO Total Return Fund                | 26,585    | **        |
| American Balanced Fund                 | **        | 20,396    |

\* Contract value (in thousands) at December 31, 2007 and 2006, respectively, is \$86,890 and \$79,970.

\*\* Fund does not represent 5% or more of the Plan's net assets at December 31 of the year indicated.

During 2007 and 2006, the Plan's investments (including realized gains and losses on investments bought and sold, as well as unrealized appreciation and depreciation on investments held during the year) appreciated in value, as follows:

| Dollars in thousands            | 2007      | 2006      |
|---------------------------------|-----------|-----------|
| Employer securities             | \$ 29,525 | \$ 20,331 |
| Registered investment companies | 2,674     | 21,921    |
|                                 | \$ 32,199 | \$ 42,252 |

**Note 4 - Reconciliation of Financial Statements to Form 5500**

The following is a reconciliation of investments per the financial statements to the Form 5500:

| Dollars in thousands                                                                           | December 31, |            |
|------------------------------------------------------------------------------------------------|--------------|------------|
|                                                                                                | 2007         | 2006       |
| Investments, at fair value, per the financial statements                                       | \$ 511,595   | \$ 401,773 |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts | 278          | 985        |
| Investments, at contract value, per Form 5500                                                  | \$ 511,873   | \$ 402,758 |



**Table of Contents****Savings Plan of Carpenter Technology Corporation****Notes to Financial Statements**

December 31, 2007 and 2006

**Note 5 - Standish Mellon Stable Value Fund**

The Plan invests in the Standish Mellon Stable Value Fund (the Fund), which is a common collective trust fund. This fund is only available to participants of the Plan. The underlying assets of the Fund are as follows at December 31:

**Dollars in thousands**

|                                       | Major<br>Credit<br>Ratings | Investment<br>at Fair<br>Value | Wrapper<br>Contract at<br>Fair<br>Value | Adjustment<br>to<br>Contract<br>Value | Investment<br>at Contract<br>Value |
|---------------------------------------|----------------------------|--------------------------------|-----------------------------------------|---------------------------------------|------------------------------------|
| <b>2007</b>                           |                            |                                |                                         |                                       |                                    |
| Insurance Company General Accounts:   |                            |                                |                                         |                                       |                                    |
| Canada Life (P46145)                  | AA/Aa3                     | \$ 1,003                       | \$                                      | \$                                    | \$ 1,003                           |
| Canada Life (P46151)                  | AA/Aa3                     | 709                            |                                         |                                       | 709                                |
| Natixis Financial Products, Inc.      | AA+/Aa1                    | 20,947                         | (11)                                    | 208                                   | 21,144                             |
| Monumental Life Aegon (MDA00572TR)    | AA+/Aa1                    | 18,735                         | (3)                                     | 142                                   | 18,874                             |
| Ohio National                         | AA/A1                      | 853                            |                                         |                                       | 853                                |
| Principal Life                        | AA/Aa2                     | 868                            |                                         |                                       | 868                                |
| Protective Life                       | AA/Aa3                     | 870                            |                                         |                                       | 870                                |
|                                       |                            | 43,985                         | (14)                                    | 350                                   | 44,321                             |
| Other (Buy-Hold Synthetic Contracts): |                            |                                |                                         |                                       |                                    |
| Rabobank                              | AAA/Aaa                    | 7,357                          | 1                                       | (12)                                  | 7,346                              |
| Bank of America, N.A.                 | AAA/Aaa                    | 12,683                         | (1)                                     | 29                                    | 12,711                             |
| JP Morgan Chase Bank (Cartech03)      | AAA/Aaa                    | 1,135                          |                                         | (1)                                   | 1,134                              |
| JP Morgan Chase Bank (Cartech02)      | AAA/Aaa                    | 395                            |                                         | (3)                                   | 392                                |
| Monumental Life Aegon (MDA00201TR3)   | AAA/Aaa                    | 186                            |                                         | (6)                                   | 180                                |
| UBS AG                                | AAA/Aaa                    | 14,942                         | (1)                                     | (79)                                  | 14,862                             |
|                                       |                            | 36,698                         | (1)                                     | (72)                                  | 36,625                             |
| Interest Bearing Cash:                |                            |                                |                                         |                                       |                                    |
| Mellon Bank (STIF)                    | N/A                        | 5,944                          |                                         |                                       | 5,944                              |
|                                       |                            | 5,944                          |                                         |                                       | 5,944                              |
| <b>Total Fund</b>                     |                            | <b>\$ 86,627</b>               | <b>\$ (15)</b>                          | <b>\$ 278</b>                         | <b>\$ 86,890</b>                   |



