UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

/ x/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1994

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to _____________

Commission File Number 1-5828

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

DELAWARE	23-0458500
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

101 West Bern Street, Reading, Pennsylvania	19612-4662
(Address of principal executive offices)	(Zip Code)

215-208-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of April 30, 1994.

Common stock, $5 par value	8,066,419
Class	Number of shares outstanding

The Exhibit Index appears on page E-1.

CARPENTER TECHNOLOGY CORPORATION

FORM 10-Q

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PART I

CARPENTER TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (Page 1 of 2)
March 31, 1994 and June 30, 1993

	In Thousands	
	March 31 1994	June 30 1993
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,032	$ 45,822
Accounts receivable	93,089	90,426
Inventories	70,662	70,590
Deferred income taxes	1,347	2,737
Other current assets	6,076	7,120
Total current assets	176,206	216,695
Property, plant and equipment, at cost	723,421	699,269
Less accumulated depreciation and amortization	327,212	308,140
	396,209	391,129
Prepaid pension cost	70,374	61,602
Investment in joint venture	47,227	-
Other assets	39,882	30,139

Total assets	$729,898	$699,565

See accompanying notes to financial statements.

CARPENTER TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (Page 2 of 2)
March 31, 1994 and June 30, 1993

	In Thousands	
LIABILITIES	March 31 1994	June 30 1993
	(Unaudited)	
Current liabilities:		
Short-term debt	$ 556	$ -
Accounts payable	42,051	24,328
Accrued compensation	9,822	14,457
Accrued income taxes	2,299	2,080
Other accrued liabilities	22,254	25,951
Current portion of long-term debt	15,619	6,617
Total current liabilities	92,601	73,433
Long-term debt, net of current portion	167,589	189,895
Accrued postretirement benefits	147,719	143,876
Deferred income taxes	77,128	66,765
Other liabilities and deferred income	16,974	7,135
SHAREHOLDERS' EQUITY		
Preferred stock, $5 par value - authorized 2,000,000 shares; issued 460.6 shares at March 31, 1994 and 461.2 shares at June 30, 1993	29,090	29,128
Deferred compensation	(25,979)	(27,431)
Common stock, $5 par value - authorized 50,000,000 shares; issued 9,587,822 shares at March 31, 1994 and 9,508,355 shares at June 30, 1993	47,938	47,542
Capital in excess of par value	49,580	46,131
Reinvested earnings	194,567	189,241
Foreign currency translation adjustments	(1,159)	-
Common stock in treasury, at cost - 1,522,584 shares	(66,150)	(66,150)
Total shareholders' equity	227,887	218,461
Total liabilities and shareholders' equity	$729,898	$699,565

See accompanying notes to financial statements.

CARPENTER TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME (Page 1 of 2)

(Unaudited)
for the Three and Nine Months Ended March 31, 1994 and 1993

	Three Months 1994	Three Months 1993	Nine Months 1994	Nine Months 1993
	(in thousands, except per share data)			
Net Sales	$174,347	$155,370	$450,903	$417,782
Costs and expenses:				
Cost of sales	123,728	113,503	329,075	318,672
Selling & administrative expenses	24,289	20,027	68,109	61,110
Interest expense	3,499	5,189	12,713	15,430
Other expense (income)	1,112	(663)	399	(1,908)
	152,628	138,056	410,296	393,304
Income before income taxes, extraordinary charge and cumulative effect of changes in accounting principles	21,719	17,314	40,607	24,478
Income taxes	8,894	7,112	17,650	9,710
Income before extraordinary charge and cumulative effect of changes in accounting principles	12,825	10,202	22,957	14,768
Extraordinary charge, net of income taxes	(2,039)	-	(2,039)	-
Cumulative effect of changes in accounting principles, net of income taxes	-	-	-	(74,676)
Net income (loss)	$ 10,786	$ 10,202	$ 20,918	$(59,908)

See accompanying notes to financial statements.

CARPENTER TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME (Page 2 of 2)
(Unaudited)
for the Three and Nine Months Ended March 31, 1994 and 1993

	Three Months 1994	Three Months 1993	Nine Months 1994	Nine Months 1993
	(in thousands, except per share data)			
Primary earnings per common share:				
Income before extraordinary charge and cumulative effect				

of changes in accounting principles	$ 1.54	$ 1.22	$ 2.70	$ 1.69
Extraordinary charge	(.25)	-	(.25)	-
Cumulative effect of changes in accounting principles	-	-	-	(9.32)
Earnings (loss) per common share	$ 1.29	$ 1.22	$ 2.45	$ (7.63)
Weighted average common shares outstanding	8,101	7,963	8,050	8,025
Fully-diluted earnings per common share:				
Income before extra-ordinary charge and cumulative effect of changes in accounting principles	$ 1.49	$ 1.19	$ 2.63	$ 1.67
Extraordinary charge	(.24)	-	(.24)	-
Cumulative effect of changes in accounting principles	-	-	-	(8.80)
Earnings (loss) per common share	$ 1.25	$ 1.19	$ 2.39	$ (7.13)
Weighted average common shares outstanding	8,571	8,424	8,538	8,486
Dividends per common share	$ .60	$ .60	$ 1.80	$ 1.80

See accompanying notes to financial statements.

CARPENTER TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)
for the Nine Months Ended March 31, 1994 and 1993

	1994	1993
	(in thousands)	
OPERATIONS		
Net income (loss)	$ 20,918	$(59,908)
Adjustments to reconcile net income (loss) to net cash provided from operations:		
Depreciation and amortization	21,612	19,948
Deferred income taxes	6,231	4,614
Pension credits	(10,135)	(8,864)
Extraordinary charge	2,039	-
Equity in losses of joint venture	1,055	-
Cumulative effect of changes in accounting principles	-	74,676
Changes in working capital and other:		
Receivables	1,686	(2,192)
Inventories	12,327	42,250
Other	21,037	(9,502)
Net cash provided from operations	76,770	61,022
INVESTING ACTIVITIES		
Investment in joint venture	(48,282)	-
Acquisition of wholly-owned subsidiaries, net of cash received	(22,200)	-
Purchases of plant and equipment	(21,084)	(15,556)
Disposals of plant and equipment	1,334	293

Net cash used for investing activities	(90,232)	(15,263)
FINANCING ACTIVITIES		
Payments on short-term debt	(2,239)	-
Proceeds from issuance of long-term debt	45,851	-
Payments on long-term debt	(59,155)	(3,944)
Payments to acquire treasury stock	-	(11,633)
Proceeds from issuance of stock	3,807	351
Dividends paid	(15,592)	(15,686)
Net cash required by financing activities	(27,328)	(30,912)
INCREASE(DECREASE) IN CASH & CASH EQUIVALENTS	(40,790)	14,847
Cash and cash equivalents at beginning of period	45,822	9,321
Cash and cash equivalents at end of period	$ 5,032	$ 24,168
Supplemental Data:		
Interest payments	$ 16,450	$ 18,794
Income tax payments (net of refunds)	$ 11,414	$ 2,478

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended March 31, 1994, are not necessarily indicative of the results that may be expected for the year ending June 30, 1994. For further information, refer to the consolidated financial statements and footnotes included in the Company's 1993 Annual Report to Shareholders.

The June 30, 1993 condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles.

2. Earnings Per Common Share

Primary earnings per common share are computed by dividing net income less preferred dividends net of tax benefits by the weighted average number of common shares and common share equivalents outstanding during the period.

Fully diluted earnings per share are computed by dividing net income (less the amount of additional after-tax contribution the Company would be required to make to its ESOP if the preferred shares were converted to common stock) by the weighted average number of common shares and common share equivalents during the period.

3. Inventories

	March 31 1994	June 30 1993
	(in thousands)	
Finished	$ 82,616	$ 97,129
Work in process	80,620	80,072
Raw materials and supplies	28,809	31,472

Total at current cost	192,045	208,673
Excess of current cost over LIFO values	121,383	138,083
Inventory per Balance Sheet	$ 70,662	$ 70,590

3. Inventories, continued

Inventories at March 31, 1994 include finished inventory of Aceros Fortuna, S.A. de C.V., a Mexican steel distribution company which was acquired in July 1993. This company's inventories are valued using the FIFO method.

The cost of LIFO-valued inventories was $165,026,000 at March 31, 1994 and $192,743,000 at June 30, 1993. Reduction in LIFO-valued inventories resulted in an increase in net income of approximately $5,500,000 or $.68 per share and $9,100,000 or $1.13 per share for the three and nine months ended March 31, 1994, respectively, and approximately $6,400,000 or $.80 per share and $7,000,000 or $.88 per share for the three and nine months ended March 31, 1993, respectively.