**Table of Contents****Savings Plan of Carpenter Technology Corporation****Notes to Financial Statements**

December 31, 2007 and 2006

**Note 5 - Standish Mellon Stable Value Fund (Continued)**

Dollars in thousands

|                                       | Major<br>Credit<br>Ratings | Investment<br>at Fair<br>Value | Wrapper<br>Contract at<br>Fair<br>Value | Adjustment<br>to Contract<br>Value | Investment<br>at Contract<br>Value |
|---------------------------------------|----------------------------|--------------------------------|-----------------------------------------|------------------------------------|------------------------------------|
| <b>2006</b>                           |                            |                                |                                         |                                    |                                    |
| Insurance Company General Accounts:   |                            |                                |                                         |                                    |                                    |
| Canada Life (P46145)                  | AA/Aa3                     | \$ 1,982                       | \$                                      | \$ 13                              | \$ 1,995                           |
| Canada Life (P46151)                  | AA/Aa3                     | 1,378                          |                                         | 7                                  | 1,385                              |
| IXIS Financial Products, Inc.         | AA+/Aa1                    | 16,178                         | (3)                                     | 264                                | 16,439                             |
| Monumental Life Aegon (MDA00572TR)    | AA+/Aa1                    | 17,170                         | 3                                       | 224                                | 17,397                             |
| Ohio National                         | AA/A1                      | 2,527                          |                                         | 15                                 | 2,542                              |
| Principal Life                        | AA/Aa2                     | 2,527                          |                                         | 13                                 | 2,540                              |
| Protective Life                       | AA/Aa3                     | 2,543                          |                                         | 12                                 | 2,555                              |
|                                       |                            | 44,305                         |                                         | 548                                | 44,853                             |
| Other (Buy-Hold Synthetic Contracts): |                            |                                |                                         |                                    |                                    |
| Rabobank                              | AAA/Aaa                    | 7,306                          | 4                                       | 117                                | 7,427                              |
| Bank of America, N.A.                 | AAA/Aaa                    | 11,045                         | 1                                       | 246                                | 11,292                             |
| JP Morgan Chase Bank (Cartech03)      | AAA/Aaa                    | 2,459                          |                                         | 9                                  | 2,468                              |
| JP Morgan Chase Bank (Cartech02)      | AAA/Aaa                    | 740                            |                                         | (5)                                | 735                                |
| Monumental Life Aegon (MDA00201TR3)   | AAA/Aaa                    | 792                            |                                         | (13)                               | 779                                |
| UBS AG                                | AAA/Aaa                    | 9,257                          | 1                                       | 82                                 | 9,340                              |
|                                       |                            | 31,599                         | 6                                       | 436                                | 32,041                             |
| Interest Bearing Cash:                |                            |                                |                                         |                                    |                                    |
| Mellon Bank (STIF)                    | N/A                        | 3,012                          |                                         |                                    | 3,012                              |
|                                       |                            | 3,012                          |                                         |                                    | 3,012                              |
| Common Collective Trust:              |                            |                                |                                         |                                    |                                    |
| Mellon Stable Value Fund              | AA+/Aa1                    | 63                             |                                         | 1                                  | 64                                 |
|                                       |                            | 63                             |                                         | 1                                  | 64                                 |
| Total Fund                            |                            | \$ 78,979                      | \$ 6                                    | \$ 985                             | \$ 79,970                          |

**Table of Contents****Savings Plan of Carpenter Technology Corporation****Notes to Financial Statements**

December 31, 2007 and 2006

**Note 5 - Standish Mellon Stable Value Fund (Continued)**

As described in Note 2, because a portion of the underlying investments of the Fund are fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to those underlying investments of the Fund. Contract value, as reported to the Plan, represents contributions made to the fund, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

There are no reserves against contract value for credit risk of the underlying investments of the Fund. The crediting interest rate is based on a formula agreed upon with the various issuers. The fully benefit-responsive investments have minimum crediting interest rates. The minimum crediting interest rates reset periodically.

Certain events limit the ability of the Plan to transact at contract value with the various issuers. Such events include the following:

(1) amendments to the plan documents (including complete or partial plan termination or merger with another plan), (2) changes to plan's prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the plan sponsor or other plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the plan, or (4) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under Employee Retirement Income Security Act of 1974. The Plan administrator does not believe that the occurrence of any such value event, which would limit the Plan's ability to transact at contract value with participants, is probable.