4. Investment in Joint Venture

On September 2, 1993, the Company acquired, for $45,000,000 in cash, 19 percent of the shares of Walsin-CarTech Specialty Steel Corporation, a joint venture with Walsin Lihwa Corporation in Taiwan. The joint venture is in the process of constructing a facility in Taiwan to manufacture and distribute specialty steel. The Company has an option to acquire up to an additional 16 percent of the outstanding shares of the venture from Walsin Lihwa at anytime until July 1, 1996. Alternatively, the Company may require Walsin Lihwa to purchase its 19 percent ownership for the original purchase cost at anytime up to July 1, 1997. This investment is being accounted for using the equity method of accounting. The investment account has been increased for interest costs capitalized during the preoperating period totaling $1,090,000 and $2,660,000, respectively, for the three and nine months ended March 31, 1994, and for certain acquisition expenses.

A separate agreement also provides for the Company to provide marketing and technical assistance to the joint venture in exchange for an initial lump sum royalty payment of $10,000,000, received in October 1993, and continuing royalties based on sales over the 10-year term of the agreement. The initial lump sum royalty has been deferred and is being recognized as income over the term of the agreement.

5. Acquisition of Wholly-Owned Subsidiaries

On July 28, 1993, the Company acquired all of the outstanding shares of Aceros Fortuna, S.A. de C.V., a Mexican steel distribution company, and two affiliated companies for cash of $20,400,000. In addition, the Company paid $2,500,000 for agreements not to compete, and acquired equipment from an affiliated company in Mexico for $5,100,000.

5. Acquisition of Wholly-Owned Subsidiaries, continued

The acquisition has been accounted for using the purchase method of accounting, and accordingly, the purchase price has been allocated to the assets purchased and the liabilities assumed based upon the preliminary estimated fair values at the date of acquisition. The excess of purchase price over the preliminary estimated fair values of the net assets acquired approximated $7,000,000 and has been recorded as goodwill, which is being amortized over 20 years.

The operating results of these acquired businesses have been included in the Consolidated Statement of Income from the date of acquisition. On the basis of a pro forma consolidation of the results of operations as if the acquisition had taken place at the beginning of the fiscal year 1993 rather than at July 28, 1993, consolidated net sales would have been $453,600,000 for the nine months ended March 31, 1994, and $163,500,000 and $443,200,000 for the three and nine months ended March 31, 1993, respectively. Consolidated pro forma net income and earnings per share, before the cumulative effect of accounting changes and extraordinary charge, would not have been materially different from the reported amounts for the three and nine months ended March 31, 1994 and 1993. Such pro forma amounts are not necessarily indicative of what the actual consolidated results of operations might have been if the acquisition had been effective at the beginning of fiscal 1993.

6. Changes in Accounting Principles

During the fourth quarter of fiscal 1993, the Company adopted, retroactive to July 1, 1992, two new financial accounting standards, "Employers' Accounting for Postretirement Benefits Other than Pensions" (SFAS 106) and "Accounting for Income Taxes" (SFAS 109).

SFAS 106 requires companies to accrue the cost of postretirement benefits over the years employees provide services to the date of their full eligibility for such benefits. Previously, these costs were expensed as claims were incurred. The Company elected to immediately recognize the transition obligation for benefits earned as of July 1, 1992, resulting in a non-cash charge of $146,802,000 pre-tax ($87,113,000 after tax or $10.87 per share), representing the cumulative effect of the change in accounting.

SFAS 109 changes the method of accounting for income taxes from the deferral method to the asset/liability method. Under this method, deferred income taxes are determined based on enacted tax laws and rates, which are applied to the differences between the financial statement bases and tax bases of assets and liabilities. The adoption of this statement resulted in a credit to income of

$12,437,000 ($1.55 per share) principally for the cumulative effect of restating deferred taxes as of July 1, 1992 to current tax rates.

Results for the three and nine months ended March 31, 1993 have been restated to include the effects of these accounting changes which reduced income before income taxes by $2,200,000 and $5,700,000 and income before the cumulative effect of accounting changes by $2,200,000 or $.28 per share and $4,500,000 or $.56 per share, respectively.

7. Debt Arrangements

In January 1994, the Company entered into a $150,000,000 financing arrangement with a number of banks, providing for the availability of $125,000,000 of revolving credit to January 1998 and lines of credit of $25,000,000. Interest is based on short-term market rates or competitive bids. This financing arrangement replaces the previous revolving credit and lines of credit arrangement.

During the quarter ended March 31, 1994, the Company purchased at a premium, the entire outstanding principal amount of $55,300,000 of its 12-7/8% sinking fund debentures originally due in 2014. The purchase resulted in an extraordinary charge of $2,039,000, net of $1,206,000 of tax benefit, or $.25 per share. Funding for the purchase came from the Company's short-term credit facilities, which are intended to be replaced with Medium-Term Notes in the future. On December 21, 1993, the Company filed a shelf registration statement (effective January 6, 1994) with the Securities and Exchange Commission for the issuance of up to $100,000,000 of Medium-Term Notes.

MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS OF OPERATIONS

Third Quarter Results:

Income for the quarter ended March 31, 1994 was $12.8 million, before an extraordinary charge of $2.0 million after taxes, or $.25 per share (see Note 7 above).

Primary earnings before the extraordinary charge were $1.54 per share, 26% higher than the $1.22 per share earned a year ago. Including the extraordinary charge, third quarter net income was $10.8 million, or $1.29 per share. The improved results were primarily due to higher unit volume.

Sales for the third quarter were $174.3 million, up 12 percent from the $155.4 million for the same period a year ago. This increase was a result of improved demand in the Steel Division, and the inclusion of the sales of Aceros Fortuna, a Mexican steel distribution subsidiary acquired in July 1993.

Third Quarter Results, continued

Cost of sales as a percent of net sales decreased to 71 percent in the current quarter from 73 percent in last year's third fiscal quarter. This improved cost level was due to lower raw material costs, sales mix improvements and a higher production level.

Inventories valued by the last-in, first-out method were reduced during the third quarter of both years, resulting in decreases in costs of $8.6 million before taxes or $.68 per share after taxes in the current year, and by $9.9 million before taxes or $.80 per share after taxes a year ago.

Nine Month Results:

For the first nine months of the current fiscal year, income before the extraordinary charge was $23.0 million or $2.70 per share, versus $14.8 million, or $1.69 per share for the same period last year before a one-time charge for changes in accounting principles.

Sales revenues were $450.9 million for the nine month period, an eight percent increase from the $417.8 million reported last year. The higher sales included the results of Aceros Fortuna, the Company's Mexican steel distribution business which was acquired in July 1993, and increased demand for specialty steel products in the United States.

Cost of sales were 73 percent of sales in the current fiscal year versus 76 percent a year ago. This improved cost level was due primarily to lower inventory levels and the use of the LIFO inventory valuation method which reduced costs by $14.4 million before taxes, or $1.13 per share after taxes, in the nine months ended March 31, 1994 and $11.0 million before taxes, or $.88 per share after taxes, in the same period a year ago.

Earnings for the nine month period ending March 31, 1994, were adversely affected by a one-time charge of $1.4 million, or $.19 per share in the September 1993 quarter, to increase deferred tax liabilities for a change in the corporate income tax rate in August 1993.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

There are no material pending legal proceedings to which the Company is a party or of which its property is subject. There are no material proceedings to which any Director, Officer, or affiliate of the Company, or any owner of more than five percent of any class of voting securities of the Company, or any associate of any Director, Officer, affiliate, or security holder of the Company, is a party or has a material interest adverse to the Company's interest. There are no material proceedings with environmental issues which involve a claim for damages, potential sanctions or capital expenditures exceeding ten percent of the current assets of the Company or which involve potential monetary sanctions in excess of $100,000.

Item 2. Changes in Securities.

a. There has been no material modification of any class of registered securities, except for a Prospectus Supplement dated January 12, 1994 with respect to the registration statement on Form S-3 (Registration No. 33-51613) filed on December 21, 1993 with respect to the issuance of up to $100,000,000 of unsecured Medium Term Notes which registration statement became effective on January 6, 1994.

b. The Company's financing arrangements, including the provisions of a certain Credit Agreement dated January 18, 1994 in the principal amount of $125,000,000, contain restrictions which, among other things, limit the aggregate amount of the Company's dividends.

Item 5. Other Information.

On March 1, 1994, the Company redeemed the full outstanding balance of its 12-7/8% Debentures due 2014 ("Debentures") in the principal amount of $55.3 million. The redemption price was at a premium over par equal to $1,061.62 per $1,000 of principal amount of the Debentures plus accrued and unpaid interest. The redemption resulted in an extraordinary charge of $2.0 million after taxes ($.25 per share). The redemption was made to reduce future interest costs.

Item 6. Exhibits and Reports on Form 8-K.

a. The following document is filed as an exhibit:

11. Statement regarding computation of per share earnings.

b. The Company filed no Reports on Form 8-K for events occurring during the quarter of the fiscal year covered by this report.