The underlying fully benefit-responsive investment contracts do not permit the insurance companies to terminate the agreements prior to the scheduled maturity dates.

| <b>Average Yields:</b>                          | <b>2007</b> | <b>2006</b> |
|-------------------------------------------------|-------------|-------------|
| Based on actual earnings                        | 4.67%       | 4.58%       |
| Based on interest rate credited to participants | 4.82%       | 4.61%       |

**Note 6 - Tax Status**

The Internal Revenue Service has determined and informed the Company by letter dated March 21, 2003, that the Plan and related trust as of February 20, 2002 are designed in accordance with applicable sections of the Internal Revenue Code ( IRC ). Although the Plan has been amended since receiving the determination letter, the Company believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

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*Savings Plan of Carpenter Technology Corporation*

**Notes to Financial Statements**

December 31, 2007 and 2006

**Note 7 - Related Parties and Party-in-Interest Transactions**

Certain funds within the Plan are invested in shares of registered investment companies managed by Vanguard Fiduciary Trust Company, an affiliate of The Vanguard Group, and trustee, as defined by the Plan and, therefore, these transactions qualify as party-in-interest. Fees paid by the Plan in 2007 and 2006 for investment management services related to these funds amounted to \$173,000 and \$110,000, respectively.

Participants may elect to invest in the common stock of the Plan Sponsor. These transactions qualify as related party and party-in-interest transactions. Total purchases at market value related to the stock for 2007 and 2006 were \$47,119,000 and \$45,145,000, respectively. Total sales at market value related to the stock for 2007 and 2006 were \$100,934,000 and \$65,134,000, respectively.

As more fully described in Note 1, assets totalling \$63,844,000 were transferred into the Plan from a related plan in March 2007. The purchase amounts above do not reflect activity related to this transfer.

**Table of Contents****Savings Plan of Carpenter Technology Corporation**

Schedule of Assets (Held at End of Year)  
Form 5500 - Schedule H - Line 4i (1 of 2)  
December 31, 2007

EIN: 23-0458500  
PN: 020

|                                             |                                                | (c)                                     |            |                  |
|---------------------------------------------|------------------------------------------------|-----------------------------------------|------------|------------------|
|                                             | (b)                                            | Description of Investment,              |            |                  |
|                                             | Identity of Issue, Borrower,                   | Including Maturity Date, Interest Rate, | (d)        | (e)              |
| (a)                                         | Lessor or Similar Party                        | Collateral, Par or Maturity Value       | Cost<br>** | Current<br>Value |
| <b>Common Collective Trust:</b>             |                                                |                                         |            |                  |
| <b>Interest Bearing Cash</b>                |                                                |                                         |            |                  |
|                                             | Standish Mellon Asset Management, LLC          | Mellon Bank STIF                        | N/A        | \$ 5,944,000     |
|                                             | Sub-total Interest Bearing Cash                |                                         |            | 5,944,000        |
| <b>Insurance Company General Accounts</b>   |                                                |                                         |            |                  |
|                                             | Standish Mellon Asset Management, LLC          | Canada Life (P46145)                    | N/A        | 1,003,000        |
|                                             | Standish Mellon Asset Management, LLC          | Canada Life (P46151)                    | N/A        | 709,000          |
|                                             | Standish Mellon Asset Management, LLC          | Natixis Financial Products, Inc.        | N/A        | 21,144,000       |
|                                             | Standish Mellon Asset Management, LLC          | Monumental Life Aegon (MDA00572TR)      | N/A        | 18,874,000       |
|                                             | Standish Mellon Asset Management, LLC          | Ohio National                           | N/A        | 853,000          |
|                                             | Standish Mellon Asset Management, LLC          | Principal Life                          | N/A        | 868,000          |
|                                             | Standish Mellon Asset Management, LLC          | Protective Life                         | N/A        | 870,000          |
|                                             | Sub-total Insurance Company General Accounts   |                                         |            | 44,321,000       |
| <b>Other (Buy-Hold Synthetic Contracts)</b> |                                                |                                         |            |                  |
|                                             | Standish Mellon Asset Management, LLC          | Rabobank                                | N/A        | 7,346,000        |
|                                             | Standish Mellon Asset Management, LLC          | Bank of America, N.A.                   | N/A        | 12,711,000       |
|                                             | Standish Mellon Asset Management, LLC          | JP Morgan Chase Bank (Cartech03)        | N/A        | 1,134,000        |
|                                             | Standish Mellon Asset Management, LLC          | JP Morgan Chase Bank (Cartech02)        | N/A        | 392,000          |
|                                             | Standish Mellon Asset Management, LLC          | Monumental Life Aegon (MDA00201TR3)     | N/A        | 180,000          |
|                                             | Standish Mellon Asset Management, LLC          | UBS AG                                  | N/A        | 14,862,000       |
|                                             | Sub-total Other (Buy-Hold Synthetic Contracts) |                                         |            | 36,625,000       |
|                                             | Sub-total Common Collective Trust***           |                                         |            | 86,890,000       |
| <b>Registered Investment Companies:</b>     |                                                |                                         |            |                  |
|                                             | American Funds                                 | American Balanced Fund                  | N/A        | 22,499,000       |
|                                             | American Funds                                 | American Funds EuroPacific Growth Fund  | N/A        | 45,842,000       |
|                                             | Artisan Funds                                  | Artisan Mid Cap Value Fund              | N/A        | 15,776,000       |
|                                             | Dodge & Cox Funds                              | Dodge & Cox Stock Fund                  | N/A        | 33,256,000       |
|                                             | PIMCO                                          | PIMCO Total Return Fund                 | N/A        | 26,585,000       |
|                                             | T. Rowe Price                                  | TRP Spectrum Growth Fund                | N/A        | 4,975,000        |
| *                                           | Vanguard                                       | Vanguard 500 Index Fund                 | N/A        | 72,667,000       |
| *                                           | Vanguard                                       | Vanguard Explorer Fund                  | N/A        | 2,145,000        |

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- \* Party-in-Interest
- \*\* Historical cost has not been presented for investment funds, as all investments are participant directed
- \*\*\* Fair Value for Common Collective Trust is \$86,612,000

**Table of Contents***Savings Plan of Carpenter Technology Corporation*

Schedule of Assets (Held at End of Year)  
Form 5500 - Schedule H - Line 4i (2 of 2)  
December 31, 2007

EIN: 23-0458500  
PN: 020

|                                                     |                                  | (c)                                                     |      |                |
|-----------------------------------------------------|----------------------------------|---------------------------------------------------------|------|----------------|
|                                                     |                                  | (b)                                                     | (d)  | (e)            |
|                                                     |                                  | Description of Investment,                              | Cost | Current        |
| (a)                                                 | (b)                              | Including Maturity Date, Interest Rate,                 | **   | Value          |
|                                                     | Identity of Issue, Borrower,     | Collateral, Par or Maturity Value                       |      |                |
|                                                     | Lessor or Similar Party          |                                                         |      |                |
| <b>Registered Investment Companies (Continued):</b> |                                  |                                                         |      |                |
| *                                                   | Vanguard                         | Vanguard Mid-Cap Index Fund                             | N/A  | 31,747,000     |
| *                                                   | Vanguard                         | Vanguard PRIMECAP Fund                                  | N/A  | 5,653,000      |
| *                                                   | Vanguard                         | Vanguard Prime Money Market Fund                        | N/A  | 19,225,000     |
| *                                                   | Vanguard                         | Vanguard Small-Cap Index Fund                           | N/A  | 11,116,000     |
| *                                                   | Vanguard                         | Vanguard Small-Cap Value Index Fund                     | N/A  | 5,086,000      |
| *                                                   | Vanguard                         | Vanguard Target Retirement 2005 Fund                    | N/A  | 1,474,000      |
| *                                                   | Vanguard                         | Vanguard Target Retirement 2015 Fund                    | N/A  | 14,939,000     |
| *                                                   | Vanguard                         | Vanguard Target Retirement 2025 Fund                    | N/A  | 7,420,000      |
| *                                                   | Vanguard                         | Vanguard Target Retirement 2035 Fund                    | N/A  | 3,364,000      |
| *                                                   | Vanguard                         | Vanguard Target Retirement 2045 Fund                    | N/A  | 3,234,000      |
| *                                                   | Vanguard                         | Vanguard Target Retirement Income Fund                  | N/A  | 1,615,000      |
| Sub-total Registered Investment Companies           |                                  |                                                         |      | 328,618,000    |
| <b>Employer Securities</b>                          |                                  |                                                         |      |                |
| *                                                   | Carpenter Technology Corporation | Carpenter Technology Stock Fund                         | N/A  | 84,530,000     |
| Sub-total Employer Securities                       |                                  |                                                         |      | 84,530,000     |
| <b>Participant Loans</b>                            |                                  |                                                         |      |                |
| *                                                   | Participant Loans                | Loans to Participants interest rate range 5.0% to 10.5% |      | 11,835,000     |
| Sub-total Participant Loans                         |                                  |                                                         |      | 11,835,000     |
| Total Investments                                   |                                  |                                                         |      | \$ 511,873,000 |

\* Party-in-Interest

\*\* Historical cost has not been presented for investment funds, as all investments are participant directed

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Carpenter Technology Corporation has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

SAVINGS PLAN OF

CARPENTER TECHNOLOGY CORPORATION  
(Name of Plan)

Date: June 24, 2008

By: /s/ K. Douglas Ralph  
K. Douglas Ralph  
Sr. Vice President - Finance and Chief Financial Officer

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EXHIBIT INDEX

**Exhibit**

**Number**

23.1 Consent of Independent Registered Public Accounting Firm

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