Items 3 and 4 are omitted as the answers are negative or the items are not applicable.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CARPENTER TECHNOLOGY CORPORATION
(Registrant)

Date: May 12, 1994 s/G. Walton Cottrell

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

EXHIBIT INDEX

Exhibit No.	Title	Page
11	Statement regarding computation of per share earnings	E-2 & E-3

CARPENTER TECHNOLOGY CORPORATION AND SUBSIDIARIES Exhibit 11

EARNINGS PER COMMON SHARE COMPUTATIONS

For the Three and Nine Months Ended March 31, 1994 and 1993

	Three Months		Nine Months	
	1994	1993	1994	1993
	(in thousands, except per share data)			
Net Income (Loss) for Primary Earnings Per Common Share				
Income before extraordinary charge and cumulative effect of changes in accounting principles	$ 12,825	$ 10,202	$ 22,957	$ 14,768
Dividends accrued on convertible preferred stock, net of income taxes	(388)	(406)	(1,207)	(1,223)
Income for primary earnings per common share before extraordinary charge and cumulative effect of changes in accounting principles	12,437	9,796	21,750	13,545
Extraordinary charge, net of of income taxes	(2,039)	-	(2,039)	-
Cumulative effect of changes in accounting principles, net of income taxes	-	-	-	(74,676)
Net income (loss) for primary earnings per common share	$ 10,398	$ 9,796	$ 19,711	$(61,131)
Weighted Average Common Shares				
Weighted average number of common shares outstanding	8,047	7,956	8,011	8,023
Effect of shares issuable under the stock option plans	54	7	39	2
Weighted average common shares	8,101	7,963	8,050	8,025
Primary Earnings (Loss) Per Common Share				
Primary earnings per common share before extraordinary charge and cumulative effect of changes in accounting principles	$ 1.54	$ 1.22	$ 2.70	$ 1.69
Extraordinary charge	(.25)	-	(.25)	-
Cumulative effect of changes in accounting principles	-	-	-	(9.32)
Primary earnings (loss) per common share	$ 1.29	$ 1.22	$ 2.45	$ (7.63)

Primary loss per common share for the cumulative effect of changes in accounting principles of $(9.32) is computed using the weighted average common shares outstanding for the year ended June 30, 1993 of 8,009. The result is not materially different from using the weighted average shares for the nine months ended March 31, 1993.

CARPENTER TECHNOLOGY CORPORATION AND SUBSIDIARIES Exhibit 11

EARNINGS PER COMMON SHARE COMPUTATIONS

For the Three and Nine Months Ended March 31, 1994 and 1993

	Three Months		Nine Months	
	1994	1993	1994	1993
	(in thousands, except per share data)			
Net Income (Loss) for Fully Diluted Earnings Per Common Share				
Income before extraordinary charge				

and cumulative effect of changes in accounting principles	$ 12,825	$ 10,202	$ 22,957	$ 14,768
Shortfall between common and preferred dividend	(128)	(193)	(525)	(589)
Income for fully diluted earnings per common share before extraordinary charge and cumulative effect of changes in accounting principles	12,697	10,009	22,432	14,179
Extraordinary charge, net of income taxes	(2,039)	-	(2,039)	-
Cumulative effect of changes in accounting principles, net of income taxes	-	-	-	(74,676)
Net income (loss) for fully diluted earnings per common share	$ 10,658	$ 10,009	$ 20,393	$(60,497)
Weighted Average Common Shares				
Weighted average number of common shares outstanding	8,047	7,956	8,011	8,023
Conversion of preferred shares	461	461	461	461
Effect of shares issuable under the stock option plans	63	7	66	2
Weighted average common shares	8,571	8,424	8,538	8,486
Fully Diluted Earnings (Loss) Per Common Share				
Fully diluted earnings per common share before extraordinary charge and cumulative effects of changes in accounting principles	$ 1.49	$ 1.19	$ 2.63	$ 1.67
Extraordinary charge	(.24)	-	(.24)	-
Cumulative effect of changes in accounting principles	-	-	-	(8.80)
Fully diluted earnings (loss) per common share	$ 1.25	$ 1.19	$ 2.39	$ (7.13)

Fully diluted loss per common share for the cumulative effect of changes in accounting principles of $(8.80) is computed using the weighted average common shares outstanding for the year ended June 30, 1993 of 8,009. The result is not materially different from using the weighted average shares for the nine months ended March 31, 1993.